Canadian pension assets move higher in 2016: RBC Investor & Treasury Services

Canadian equity returns remained consistent relative to global equities in 2016

Toronto, February 7, 2017 – Canadian defined benefit pension plans closed out 2016 with an annual return of 6.8 per cent, up from 5.4 per cent in 2015, according to the $650 billion RBC Investor & Treasury Services All Plan Universe, the industry's most comprehensive universe of Canadian pension plans. With Q4 2016 returns of 0.5 per cent, plans recorded three consecutive quarters of gains, negating the weaker start to the year.

"Against a challenging economic and market backdrop at the outset of 2016, Canadian pension plans generated an impressive overall performance in 2016 with three consecutive quarters in the black which culminated in a 1.4 per cent increase in returns compared to 2015," said James Rausch, Head of Client Coverage, Canada, RBC Investor & Treasury Services. "Maintaining a diversified portfolio across sectors and asset classes, and keeping a close eye on global developments were important considerations over a year which came with remarkable change. Global markets continue to adapt to changing political tides around the world, as well as volatility in China and other global economies."

Pension plan returns were boosted by Canadian equities which continued to shine, returning 5.7 per cent in Q4 2016, and ended the year with a 21.9 per cent annual return. This is slightly higher than the TSX Composite Index's Q4 2016 return of 4.5 per cent and 21.1 per cent annual return. Canada's three largest sectors - energy, materials and financial services, posted strong results during 2016, helping lift returns.

Global equities remained under pressure for much of 2016 due to volatile global economic headwinds and political events, returning 3.0 per cent in Q4 2016, down from 6.7 per cent in Q3 2016. Their 2016 annual return sits at 4.4 per cent compared to 18.9 per cent in 2015. The MSCI World Index posted a 3.9 per cent return in Q4 2016 vs. 6.1 per cent in Q3 2016.

Canadian fixed income assets took a hit in Q4 2016, posting a decline of -3.4 per cent, compared to a Q3 2016 gain of 1.6 per cent, but finished the year in the black with a 2.4 per cent annual return. The FTSE TMX Universe Canadian bond index reflected similar results, posting a Q4 decline of -3.4 per cent and a 1.7 per cent annual return. The Index gained 1.2 per cent in Q3 2016. An interest rate hike by the U.S. Federal Reserve and speculation the European Central Bank might ease quantitative easing are thought to have contributed to the quarterly decline.

Looking ahead

Continued uncertainty, including the potential for interest rate hikes, may impact returns in 2017. Financial markets will need to monitor and adjust to the new U.S. Administration as economic policies are unveiled throughout the year, in addition to the developments stemming from the post UK referendum and uncertainty surrounding the Chinese economy.

HISTORIC PERFORMANCE

Period	Return (%)	Period	Return (%)
Q4 2016	0.5	Q4 2014	2.7
Q3 2016	4.2	Q3 2014	1.1
Q2 2016	2.9	Q2 2014	3.0
Q1 2016	0.0	Q1 2014	4.8
Q4 2015	3.1	Q4 2013	6.1
Q3 2015	-2.0	Q3 2013	3.6
Q2 2015	-1.6	Q2 2013	0.0
Q1 2015	6.6	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.

About RBC Investor & Treasury Services

RBC Investor & Treasury Services (RBC I&TS) is a specialist provider of asset services, custody, payments and treasury services for financial and other institutional investors worldwide. We serve clients from 19 countries across North America, Europe, Asia and Australia, delivering services to safeguard client assets and maximize liquidity. Rated by our clients as the #1 global custodian for six consecutive years (Global Custody Survey, Global Investor ISF, 2011 to 2016), RBC I&TS is trusted with CAD 3.9 trillion in client assets under administration (as at October 31, 2016).

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