



# CONTRIBUTIONS

January 2012

## Investment update (as at December 31, 2011)

Volatility sums up market performance for the fourth quarter and in fact the entire year that was 2011. The European debt crisis and continued concerns about the economic recovery in the U.S. top the list of investor concerns. The seemingly endless rollercoaster with respect to these issues has marred investor confidence. As one writer put it, “markets moved from optimistic to pessimistic in a heartbeat”.

Canada’s economic picture remains strong however our commodity-dependent economy will feel the effect of slowed growth in the U.S. and global economies. The high levels of personal debt are cause for future concern when borrowing rates rise.

The S&P/TSX Composite Index lost 8.7 per cent during the year. Health Care and Telecommunications were the top performing sectors while Information Technology was the weakest.

U.S. equities returned 4.6 per cent in Canadian dollar (C\$) terms in 2011 with seven of the ten sectors in positive territory. Utilities and Consumer Staples experiences the strongest performance while Financials and Materials were the weakest sectors. The MSCI EAFE Index returned -10.0 per cent in C\$ terms as the dollar appreciated against eight of the twelve currencies in the Index. In C\$ terms only two of the twenty-two countries in the EAFE Index had positive returns with Ireland leading the way. Not surprisingly, Greece had the lowest return at -61.9 per cent. Developed markets outperformed emerging markets.

## Top 10 balanced fund holdings

	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Toronto Dominion Bank	7.0	Pfizer	3.6	Cash	2.6
2	Canadian Natural Resources	5.4	Markel	3.0	HSBC	2.4
3	Bank of Nova Scotia	5.3	Johnson & Johnson	2.8	Novartis Ag	2.4
4	Canadian National Railway	3.9	Intel	2.7	Adidas	2.2
5	Saputo	3.8	Apple	2.6	Canon	2.2
6	Transcanada	3.3	Proctor & Gamble	2.6	Samsung Electr.	2.1
7	National Bank of Canada	3.1	3M	2.4	Tesco	2.0
8	Teck Resources	2.7	Wells Fargo	2.3	Nestle	1.9
9	CAE	2.6	Chevron	2.2	BMW	1.7
10	Toromont Industries	2.6	Merck	2.1	Royal Dutch Shell	1.6

The Canadian bond market returned 9.7 per cent during 2011. The Bank of Canada maintained its overnight rate at one percent during the quarter and the U.S. Federal Reserve maintained its key interest rate at a target range of 0 to 0.25 per cent.

SPP’s balanced fund returned -1.0 per cent after administration costs while the short-term fund return, after administration costs, was 0.6 per cent for the year.

The top ten holdings, portfolio composition and returns are summarized in the accompanying tables.

SPP portfolio at December 31, 2011			
	Balanced fund return*	Benchmark	Short-term fund return*
Short term	1.1%	1.0%	1.1%
Bonds & mortgages	9.8%	9.8%	n/a
Cdn. equities	-9.4%	-8.7%	n/a
U.S. equities	1.2%	4.6%	n/a
Non-North American equities	-11.4%	-10.0%	n/a
Cdn. Real estate	13.7%	10.6%	n/a

\*Gross return before administration expenses

## Balanced fund portfolio at December 31, 2011

