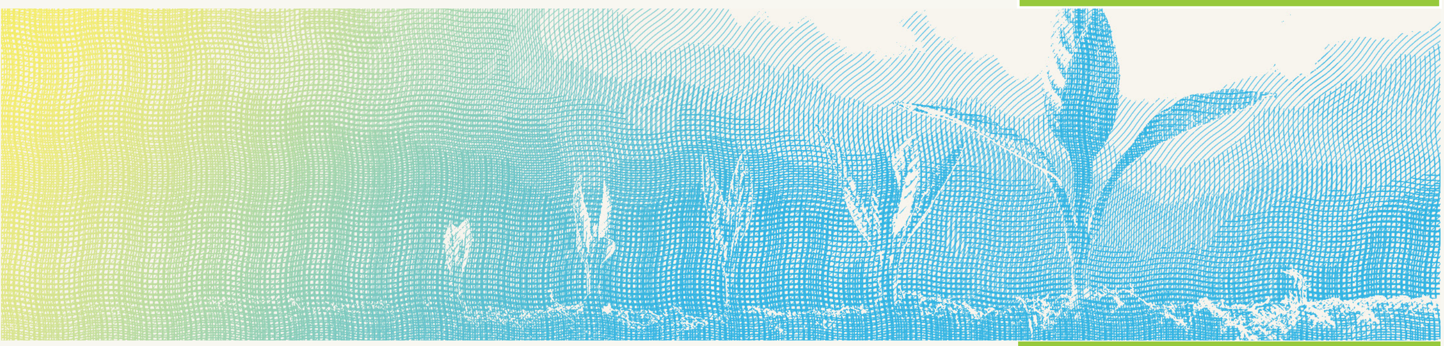
THE SASKATCHEWAN PENSION PLAN NEWSLETTER

CONTRIBUTIONS

FEBRUARY 2022

SASKATCHEWAN PENSION PLAN

YOUR RETIREMENT GROWS HERE



Quarterly investment update (as at December 31, 2021)

The global economy continued to run hot for the last quarter of 2021. So hot, in fact, that inflation became a real factor of concern with wage inflation and cost pressures beginning to create headwinds for companies. This led central banks to become more hawkish on interest rates, signaling inflationary pressures are no longer transitory and are here to stay. However, despite inflation concerns, SPP's balanced fund and diversified income fund had a strong performance. The funds outperformed their benchmarks with a positive quarterly return of 4.7 per cent and 0.9 per cent, respectively.

The Canadian economic recovery continued with the unemployment rate falling to 5.9 per cent. In addition, the global real estate market saw a rebound in 2021 and continues to offer value from geographic and property type diversification. Alternative investments in infrastructure also had strong returns due to the rebounding economies.

The Covid-19 pandemic lingers on in our lives; the markets certainly perceived it to be less of a factor due to improved treatments and vaccinations. However, it still poses a risk to global economic growth, as overseas nations combat various new strains of the virus.

Canadian equities had a strong fourth quarter, with the S&P/TSX achieving 6.5 per cent return. Every sector except health care and information technology posted returns above four per cent. Healthcare struggled the most with a -18.3 per cent return. The financial sector gained 9.4 per cent and the materials sector flew higher with a return of 10.7 per cent. The economic outlook remains constructive for Canadian equities.

U.S. equities have grown earnings at the fastest pace in decades with the S&P 500 reaching highs of 27.6 per cent on an annual basis and achieving 10.7 per cent last quarter. A lot of companies have been generating significant free cash flows and improving their margins.

The MSCI EAFE Index (C$) had a modest rise of 2.4 per cent in C$ over the quarter. All markets in the region posted negative returns in the quarter. Japanese equities underperformed the most due to weakening currency as the Yen reached 5-year lows against the Canadian dollar. The Chinese market was weak largely due to Covid-19 outbreaks and a slowing property sector.

Fixed income returns were negative for 2021, although rebounded late in the year. The benchmark returned 1.5 per cent for the quarter and SPP exceeded the benchmark at 1.6 per cent. The yield curve had a rise in short-term interest rates and yields on longer-term (and more interest rate sensitive) bonds declined. This yield curve flattening is common in the mature phases of an economic recovery.

SPP's real estate pooled fund returned 5.3 per cent for the quarter. There has been a major recovery from the previous year and the office, multi-family, retail and hospitality assets have all benefited due to improving fundamentals, including leasing activity and rental growth.

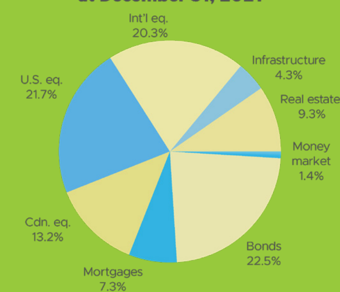
The infrastructure portfolio returned 6.9 per cent, outperforming the consumer price index (CPI) + 5 percent. The infrastructure portfolio's excess returns have been driven by value-add positions in renewable energy and power infrastructure.

The mortgage portfolio returned 3.3 per cent exceeding the benchmark return of -1.1 per cent. The relatively high yield of commercial mortgages versus publicly traded bonds make mortgages an attractive asset holding.

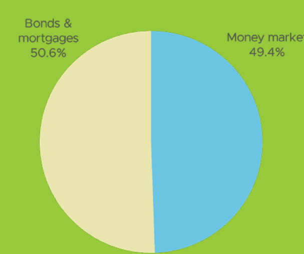
Top 10 Balanced Fund (BF) holdings

	Canadian Equities	% of Portfolio	U.S. Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Royal Bank of Canada	7.3	Microsoft	3.9	Total Energies	2.4
2	TD Bank	7.1	Alphabet	3.8	BMW	2.4
3	Brookfield Asset Mgmt.	5.4	Apple	3.5	Samsung	2.2
4	Bank of Montreal	4.6	UnitedHealth Group	2.4	Tokyo Electron	1.7
5	Toromont Industries	4.3	Broadcom	2.4	ICON	1.5
6	Bank of Nova Scotia	4.2	JPMorgan Chase	2.1	Kingspan Group	1.5
7	Canadian Natural Res.	4.1	Amazon.com	2.1	DNB	1.4
8	Constellation Software	3.9	NVIDIA	1.7	Smurfit Kappa	1.4
9	Canadian National Rwy.	3.2	Air Prod. & Chem.	1.5	Erste Group Bank	1.4
10	iA Financial Corp.	2.7	Met Platforms	1.4	Lonza Group	1.4

Balanced fund portfolio at December 31, 2021



Diversified income fund portfolio at December 31, 2021



The market value of the Balanced Fund (BF) increased to $597.1 million at December 31, 2021.

This represents a return of 11.53 per cent after administrative expenses are allocated to member accounts.

The Diversified Income Fund (DIF) assets totaled $7.5 million at quarter end, returning -0.97 per cent after administrative expenses.

The accompanying charts detail the BF and DIF asset mix as at December 31, 2021. For more information, please visit our website at saskpension.com.

SPP acknowledges the assistance of TD Asset Management, Leith Wheeler Investment Counsel and George & Bell in the preparation of this update.

SPP portfolio year December 31, 2021

	Return*	Benchmark
Balanced fund		
Short-term	0.2%	0.2%
Bonds	-0.8%	-2.5%
Mortgages	3.3%	-1.1%
Cdn. equities	29.0%	25.1%
U.S. equities	29.4%	27.6%
NNA equities	8.9%	10.3%
Real estate	14.6%	15.4%
Infrastructure	8.7%	10.0%
Diversified income fund		
Bonds & mortgages	-0.4%	-2.5%
Short-term	0.2%	0.2%

*Gross return before administration expenses

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