



November 2012

## Investment update (as at September 30, 2012)

Perhaps the biggest news in the quarter was the lack of news out of Europe, which was very quiet through the summer vacation period. However, the problems in Europe continued to slowly spread to other countries. Despite this, stock markets generated good returns in the third quarter. The U.S. Federal Reserve anticipates low rate levels through mid-2015 and it is expected other central banks will follow suit and continue to provide stimulus in this manner. The true test of success is whether the latest actions will translate into economic growth and job creation.

The main concern for investors should be China because it is contributing the most to global growth. The potential for a significant correction in the Chinese economy poses the greatest threat to the global economy.

The U.S. election will be a continuing topic into Q4. Its impact will occur over a long time frame as variations in policy have implications for long-term economic growth.

Reported CPI in Canada was 1.2 per cent for August, consistent with inflation levels globally.

The S&P/TSX Composite returned seven per cent in the quarter with Materials and Energy leading the way as the best performing sectors. The S&P 500 Index generated 2.6 per cent in Canadian dollar terms during the third quarter with Energy and Telecommunications leading performance in this asset class. The

	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Toronto Dominion Bank	7.5	Markel	5.4	Novartis	4.1
2	Bank of Nova Scotia	5.4	Johnson & Johnson	5.0	HSBC	2.6
3	Canadian National Railway	4.2	Wells Fargo	4.9	Royal Dutch Shell	2.4
4	Saputo	3.7	3M	4.6	Samsung	2.2
5	TransCanada	3.4	Procter & Gamble	4.5	Adidas	2.2
6	National Bank of Canada	3.0	Merck	4.2	Total	2.2
7	Royal Bank of Canada	3.0	Pfizer	4.1	Nestle	2.2
8	Suncor Energy	2.6	Microsoft	3.9	Tesco	1.9
9	Canadian Tire	2.6	Berkshire Hathaway	3.5	CRH	1.9
10	CAE	2.6	Walgreen	3.5	Carnival	1.8

MSCI EAFE delivered a 3.2 per cent return in Canadian dollar terms. Top performing countries were New Zealand and Germany. The Canadian bond market as measured by the DEX Universe Bond Index provided a 1.2 per cent return over the last quarter.

SPP's balanced fund returned 6.1 per cent after administration costs while the short-term fund return, after administration costs, was 0.4 per cent for the first nine months of the year.

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

SPP acknowledges the assistance of Greystone Managed Investments Inc. and Aon Hewitt Inc. in the preparation of this Quarterly Update.

	Balanced fund return*	Benchmark	Short-term fund return*
Short term	0.8%	0.7%	0.8%
Bonds & mortgages	3.8%	3.3%	n/a
Cdn. equities	7.8%	5.4%	n/a
U.S. equities	10.9%	12.5%	n/a
Non-North American equities	8.1%	6.4%	n/a
Cdn. Real estate	9.5%	7.4%	n/a

\*Gross return before administration expenses

