RBC Investor & Treasury Services

Canadian pension returns post fifth consecutive quarter of gains: RBC Investor & Treasury Services

Canadian equities struggled during Q2 2017, losing -1.9 per cent while total returns for Q2 2017 sit at 1.4 per cent

Toronto, August 8, 2017 – Canadian defined benefit pension plans remained resilient in the face of weakening domestic equities, with second quarter returns of 1.4 per cent, according to Q2 2017 figures from RBC. Tracking $650 billion of assets under management, the RBC Investor & Treasury Services All Plan Universe is the most comprehensive overview of Canadian Defined Benefit pension plans.

Canadian equity returns slipped into negative territory with returns of -1.9 per cent in Q2 2017, compared with 2.3 per cent for the previous quarter, mirroring the TSX Composite Index which reported -1.6 per cent in Q2 2017, down from previous gains of 2.4 per cent.

“Despite positive economic indicators of a healthy Canadian economy, depressed energy and commodities were amongst the poorest performing sectors to drag on domestic equities,” said James Rausch, Head of Client Coverage, Canada, RBC Investor & Treasury Services, as oil prices fell over 15 per cent since the beginning of the year and reserves of oil remain above average.

”Nevertheless, Canadian pension fund managers have continued to prudently manage portfolio allocations, remaining underweight in Canadian equities compared to domestic fixed income and global equities and generating yet another positive overall return for the quarter,” Rausch said.

Although global equities moved off their strong returns of 6.2 per cent in Q1 2017, posting just 2.3 per cent for the quarter, stocks continued to respond to continued positive global economic data, such as encouraging signs of a stable recovery in Europe and healthy quarterly earnings. Any enthusiasm was dampened, however, by disappointing growth numbers and political risk factors from the U.S., along with considerations that the recovery in most equities is approaching its natural ceiling; the MSCI World Index slipping from 5.8 per cent to 1.3 per cent in Q2 2017.

After their foray into negative territory in Q4 2016 (-3.4 per cent), Canadian fixed income returns consolidated their recovery from the previous quarter, again posting gains of 1.4 per cent. This was against a general backdrop of weakness in global bond markets, as central banks increasingly consider calling time on stimulus packages and preparing the ground for possible rises in interest rates, prompting a slight bounce in bond yields in anticipation of a move in that direction by the Bank of Canada. The FTSE TMX Universe Canadian bond index also remained positive, gaining 1.1 per cent for the quarter.

The strengthening Canadian dollar continued to put pressure on stocks and bonds over the quarter; the US dollar continued its slide against the Canadian dollar, falling further into the red at -2.62 per cent, down from -0.6 per cent in Q1 2017.

HISTORIC PERFORMANCE

Period	Return (%)	Period	Return (%)
Q2 2017	1.4	Q1 2015	6.6
Q1 2017	2.9	Q4 2014	2.7
Q4 2016	0.5	Q3 2014	1.1
Q3 2016	4.2	Q2 2014	3.0
Q2 2016	2.9	Q1 2014	4.8
Q1 2016	0.0	Q4 2013	6.1
Q4 2015	3.1	Q3 2013	3.6
Q3 2015	-2.0	Q2 2013	0.0
Q2 2015	-1.6	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 over CAD 4 trillion in client assets under administration as at April 30, 2017.

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