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May 2014

Investment update (as at March 31, 2014)

Equity class returns were strong during the first quarter which led to attractive gains for investors. The Canadian stock market led the way as the Materials sector rebounded. The S&P 500 reached new highs as economic growth in the U.S. continued its recovery. The EAFE index was not far behind. Bond yields retraced some of their 2013 increases in January.

The three main drivers of the Canadian economy have been exports, consumer demand and the housing market. The housing market is showing signs of a slowdown and the level of household debt to disposable income is at historically high levels. Accordingly, these two factors are not expected to contribute to economic growth to the same degree going forward. The economy is now more dependent on global economic growth and exports.

Tensions in Russia have thus far been limited to that country's financial markets however there is concern its effect could spill over into European markets.

The bond market posted positive returns for the quarter. Performance was directly proportional to maturity, with longer maturities outperforming shorter maturities. The Bank of Canada reacted to this by signalling to the market that the Bank would be prepared to further reduce interest rates if required. This contributed to the recent devaluation of the Canadian dollar versus

Top 10 balanced fund holdings						
	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	TD Bank	7.4	Wells Fargo & Co.	4.5	Cash	2.2
2	Royal Bank of Canada	6.6	Markel	3.4	Novartis	2.0
3	Bank of Nova Scotia	6.3	Pfizer	2.7	Nestle	1.9
4	Canadian National Rwy.	5.2	Apache	2.5	Holcim Ltd, Jona	1.8
5	Canadian Natural Res.	4.3	Microsoft	2.3	BHP Billiton PLC	1.8
6	Manulife Financial	4.1	3M	2.2	Sembcorp	1.7
7	Tourmaline Oil	3.6	Gannett	2.2	BG Group	1.6
8	Saputo	3.0	Procter & Gamble	2.1	Carnival	1.5
9	Encana	2.8	Johnson & Johnson	2.0	Credit Suisse	1.5
10	Canadian Tire	2.4	Berkshire Hathaway	2.0	Adidas	1.5

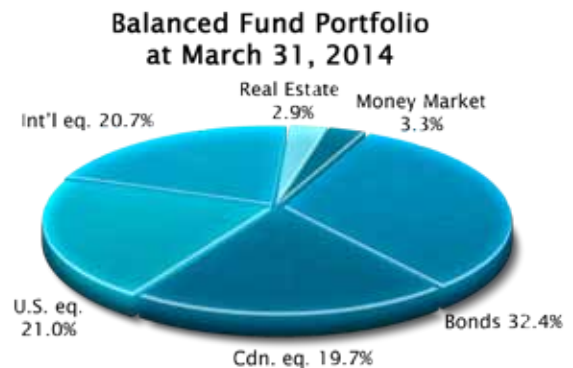
the U.S. dollar, hitting a low of US\$0.89 during the quarter and making Canadian exports more competitive in the U.S.

SPP's balanced fund returned 3.81 per cent after administration costs while the short-term fund return, after administration costs, was 0.11 per cent for the first quarter. The top ten holdings, portfolio composition and returns are summarized in the accompanying tables.

SPP acknowledges the assistance of Greystone Managed Investments, Leith Wheeler Investment Counsel and Aon Hewitt Inc. in the preparation of this Quarterly Update.

SPP portfolio at March 31, 2014			
	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	0.3%	0.2%	0.3%
Bonds	2.8%	2.8%	n/a
Cdn. equities	5.5%	6.1%	n/a
U.S. equities	6.5%	5.8%	n/a
Non-North American equities	3.4%	4.6%	n/a
Real estate	1.4%	1.5%	n/a

*Gross return before administration expenses



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