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July 2017

Investment update (for quarter ending June 30, 2017)

Global interest rate expectations fell to start the quarter in response to weaker than expected economic data out of the United States. Comments from Central banks in Canada, European and England reversed low rate expectations and yields in June resulting in higher rates at quarter end.

Canadian equities underperformed U.S. and international markets over the quarter as oil prices fell. U.S. stocks have continued to make all-time highs posting positive returns for seven consecutive quarters. Elsewhere, emerging markets have continued to perform well, particularly in Asia.

The Balanced Fund (BF) second quarter returns were positive, with a year to date (YTD) return of 4.0 per cent after administration expenses. The short term fund YTD for the same period was 0.30 per cent.

The S&P/TSX Composite Index (Canadian equities) returned -1.6 per cent in the quarter and 0.7 per cent YTD. Eight of the 11 sectors posted a positive return in the quarter. The index declined primarily due to the performance of the energy, materials and financials sectors. Large cap stocks outperformed small cap and growth stocks outperformed value stocks in the quarter.

U.S. equity returns as measured by the S&P 500 gained 0.4 per cent (C\$) in the quarter, 5.9 per cent YTD. Nine of the 11 sectors delivered a positive return in the quarter. Large cap stocks outperformed small and mid cap stocks, and growth stocks outperformed value stocks.

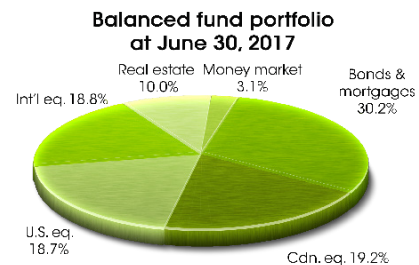
The MSCI EAFE Index (non-North American equities) gained 3.3 per cent in the quarter (C\$) and 10.2 per cent YTD. The index outperformed most developed markets. The gain in emerging market stocks was primarily driven by the Asian region, as

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	Apple	2.7	Total	2.6
2	TD Bank	7.1	JPMorgan Chase	2.6	Banco Santander	2.0
3	Bank of Nova Scotia	6.5	Citigroup	2.5	BMW	1.8
4	CN Railway	4.8	Microsoft	2.4	Cash	1.7
5	Brookfield Asset Mgmt.	3.8	Chevron	2.2	Nidec Corp	1.6
6	Manulife Financial	3.5	UnitedHealth Group	2.0	DNB	1.6
7	Waste Connections	3.3	Merck	1.8	Distribuidora	1.6
8	Brookfield Infra.Ptr.	2.8	Wells Fargo	1.8	Deutsche Post	1.6
9	Toromont Industries	2.5	Medtronic	1.8	Roche	1.6
10	Saputo	2.4	Altria	1.7	Schweizerische	1.6

pockets of weakness in Latin America and Africa persist. The FTSE TMX Universe Bond Index rose 1.1 per cent in the quarter, 2.4 per cent YTD. Corporate bonds performed well relative to Government of Canada bonds as investors searched for yield. Investment grade credit and high yield spreads are near their post-crisis lows and are beginning to appear expensive. The REALpac/IPD Canada Property Index (Real Estate) increased 1.2 per cent in the quarter, 2.5 per cent YTD. The top ten holdings, portfolio composition and returns are summarized in the tables and charts accompanying this article.

SPP portfolio year-to-date return at June 30, 2017			
	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	0.4%	0.2%	0.4%
Bonds & mortgages	2.7%	2.4%	n/a
Cdn. equities	1.0%	0.7%	n/a
U.S. equities	6.4%	5.9%	n/a
Non-North American equities	9.9%	10.2%	n/a
Real estate	4.3%	2.5%	n/a

*Gross return before administration expenses



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