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Trust help future years of saving freedom Increase
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February 2017

Investment update

(for quarter ending December 31, 2016)

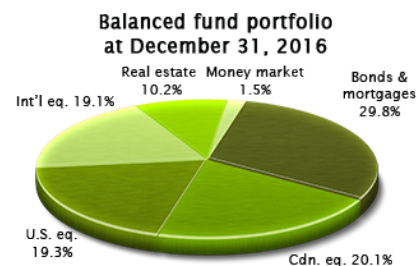
Capital markets ended 2016 on an optimistic note. Equity markets globally closed the year at or near recent highs, yields on government bonds were rising, and energy and industrial metal prices continued to recover. U.S. Federal Reserve raised rates in December by 0.25 per cent. Further rate hikes are expected in 2017. The Bank of Canada maintained the overnight rate at 0.5 per cent. The Canadian dollar remained stable versus the U.S. dollar. The S&P/TSX Composite Index returned 21.1 per cent in 2016. All sectors posted positive returns except for Healthcare in the year. The best performing sectors were Materials, Energy and Financials. SPP's Canadian equity portfolio returned 21 per cent in the year. The S&P 500 Index (C\$) returned 8.1 per cent in the year. The best performing sectors were Energy, Telecommunications and Financials. The decline of the Canadian dollar versus the U.S. dollar added value to the SPP portfolio. SPP's U.S. equity portfolio returned 8.5 per cent in C\$. The MSCI EAFE Index (C\$), returned -2.5 per cent in Canadian dollar terms. Energy, Materials and Industrials were the only sectors to generate positive returns over the year. SPP's non-North American (NNA) equity portfolio returned 2.7 per cent. The FTSE TMX Universe Bond Index, which measures the Canadian Bond market returns, gained 1.7 per cent in the year. Long duration bonds underperformed medium and short duration bonds during the year. SPP's Fixed Income portfolio returned 2.5 per cent.

Top 10 Balanced Fund (BF) holdings						
	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Royal Bank of Canada	7.3	JPMorgan Chase	2.7	Total	2.9
2	TD Bank	7.3	Apple	2.6	BMW	1.9
3	Bank of Nova Scotia	6.2	Citigroup	2.6	AXA	1.7
4	Canadian National Rly.	4.2	Chevron	2.6	DNB	1.6
5	Manulife Financial	3.6	Microsoft	2.4	Statoil	1.5
6	Brookfield Asset Mgmt.	3.4	Wells Fargo	2.1	Deutsche Post	1.5
7	Waste Connections	3.3	UnitedHealth Group	1.8	Cash	1.5
8	Saputo	2.8	Altria	1.7	Henkel	1.5
9	Brookfield Infra.Ptnrs.	2.5	Halliburton	1.7	Valeo	1.5
10	Seven Generations	2.4	Verizon	1.7	Royal Dutch Shell	1.5

The Investment Property Databank Index, rose 5.1 per cent in the year. In 2016 strong performance is attributed to the significant capital appreciation of the assets in British Columbia and continued strength in the multi-unit residential portfolio. SPP's Real Estate portfolio returned 7.7 per cent in the year. The market value of the BF increased from \$336 M at the beginning of 2016 to \$368.8 M at the end of 2016. This represents a return of 6.5 per cent after administration costs. The short-term fund return, after administration expenses, was 0.5 per cent. The chart below shows the BF asset mix at December 31, 2016.

SPP portfolio year-to-date return at December 31, 2016			
	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	0.6%	0.5%	0.6%
Bonds & mortgages	2.5%	1.7%	n/a
Cdn. equities	21.0%	21.1%	n/a
U.S. equities	8.5%	8.1%	n/a
Non-North American equities	2.7%	-2.5%	n/a
Real estate	7.7%	5.1%	n/a

*Gross return before administration expenses



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

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