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July 2016

Investment update (as at June 30, 2016)

Global equities rebounded somewhat after a volatile first quarter. The markets were surprised by the results of the United Kingdom's (UK) referendum vote to leave the European Union (EU) and initially fell quite sharply. Equity markets recovered quickly on speculation over easing monetary policy globally. Central Banks responded to the market's negative reaction and have maintained their accommodative monetary policies. The Balanced Fund (BF) had a rocky start in 2016 with a negative return in the first quarter. The second quarter returns were positive resulting in a year to date (YTD) return of -0.60 per cent after administration expenses. The short term fund YTD return for the same period was 0.30 per cent.

The S&P/TSX Composite Index (Canadian equities) returned 5.1 per cent in the quarter. Four of the 10 sectors posted negative results. The best performing sectors were Materials, Energy and Utilities. Healthcare continued to be the worst performing sector. Value stocks outperformed growth stocks.

U.S equity returns as measured by the S&P 500 gained 2.9 per cent (C$), aided by the weakening Canadian dollar. Information Technology and Consumer Discretionary were the only sectors to produce negative results. The top performing sectors were Energy and Telecommunications.

The MSCI EAFE Index (non-North American equities) fell a further 1.1 per cent in the quarter (C$). Continental European equities fell under the pressure of the UK leaving the EU posing a risk to the political and economic stability of the wider European region. European bank share prices were hit particularly hard. Continental European currencies weakened, pushing down the return in Canadian dollar terms. The worst performing sectors were Consumer Discretionary and Financials while best performing sectors were Energy and Healthcare.

The FTSE TMX Universe Bond Index rose 2.6 per cent in the quarter. Bond market returns were positive across all sectors with Provincial bonds outperforming Corporate and Federal bonds. The Canadian dollar depreciated marginally during the quarter.

The REALpac/IPD Canada Property Index (Real Estate) increased 1.3 per cent in the quarter.

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

Top 10 Balanced Fund (BF) holdings

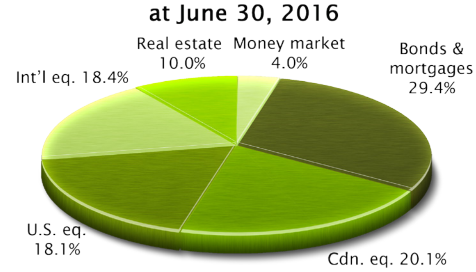
	Canadian Equities	% of Port-folio	U.S. Equities	% of Port-folio	Non-North American Equities	% of Port-folio
1	Royal Bank of Canada	7.1	Chevron	2.5	Cash	3.3
2	TD Bank	6.7	Microsoft	2.4	Total	2.5
3	Bank of Nova Scotia	4.9	Apple	2.3	Novartis	2.0
4	Manulife Financial	4.2	Altria	2.2	Nitori Holdings	1.8
5	Canadian National Rwy.	3.8	JPMorgan Chase	2.2	Nippon T & T	1.7
6	Brookfield Asset Mgmt.	3.6	UnitedHealth Group	2.0	Shire	1.7
7	Cdn. Natural Res.	3.3	Verizon	2.0	BMW	1.7
8	Saputo	2.6	Wells Fargo	2.0	Securitas	1.7
9	Goldcorp	2.5	Citigroup	2.0	Sugi Holdings	1.6
10	Waste Connections	2.4	Honeywell	2.0	Roche	1.6

SPP portfolio year-to-date return at June 30, 2016

	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	0.3%	0.3%	0.3%
Bonds & mortgages	4.3%	4.0%	n/a
Cdn. equities	6.5%	9.8%	n/a
U.S. equities	-5.1%	-2.9%	n/a
Non-North American equities	-8.2%	-10.6%	n/a
Real estate	2.3%	2.4%	n/a

*Gross return before administration expenses

Balanced fund portfolio at June 30, 2016



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