

# Contributions

The Saskatchewan Pension Plan Newsletter

## Market commentary

(for the quarter ending June 30, 2010)

Financial markets were volatile during the second quarter. Volatility was fueled largely by the sovereign debt risk with Greece in the spotlight. However, the problem is not limited to Greece and large deficits and high debt continue to be of concern in Europe, the UK, Japan and the United States. These factors left equity markets investors with the jitters and reduced concerns about inflation and rising interest rates.

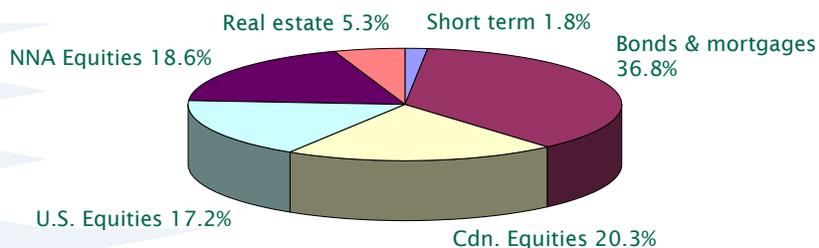
Canada's strong banking system and fiscal responsibility have left the economy positioned to grow relative to other G8 countries. However, the Canadian stock market was not immune from the global reduction in equity values experienced during the second quarter. The table on the right lists the index and SPP balanced fund (BF) returns to date for 2010.

The Canadian equity market suffered during the second quarter as investors became more cautious about the economic growth outlook for 2010 and 2011. Six out of ten sectors finished in negative territory. The Materials sector led the way primarily due to gold prices which hit \$1,260 US/ounce.

All sectors in the U.S. equity market were in negative during the quarter. The quarter's theme of weak equity markets extended to non North American equities with Europe being the worst performer.

The Bank of Canada increased its rate to 0.5 per cent in June and the Canadian dollar hit parity in April, dropping back to \$0.94 by the end of June. With inflation expectations coming down as economies slow and North American central monetary authorities delaying or reducing any interest rate increases, yields on bonds are reaching new lows.

**Balanced fund portfolio  
at June 30, 2010**



Asset class	YTD Index return (%)	YTD SPP BF return (%)
Canadian Equities S&P/TSX Capped Composite Index	-2.5	-2.7
U.S. Equities S&P 500 Index (C\$)	-5.4	-5.7
NNA Equities MSCI EAFE Index (C\$)	-12.1	-7.8
Bonds DEX Universe Bond Index	4.2	5.1
Real estate Investment Property Databank	3.2	2.5

The real estate market stabilized during the first half of the year after a rough 2009.

The total fund year-to-date return before administration expenses was -1.1 per cent while the benchmark return for the same period was -1.9 per cent.

After administration expenses the balanced fund (BF) and short-term fund (STF) returns were -1.7 and 0.0 per cent, respectively.

The BF portfolio composition is illustrated in the chart below. The STF portfolio contains only money market investments.

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