



CONTRIBUTIONS

August 2011

Investment update (as at June 30, 2011)

Market volatility investors experienced in 2010 continued into the second quarter of 2011. Investors reacted to signs of an economic slowdown and continued concerns about sovereign debt. By quarter end the threat of immediate default in Greece was diminished by the austerity package that was introduced. However there are continuing concerns regarding similar problems in other European Union countries. Both the Canadian and U.S. equity markets lost ground in the second quarter. News for bondholders was a bit more positive as interest rates fell and government bond prices rose.

The S&P/TSX Composite Index return decreased 5.1 per cent in the second quarter although six of the ten sectors finished the period with positive returns. Telecom Services and Health Care were the top performing sectors while Information Technology and Energy were the worst performing sectors. SPP's Canadian equity portfolio return was down 3.2 per cent in the quarter but returned 2.9 per cent year-to-date (YTD).

The S&P 500 Index rose 0.1 per cent in US\$ but the return decreased to -0.7 per cent in C\$ as the dollar continued to rally against U.S. currency. In Canadian dollar terms, five of the ten sectors had positive returns. Health Care was the strongest performer with Financials and Energy the weakest performing sectors. SPP's U.S. equity portfolio returned -1.4 per cent in the quarter and 1.3 per cent YTD.

SPP portfolio
at June 30, 2011

	Balanced fund return*	Benchmark	Short-term fund return*
Short term	0.5%	0.5%	0.5%
Bonds & mortgages	2.8%	2.2%	n/a
Cdn. equities	2.9%	0.2%	n/a
U.S. equities	1.3%	3.0%	n/a
Non-North American equities	1.0%	2.0%	n/a
Cdn. Real estate	4.8%	5.1%	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	6.6	3M	3.7	HSBC Holdings	2.3
2	Bank Nova Scotia	5.3	Pfizer	3.3	Cash	2.2
3	Canadian Natural Resources	4.7	Johnson & Johnson	2.7	Novartis Ag	1.9
4	Saputo	4.4	Intel Microsoft	2.5	Total	1.9
5	Talisman Energy	3.8	Markel	2.4	Adidas AG	1.9
6	National Bank of Canada	3.1	Walgreen	2.3	Nestle	1.7
7	Manulife Financial of Canada	3.0	Proctor & Gamble	2.1	BMW	1.7
8	CAE	2.9	Apple	2.1	Royal Dutch Shell	1.6
9	Royal Bank	2.6	Chevron	2.1	Canon	1.5
10	Suncor Energy	2.5	Apache	2.0	Tesco	1.4

The MSCI EAFE Index (Non-North American Equities) returned -0.8 per cent in local currency terms, increasing to 0.8 per cent in Canadian dollar terms. The Canadian dollar depreciated against nine of the twelve currencies in the Index, decreasing the most against the Swiss franc and the New Zealand dollar. SPP's Non-North American portfolio returned 0.9 per cent in the quarter and 1.0 per cent YTD.

The Canadian bond market, as measured by the DEX Universe Bond Index, returned 2.5 per cent in the quarter. The Bank of Canada maintained its overnight rate at 1 per cent during the quarter. The Canadian dollar gained 0.54 per cent to end the quarter at \$1.04. The U.S. Reserve maintained its key interest rate at a target range of 0 per cent to 0.25 per cent. SPP's bond and mortgage portfolio returned 2.6 per cent for the quarter and 2.8 per cent YTD.

The Investment Property Databank, the Canadian Real Estate Index, returned 2 per cent for the quarter. SPP's real estate portfolio returned 2.5 per cent for the quarter and 4.8 per cent YTD.

The YTD return in the balanced fund is 1.62 per cent after administration expenses. The return in the short-term fund for the same period after administration expenses was 0.27 per cent. The chart above shows the top 10 holdings in the BF at the end of the second quarter while the table on the left compares the return for each asset class before administration expenses to the Benchmark return for the fund.