Canadian pensions' assets extend losses in Q3; first back-to-back quarterly loss since 2009: RBC Investor & Treasury Services

Year-to-date returns 2.5 per cent for the first nine months of 2015

Toronto, November 23, 2015 – Ongoing volatility across global equity markets and persisting economic uncertainty in Q3 2015 contributed to the second consecutive quarter of negative growth for Canadian pensions – a contraction not seen since 2009, according to the $650 billion RBC Investor & Treasury Services All Plan Universe, the industry's most comprehensive universe of Canadian pension plans.

Canadian defined benefit pension plan assets declined by 2.0 per cent in the third quarter of 2015, bringing year-to-date returns to 2.5 per cent. The quarter saw global equity markets post some of their worst returns in four years. Broad-based market turbulence in Q1 2009 was also the main culprit behind Canadian pension plans' last back-to-back quarterly loss; however, markets rebounded in Q2 2009, lifting Canadian pension plan assets by 9.5 per cent over the period.

"The sharp correction of the Chinese stock market in August put the focus squarely on the possibility of a hard landing for China in particular, and stalled global growth in general. These concerns were reflected in all the major equity indices and continue to draw a watchful eye from central banks around the globe," said David Heisz, Chief Executive Officer, RBC Investor Services Trust, RBC Investor & Treasury Services. "That said, despite the volatility over the past few quarters, plan returns are 2.5 per cent year-to-date which is respectable in light of prevailing market conditions and thanks in part to weakness in the Canadian dollar."

A silver lining for the depreciating Canadian dollar

The Canadian dollar depreciated 6.9 per cent against the U.S. greenback in Q3, offsetting some of the investment losses Canadian pensions experienced on their foreign equity holdings. While domestic equities continued to lose ground, particularly in the resource sectors, Canadian bonds finished the quarter more or less flat, masking the fact that bond prices had experienced significant volatility during that period.

Emerging markets, materials and energy equities hardest hit in Q3

Pensions' foreign equity holdings returned -2.2 per cent in Q3, underperforming the benchmark MSCI World Index by 0.5 per cent. On the domestic side, Canadian equities lost 7.8 per cent for the quarter versus -7.9 per cent for the benchmark TSX Composite Index. On the year to-date, pensions' Canadian equity holdings have lost 7.5 per cent.

"The emerging markets sector was hardest hit in Q3, declining 11.8 per cent, reflecting investors' concerns over the mounting economic challenges faced by these nations with export and GDP growth stalling," added Heisz. "On the year, foreign equities have generated 8.6 per cent for Canadian pensions. Additionally, materials and energy equities continued to bear the brunt of weak global demand, losing 24.5 and 17.2 per cent respectively."

Fixed income assets flat for the quarter

Canadian pensions' returns on their domestic fixed income assets were flat for the quarter, marginally underperforming the broad market FTSE TMX Universe Canadian bond index by 0.2 per cent. Year to date, domestic bonds have returned 2.3 per cent.

"Government bonds were the best performing segment in Q3 as prices rose with a flattening yield curve, reflecting a strong flight-to-safety. Corporate and provincial bonds meanwhile had to contend with widening credit spreads as investors prioritized safety over yield, and both segments were slightly negative on the quarter," noted Heisz.

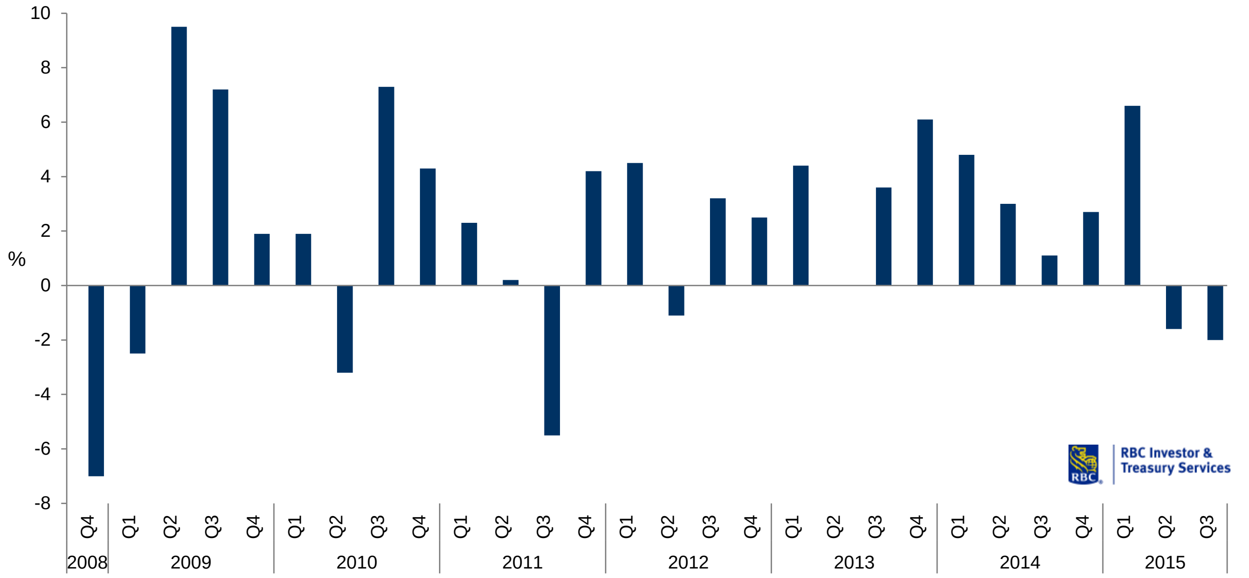
Historic performance:

RBC I&TS Canadian All Plan Universe-quarterly pensions returns

Period	Return (%)	Period	Return (%)
Q4, 2008	-7.0	Q2, 2012	-1.1
Q1, 2009	-2.5	Q3, 2012	3.2
Q2, 2009	9.5	Q4, 2012	2.5
Q3, 2009	7.2	Q1, 2013	4.4
Q4, 2009	1.9	Q2, 2013	0.0
Q1, 2010	1.9	Q3, 2013	3.6
Q2, 2010	-3.2	Q4, 2013	6.1
Q3, 2010	7.3	Q1, 2014	4.8
Q4, 2010	4.3	Q2, 2014	3.0
Q1, 2011	2.3	Q3, 2014	1.1
Q2, 2011	0.2	Q4, 2014	2.7
Q3, 2011	-5.5	Q1, 2015	6.6
Q4, 2011	4.2	Q2, 2015	-1.6
Q1, 2012	4.5	Q3, 2015	-2.0

RBC Investor & Treasury Services

RBC I&TS Canadian All Plan Universe - quarterly pensions returns



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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 18 locations across North America, Europe, Asia and Australia, delivering services to safeguard client assets, maximize liquidity and manage risk in multiple jurisdictions with a focus on operational risk management. RBC I&TS has been rated the #1 global custodian for five consecutive years*, with the highest credit ratings among our peers, and USD 3 trillion in client assets under administration. (as at July 31, 2015).
*Source: Global Custody Survey, Global Investor ISF, 2011 to 2015

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