May 2020

Investment update (for quarter ending March 31, 2020)

The bull market which began in March 2009 came to an end with the Coronavirus outbreak that started in China and became a global pandemic. As worldwide virus numbers grew, global equities drastically sold off from mid-February all-time highs. In Canadian dollar terms, the MSCI All Countries World Index fell by 13.7 per cent in Q1 2020 and the S&P/TSX Composite Index was down 20.9 per cent.

The U.S. Federal Reserve (The Fed) lowered the Fed Funds Rate target by 150 basis points to 0.00-0.25 per cent. The Bank of Canada reduced its benchmark interest rate as well by 150 basis points to 0.25 per cent. The Canadian economy recorded its worst annualized performance in almost four years. Growth was impeded by a temporary shutdown of the Keystone Pipeline and an eight day railway strike.

The S&P/TSX Composite Index covers Canadian equities. The first quarter of 2020 fell to its lowest levels since 2011 before modest recovery by quarter end. Performance was negative across all sectors. Information Technology and Utilities were the best performers while Energy, Health Care and Consumer Discretionary were the worst performing sectors. Value stocks underperformed growth stocks and large cap stocks outperformed small cap stocks.

The S&P 500 Index (C$) covers U.S. equities. Reaching all-time highs in mid-February, the market then fell over 20 per cent from its peak in just over three weeks — the fastest bear market in history. All sectors generated negative returns in Q1 with Energy and Financial Services leading the way. Small cap stocks underperformed both large and mid-cap stocks for the quarter while value stocks underperformed growth stocks.

The MSCI EAFE Index (C$) covers Non-North American equities. Europe was amongst the worst impacted by COVID-19 with limited scope for fiscal and monetary stimulus within the Eurozone. Energy Financials and Real Estate were the worst performers while Health Care and Utilities were the best performing sectors.

The FTSE TMX Universe Bond Index covers Canadian bonds. Canadian government bond yields fell significantly across all maturities over the quarter. Federal government bonds outperformed both Provincial and Corporate issues. Medium maturity bonds outperformed both long and short maturity bonds.

SPP portfolio year-to-date return at March 31, 2020		
	Return*	Benchmark
Balanced fund		
Short-term	0.5%	0.7%
Bonds	-0.8%	1.6%
Mortgages	0.4%	2.6%
Cdn. equities	-20.1%	-20.9%
U.S. equities	-18.3%	-12.1%
NNA equities	-18.7%	-15.7%
Real estate	1.5%	0.9%
Infrastructure	5.4%	1.4%
Diversified income fund	0.3%	1.1%
*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	Royal Bank of Canada	7.8	Microsoft	4.7	Cash	3.5
2	TD Bank	7.2	Alphabet	3.1	Total	2.3
3	Bank of Nova Scotia	5.8	UnitedHealth Group	2.5	Roche	2.0
4	Brookfield Asset Mgmt.	4.8	Broadcom	2.3	Tencent	1.7
5	Toromont Industries	4.4	Medtronic	2.3	Enel S.p.A.	1.7
6	Canadian National Rwy.	4.1	Apple	2.3	BMW	1.6
7	Saputo	3.6	JPMorgan Chase	2.2	Novartis	1.6
8	Manulife Financial	3.6	Amazon.com	2.0	Air Liquide	1.4
9	Constellation Software	3.5	Texas Instruments	1.8	GlaxoSmithKline	1.4
10	Canadian Nat. Res.	3.3	NextEra Energy	1.5	Lonza Group	1.4

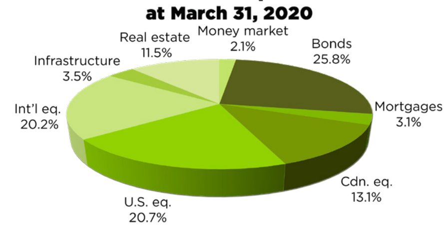
The Investment Property Databank Index measures Real Estate market returns. While office assets have experienced unrealized capital losses due to market conditions, the assets continue to generate positive income streams.

The benchmark for the Infrastructure portfolio is the Consumer Price index (CPI) + 5 per cent. Currency added value on the portfolio with sharp depreciation from the Canadian dollar against all major currencies.

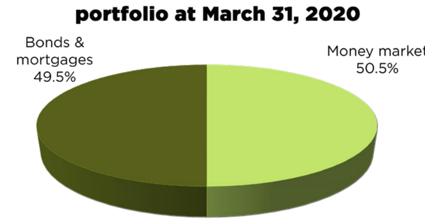
The market value of the Balanced fund (BF) decreased to $434.8 M at the end of Q1 2020. This represents a return of -10.1 per cent after administration expenses are allocated to member accounts.

The Diversified Income Fund (DIF) assets increased to $3.8 M for the quarter, returning 0.0 per cent after administration expenses or breaking even. The charts below details the BF and DIF asset mix as at March 31, 2020. For more information, please visit our website at saskpension.com.

Balanced fund portfolio at March 31, 2020



Diversified Income fund portfolio at March 31, 2020



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

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