



May 2011

Investment update

as at March 31, 2011

Markets started the quarter strong however the disaster in Japan made investors nervous in March. The panic selling in response to events in Japan was short lived as investors realized the resiliency and capable planning of the Japanese people. It is widely believed that the rebuilding process in Japan will actually stimulate the economy and result in increased demand for commodities.

Oil markets were affected by unrest in the Middle East. While some analysts believe the global economy can support the current increase in oil prices, there is concern that prolonged unrest in more oil producing countries could result in a sudden surge in oil prices and negatively impact the global recovery.

The North American economic recovery gained momentum in the first quarter. Manufacturing and transportation continue to lead the economy. U.S. retail sales grew by nine per cent over the past year, the strongest level of growth in the past decade. There were early signs of a recovery in employment markets, with the U.S. unemployment rate falling a full percentage point over the past four months.

SPP portfolio at March 31, 2011			
	Balanced fund return*	Benchmark	Short- term fund return*
Short term	0.3%	0.3%	0.3%
Bonds & mortgages	0.2%	-0.3%	n/a
Cdn. equities	6.4%	5.6%	n/a
U.S. equities	2.7%	3.7%	n/a
Non-North American equities	0.1%	1.2%	n/a
Cdn. Real estate	2.2%	2.0%	n/a

*Gross return before administration expenses

Top 10 balanced fund holdings

	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Toronto Dominion Bank	6.8	3M	3.5	Cash	2.7
2	Bank Nova Scotia	5.3	Pfizer	3.5	Total	2.3
3	Canadian Natural Resources	5.0	Markel	2.8	HSBC Holdings	2.3
4	Talisman Energy	4.4	Microsoft	2.7	Novartis Ag	1.7
5	Saputo	4.4	Apache	2.6	Adidas AG	1.6
6	Leith Wheeler Special Canadian Equity Fund	3.6	Tidewater	2.7	Nestle	1.5
7	Toromont Industries	3.5	Walgreen	2.3	Canon	1.4
8	Manulife Financial of Canada	2.8	Johnson & Johnson	2.2	Royal Dutch Shell	1.4
9	National Bank of Canada	2.8	Wells Fargo	2.1	Samsung Electronics	1.4
10	Royal Bank	2.8	Intel	2.1	Banco Santander	1.3

Canadian equities had a strong quarter with eight sectors yielding positive returns. Healthcare and Financials were the top performers while Consumer Discretionary and Materials had a negative return for the quarter. Eight of the ten sectors in the U.S. equity market also had positive returns with Energy leading the way and Consumer Staples and Utilities being the weakest sectors. In Canadian dollar terms, 17 out of 22 countries in the EAFE Index had positive returns.

Canadian bonds fell 0.3 per cent during the quarter. The Bank of Canada maintained its overnight rate at 1 per cent during the quarter and the U.S. Federal Reserve maintained its key interest rate at a target rate of 0 to 0.25 per cent. The Canadian dollar gained 2.8 per cent to end the quarter at \$1.03.

The return in the balanced fund for the quarter ending March 31, 2011 was 1.65 per cent after administration expenses. The return in the short-term fund for the same period after administration expenses was 0.1 per cent. The chart above shows the top 10 holdings in the BF for the first quarter while the table on the left compares the return for each asset class before administration expenses to the Benchmark return for the fund. ♦