



## **CANADIAN PENSIONS' ASSETS FALL IN Q2 2015 FOLLOWING NEARLY TWO YEARS OF POSITIVE RETURNS: RBC INVESTOR & TREASURY SERVICES**

### **Economic concerns and market pressures combine to weigh on performance**

**TORONTO, August 4, 2015** — After seven consecutive quarters of positive returns, Canadian pension plans broke their winning streak in Q2 2015, delivering negative returns in asset classes across the board, according to the \$650 billion RBC Investor & Treasury Services All Plan Universe – the industry's most comprehensive universe of Canadian pension plans.

Global economic concerns, weakness in Canadian energy and resource sectors, and rising bond yields over the past quarter weighed heavily on defined benefit (DB) pension plan assets, which declined by 1.6 per cent for the second quarter of 2015, bringing year-to-date total returns to 4.8 per cent.

RBC notes that this is the largest negative decline since Q3 2011, when assets fell by -5.5 per cent (see appendix for historical performance).

"Uncertainty in the global economic landscape – particularly surrounding the deteriorating situation in Greece – and the ongoing fallout from the drop in the price of oil put pressure on pension plan performance over the past quarter," said David Heisz, chief executive officer, RBC Investor Services Trust, RBC Investor & Treasury Services. "Additionally, long-term bond yields trended higher in Q2, retracing to levels seen prior to the Bank of Canada's rate cut in January. While returns on bond holdings have been negatively impacted, the higher yields would have eased the pressure on plans' solvency ratios as projected liabilities move inversely with long-term interest rates."

### **Global and Canadian equities under pressure**

Foreign equities lost 0.8 per cent for Canadian Plans in Q2, edging the benchmark MSCI World Index lower by 0.3 per cent. This quarter saw the re-emergence of several old themes: the Greek debt crisis continues to drag on and contributed to investor nervousness, particularly in European markets; the U.S. economy bounced back in the second quarter, but faces headwinds from a stronger U.S. dollar; and, China's economic expansion has slowed, but its stock market has been on a very volatile run.

Canadian equities also moved backwards, losing 1.4 per cent for the quarter versus -1.6 per cent for the benchmark TSX Composite Index.

"The decline in oil price levels continued to take a toll on Canadian energy companies, with the energy sector falling by 4.3 per cent in the quarter. Prices for gold and base metals also slid on weak demand, and we have yet to see anticipated growth in Canadian exports as a result of the weaker loonie," said Heisz.

Canadian 10-year yields moved higher in the second quarter, in line with global interest rates, and Canadian plans returned -2.1 per cent in this asset class. With the yield curve steepening, the long duration bonds segment had the biggest decline, with the benchmark FTSE TMX Long Bond index returning -4.6 per cent.

“Short-term yields, on the other hand, fell due to weaker GDP numbers and the anticipation of another BoC rate cut,” said Heisz.

#### **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.

#### **Historic performance:**

<i>Period</i>	<i>Return (%)</i>
Q2, 2015	-1.6
Q1, 2015	6.6
Q4, 2014	2.7
Q3, 2014	1.1
Q2, 2014	3
Q1, 2014	4.8
Q4, 2013	6.1
Q3, 2013	3.6
Q2, 2013	0.0
Q1, 2013	4.4
Q4, 2012	2.5
Q3, 2012	3.2
Q2, 2012	-1.1
Q1, 2012	4.5
Q4, 2011	4.2
Q3, 2011	-5.5
Q2, 2011	0.2
Q1, 2011	2.3
Q4, 2010	4.3
Q3, 2010	7.3
Q2, 2010	-3.2
Q1, 2010	1.9

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RBC supports a broad range of community initiatives through donations, sponsorships and employee volunteer activities. In 2014, we contributed more than \$111 million to causes worldwide, including donations and community investments of more than \$76 million and \$35 million in sponsorships.

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

