finances value comfort activities holidays *Confidence* **breathing room** growing satisfaction resources *balance* growth success retirement investor **working**

CONTRIBUTIONS

Trust help future **stepping stone** invest costs years of saving reliability freedom savings relax save security Increase *Low fees*

May 2018

Investment update (for quarter ending March 31, 2018)

After a period of strong investment returns and low volatility in 2017, the first quarter of 2018 proved significantly more turbulent. U.S. and other international equity markets fell sharply in January. The halt in the equity market uptrend was triggered by expectations of a pick-up in U.S. inflation, exacerbated by investors exiting short volatility positions and then later extended by growing fears over a possible trade war between the U.S. and China. The U.S. Reserve raised the federal funds rate target by 0.25 per cent in March, while also signaling more rate hikes on the horizon by strengthening its economic outlook. The Bank of Canada increased its benchmark interest rate by 0.25 per cent after keeping monetary policy unchanged in the previous quarter.

The S&P/TSX Composite Index fell 4.5 per cent in the quarter, dragged down by the Energy and Financials sectors. Escalating global trade tensions are putting pressure on Canadian equities. Information Technology and Real Estate were the only sectors with positive returns and the Financial, Healthcare and Energy sectors were the worst performing sectors in the quarter. Growth stocks slightly outperformed value stocks and large cap stocks outperformed small cap. The S&P 500 Index (CAD) returned 2.1 per cent in the quarter due to Canadian dollar depreciation relative to the U.S. dollar. Information Technology and Consumer Discretionary were the best performing sectors. Telecommunications and Consumer Staples were the weakest performing sectors in the quarter. In general, growth and smaller cap stocks outperformed in the quarter. The MSCI EAFE (CAD) Index rose 1.3 per cent during the quarter although the positive return was due to the depreciation of the Canadian dollar. Utilities and Information Technology sectors were the best performing sectors with Telecommunications and Materials being the worst performing.

SPP portfolio year-to-date return at March 31, 2018

	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	0.3%	0.3%	0.3%
Bonds & mortgages	0.3%	0.1%	n/a
Cdn. equities	-2.8%	-4.5%	n/a
U.S. equities	1.1%	2.1%	n/a
NNA equities	2.4%	1.3%	n/a
Real estate	2.1%	1.6%	n/a
Infrastructure	2.4%	2.9%	n/a

*Gross return before administration expenses

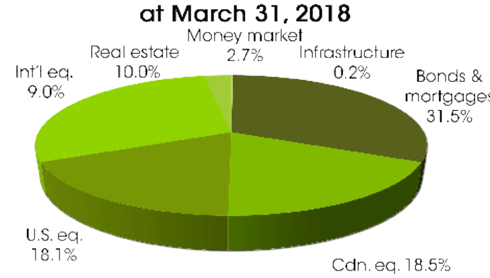
Top 10 Balanced Fund (BF) holdings

	Canadian Equities	% of Port-folio	U.S. Equities	% of Port-folio	Non-North American Equities	% of Port-folio
1	TD Bank	7.3	Microsoft	3.0	Total	2.6
2	Royal Bank of Canada	7.2	JPMorgan Chase	2.8	BMW	2.4
3	Bank of Nova Scotia	6.3	Citigroup	2.4	Banco Santander	2.3
4	CN Railway	4.2	Chevron	2.2	Cash	2.1
5	Brookfield Asset Mgmt.	3.7	UnitedHealth Group	2.1	Atlas Copco	1.6
6	Manulife Financial	3.4	Apple	2.0	Sumitomo Mitsui	1.6
7	Waste Connections	3.3	Pfizer	1.9	Statoil	1.5
8	Open Text	3.2	PNC Financial	1.8	DNB	1.5
9	Toromont Industries	3.2	Altria	1.7	Vinci	1.5
10	Brookfield Infra.Ptr.	2.8	Medtronic	1.7	Deutsche Post	1.5

The Canadian bond market, as measured by the FTSE TMX Universe Bond Index, gained 0.1 per cent in the quarter and the Canadian yield curve was largely unchanged over the quarter. Bond market performance was mixed with Federal and Corporate bonds outperforming Provincial Bonds. Real Estate, as measured by the REALpac/IPD Canada Property Index rose 0.9 per cent in the quarter

SPP's balanced fund returned 0.17 per cent after administration costs while the short-term fund return, after administration costs, was 0.297 per cent. The top ten holdings, portfolio composition and returns are summarized in the accompanying tables and charts. For more information please visit our website at saskpension.com.

Balanced fund portfolio at March 31, 2018



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

YOUR RETIREMENT GROWS HERE

P.O. Box 5555 608 Main Street Kindersley, SK CANADA S0L 1S0
PHONE 1-800-667-7153 FAX (306) 463-3500
TTY: 1-888-213-1311 info@saskpension.com
saskpension.com

SASKATCHEWAN PENSION PLAN