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July 2019

Investment update (for quarter ending June 30, 2019)

Most developed equity markets around the world provided positive returns in the second quarter but it wasn't a smooth ride. Concerns around slowing global growth and trade wars rattled equity markets in the middle of the quarter, but signs of increasingly accommodative central bank policies and positive steps towards a trade resolution late in the quarter supported global equities. In the U.S. there was no change to the Federal Funds rate over the quarter. The Bank of Canada kept its benchmark interest rate unchanged at 1.75 per cent. The Canadian dollar (CAD) appreciated over the quarter and rebounded especially in June, supported by encouraging economic data, rising oil prices during the month and easing global trade tensions.

The Balanced Fund (BF) second quarter returns were positive, with a year to date (YTD) return of 8.93 per cent after administration expenses. The short term fund YTD for the same period was 0.93 per cent.

The S&P/TSX Composite Index (Canadian equities) returned 2.6 per cent in the quarter and 16.2 per cent YTD. Performance was mixed across sectors for the quarter: Information Technology, Materials and Utilities were the best performing sectors. Negative performing sectors included Health Care, Energy and Real Estate. Growth stocks outperformed value stocks in the quarter as well as year to date.

U.S equity returns as measured by the S&P 500 gained 2.1 per cent (C$) in the quarter, 13.6 per cent YTD. Performance in the second quarter was positive across most sectors and cyclical stocks outperformed other sectors. Financials, Materials and Information Technology were the best performing sector. Energy and Health Care were the only negative performing sectors.

The MSCI EAFE Index (non-North American equities) gained 1.7 per cent in the quarter (C$) and 9.7 per cent YTD. Sector returns in the quarter were also mixed in this index with the best performers being Information Technology, Consumer Discretionary and Industrials. The worst performing sectors were Real Estate, Energy and Consumer Staples.

The FTSE TMX Universe Bond Index rose 2.5 per cent in the quarter, 6.5 per cent YTD. Provincial bonds outperformed both corporate and Federal bonds in the quarter. Long duration bonds outperformed both medium and short duration bonds, benefiting from the larger fall in yields at longer maturities.

The REALpac/IPD Canada Property Index (Real Estate) increased 0.9 per cent in the quarter, 2.3 per cent YTD.

The Infrastructure Index returned 1.9 per cent in the quarter and 4.7 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, 2019

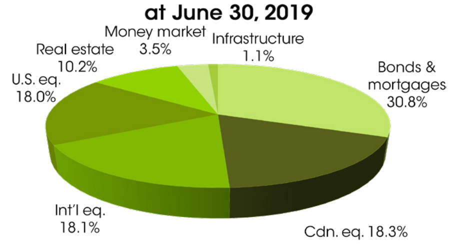
	Balanced fund return*	Benchmark	Short-term fund return*
Short-term	1.0%	0.8%	1.0%
Bonds & mortgages	6.4%	6.5%	n/a
Cdn. equities	14.4%	16.2%	n/a
U.S. equities	14.4%	13.6%	n/a
NNA equities	10.4%	9.7%	n/a
Real estate	3.2%	2.3%	n/a
Infrastructure	-0.7%	4.7%	n/a

*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	7.5	Microsoft	3.7	Cash	2.4
2	Royal Bank of Canada	7.3	Alphabet	2.4	Banco Santander	1.9
3	CN Railway	5.5	JPMorgan Chase	2.3	Roche	1.8
4	Brookfield Asset Mgmt.	4.7	Broadcom	2.2	BMW	1.7
5	Waste Connections	4.2	Chevron	2.1	GlaxoSmithKline	1.6
6	Bank of Nova Scotia	4.1	UnitedHealth Group	2.0	Enel S.p.A.	1.6
7	Manulife Financial	3.9	Merck & Co.	1.9	Compass Group	1.6
8	Open Text	3.9	Comcast	1.9	AXA	1.6
9	Toromont Industries	3.4	EOG Resources	1.8	Kingspan	1.5
10	Constellation Software	3.1	Medtronic	1.6	Vinci	1.5

Balanced fund portfolio at June 30, 2019



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