

Contributions

The Saskatchewan Pension Plan Newsletter

Market commentary

(for the quarter ending September 30, 2010)

Capital markets rallied in the quarter as investor sentiment turned positive on improving global economic results and the Federal Reserve Bank's commitment to accommodative monetary policies. Worries that plagued investment markets during the first half of the year have subsided somewhat and, with the exception of Non North American equities, year-to-date returns are in positive territory again. It is anticipated that economic growth in OECD countries will be weak well through 2011. Even though most financial experts now agree there will not be a double dip recession, the recovery from the last recession continues to be slow and governments are focussed on their own national interests.

There continues to be concern in the U.S. markets with continued high unemployment and personal debt issues still fuelled by the mortgage crisis of 2008. It took a long time for the housing crisis to develop in the U.S. and it is evident that it will take some time for the situation to resolve. The table on the right lists the index and SPP balanced fund (BF) returns to date for 2010.

The Canadian equity market gained strength during the third quarter. The increase in the TSX was broadly based with nine of ten sectors producing solid gains. Information technology was the single negative sector while Materials led the market rising 18.2 per cent due primarily to the takeover bid for Potash Corporation.

The S & P 500 Index had its best September since 1939. In Canadian dollar terms, 21 out of 22 EAFE countries had positive returns for the quarter. Emerging markets outperformed developed markets.

The Bank of Canada rate increased to 1.0 per cent during the quarter and the Canadian dollar fluctuated between 0.939 and 0.974 from July to September. Real estate is benefitting from the positive financing environment.

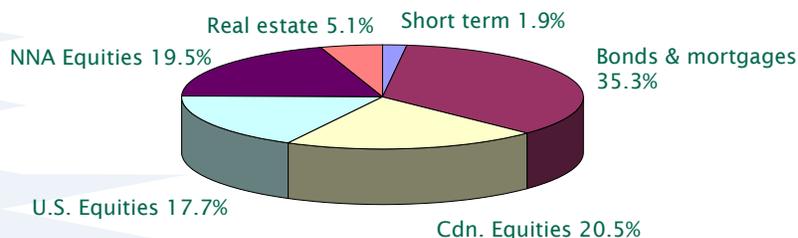
Asset class	YTD Index return (%)	YTD SPP BF return (%)
Canadian Equities S&P/TSX Capped Composite Index	7.5	7.5
U.S. Equities S&P 500 Index (C\$)	1.7	1.6
NNA Equities MSCI EAFE Index (C\$)	-1.1	2.9
Bonds DEX Universe Bond Index	7.5	8.7
Real estate Investment Property Databank	5.9	4.5

The total fund year-to-date return before administration expenses was 5.8 per cent while the benchmark return for the same period was 4.8 per cent.

After administration expenses the balanced fund (BF) and short-term fund (STF) year-to-date returns were 4.9 and 0.0 per cent, respectively.

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

Balanced fund portfolio at September 30, 2010



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