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February 2014

## Investment update (as at December 31, 2013)

Looking back, 2013 turned out to be an exceptional year for equity markets, which drove strong investment returns for our members. The U.S. led equity market returns, boosted by the depreciation in the Canadian dollar, while returns in Canadian equities were impacted by slower global growth.

The S&P/TSX Composite Index gained 13.0 per cent in 2013. All sectors were positive with the exception of Utilities and Materials. SPP's Canadian equity portfolio returned 22.4 per cent. Over the year value stocks outperformed growth stocks and large cap stocks outperformed small cap stocks in the year.

The S&P 500 Index returned 32.4 per cent in US\$ in 2013 with the return increasing to 41.3 per cent in C\$ as the Canadian dollar depreciated over the period. Every sector in the market rose by double digits, led by Consumer Discretionary, Health Care and Industrials. The three worst performing sectors were Energy, Utilities and Telecommunication Services. SPP's U.S. equity portfolio returned 42.3 per cent in C\$. Growth stocks outperformed value stocks and small cap stocks outperformed large cap stocks in the year.

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 31 per cent (C\$). The top sectors were Telecommunication Services, Consumer Discretionary and Health Care while the bottom sectors were Consumer Staples, Energy and Materials. SPP's non-North American (NNA) equity portfolio returned 26.4 per cent.

The DEX Universe Bond Index, which measures the Canadian Bond market returns, lost 1.2 per cent in the year. The money market

Top 10 balanced fund holdings						
	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	TD Bank	7.8	Wells Fargo & Co.	4.1	Novartis	2.8
2	Royal Bank of Canada	7.0	Markel	3.1	Nestle	2.2
3	Bank of Nova Scotia	7.0	Pfizer	2.7	Adidas	1.8
4	Canadian National Rwy.	5.6	3M	2.5	BG Group	1.8
5	Manulife Financial	4.5	Apache	2.4	Holcim Ltd. Jona	1.6
6	Saputo	2.7	Gannett	2.3	Carnival	1.6
7	Canadian Tire	2.5	Microsoft	2.3	Sembcorp Ind.	1.6
8	Canadian Natural Res.	2.4	Procter & Gamble	2.1	Toyota Motor	1.6
9	Toromont Industries	2.3	Apple	2.0	Credit Suisse	1.5
10	Suncor Energy	2.2	Berkshire Hathaway	1.9	HSBC Holdings	1.5

continues its pattern of low returns as the Bank of Canada left the Bank Rate unchanged. The corporate sector was the best performer in the year with real return bonds suffering large negative returns. SPP's Fixed Income portfolio returned -0.7 per cent.

The market value of the BF increased from \$218.2 M at the beginning of 2013 to \$266.0 M at the end of 2013. This represents a return of 15.8 per cent after administration costs. The chart below shows the BF mix at December 31, 2013. The short-term fund return, after administration costs, was 0.7 per cent for the year.

SPP acknowledges the assistance of Aon Hewitt Inc. in the preparation of this update.

SPP portfolio at December 31, 2013			
	Balanced fund return*	Benchmark return	Short-term fund return*
Short-term	1.1%	1.0%	1.1%
Bonds	-0.7%	-1.2%	n/a
Cdn. equities	22.4%	13.0%	n/a
U.S. equities	42.3%	41.3%	n/a
Non-North American equities	26.4%	31.0%	n/a

\*Gross return before administration expenses



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