



Canadian pension plan returns notably rebound in Q2: RBC Investor & Treasury Services

A recovery in global equities and continued strength in Canadian equities lift plan returns out of negative territory

Toronto, August 11, 2016 – Global equity markets rebounded in Q2 2016 despite continuing economic uncertainty, lifting Canadian defined benefit pension plans into positive territory with returns of 2.9 per cent compared to [Q1 2016](#) returns of -0.03, according to the \$650 billion [RBC Investor & Treasury Services](#) All Plan Universe, the industry's most comprehensive universe of Canadian pension plans.

“Canadian Pension plan returns posted notably stronger results this past quarter, thanks largely to both global and Canadian equity holdings,” said James Rausch, Head, Client Coverage, Canada and Head, Banks, Brokers and Exchanges, RBC Investor & Treasury Services. “The Canadian Material and Energy sectors outperformed in Q2 2016, largely offsetting a quarter of sustained market volatility and economic uncertainty globally, particularly in the period surrounding the UK referendum which saw the U.S. dollar drop considerably and bond yields hit record lows. Global investors will be searching for clarity regarding the UK's exit process from the European Union which may contribute to sustained volatility over the foreseeable future.”

Global equities gain ground

Global equities posted a gain of 1.6 per cent in Q2 2016 for Canadian pensions, compared to a loss of -6.2 per cent in the previous quarter. Global equity returns were slightly ahead of the MSCI World Index which posted a gain of 1.4 per cent in Q2, also an improvement on the -7.2 per cent return a quarter earlier. While global equities swung into positive territory, markets continued to experience significant volatility over the course of the quarter amidst downward pressure stemming from persisting concerns around slowing global economic growth as well as the UK referendum.

Canadian equities continue to shine

Canadian equities remained in positive territory in Q2 2016, posting a gain of 4 per cent for the median Canadian pension plan, down slightly from 4.6 per cent in Q1 2016, primarily due to a particularly strong Materials sector which returned 26.9 per cent as commodity prices rose. Canadian pensions underperformed the TSX Composite Index return of 5.1 per cent in Q2 2016 since Materials, the best performing sector, is underweighted by pensions.

The Energy sector was another bright spot for Canadian equities in Q2, returning 9.5 per cent as crude oil prices continued to climb from the end of Q1 2016.

Domestic and global pressures to weigh on Canada's economy

"Domestically, the Canadian economy posted a 2.4 per cent annualized gain in Q1 of 2016; however, the monthly reports are setting up a weaker outcome for Q2, partly due to the Alberta wildfires, which took almost half of the oil sands production off-line for a month. In considering the economy's volatile performance, it is unlikely the Bank of Canada will adjust its monetary policy in the near-term," said Craig Wright, Senior Vice President and Chief Economist, RBC. "Looking through a global lens, Brexit remains on the radar as Britain plans its exit from the European Union, while the easing in financial market volatility could lead to firmer growth in advanced economies as 2016 continues. Taking cues from the east, the ongoing rebalancing of China's economy will lead to subdued economic activity in many emerging economies."

Fixed income posts gain

Canadian fixed income holdings returned 3.1 per cent in Q2 2016, up from 1.8 per cent a quarter earlier. Mid- and long-term yields fell the most during the quarter, leading the FTSE TMX Universe Canadian bond benchmark higher to 2.6 per cent up from 1.4 per cent in Q1 2016; yields on sovereign bonds fell quickly after the Brexit vote and the proportion of negative yielding sovereigns continues to grow.

HISTORIC PERFORMANCE

Period	Return (%)	Period	Return (%)
Q2 2016	2.9	Q3 2014	1.1
Q1 2016	-0.03	Q2 2014	3.0
Q4 2015	3.1	Q1 2014	4.8
Q3 2015	-2.0	Q4 2013	6.1
Q2 2015	-1.6	Q3 2013	3.6
Q1 2015	6.6	Q2 2013	0.0
Q4 2014	2.7	Q1 2013	4.4

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About the RBC Investor & Treasury Services All Plan Universe

For the past 30 years, RBC Investor & Treasury Services (RBC I&TS) has managed one of the industry's largest and most comprehensive universes of Canadian pension plans. The "All Plan Universe" currently tracks the performance and asset allocation of over \$650 billion in assets under management across Canadian defined benefit (DB) pension plans, and is a widely-recognized performance benchmark indicator. The RBC Investor & Treasury Services "All Plan Universe" is produced by RBC I&TS' Risk & Investment Analytics (R&IA) service. R&IA work in partnership with best-in-class technology to deliver independent and cost effective solutions designed to help institutional investor clients monitor investment decisions, optimize performance, reduce costs, mitigate risk and increase governance capability.

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