



## **Canadian pension returns retreat in 2018: RBC Investor & Treasury Services**

- **Q4 2018 returns lose -3.5 per cent**
- **The first quarter with a loss since Q3 2015**

**Toronto, February 5, 2019** – Canadian defined benefit pension plans ended 2018 in negative territory, with an annual return of -0.7 per cent, reversing gains from the previous three quarters this year, according to the [RBC Investor & Treasury Services](#) All Plan Universe. Plan returns posted a Q4 2018 return of -3.5 per cent compared to a 0.1 per cent gain in [Q3 2018](#). The annual return in 2017 was 9.7 per cent.

Canadian equities and the TSX Composite Index were hit hard in Q4 2018, returning -10.6 per cent, and -10.1 per cent respectively. Both Canadian equities and the TSX Composite Index returned -8.9 per cent in 2018. Both posted annual gains in 2017: 9.0 per cent for Canadian equities and 9.1 per cent for the TSX Composite Index. Higher interest rates and lower oil prices contributed to the loss while eight of the 11 sectors on the TSX also posted losses for the year.

### **QUOTE:**

“Geopolitical and economic uncertainty reverberated through the market all year. Trade wars, rate hikes, oil prices, and Brexit helped contribute to lower earnings expectations which drove returns sharply lower in Q4 and for the year. With the Fed pausing on rate hikes as well as trade negotiations between the U.S. and China showing progress in January, markets have started the year strong but investors need to remain vigilant as we are approaching the end of the market cycle and volatility is unlikely to go away.”

- **Ryan Silva, Director, Head of Pension and Insurance Segments, Global Client Coverage, RBC Investor & Treasury Services**

### **RBC I&TS Defined Benefit Pension Plan Survey Results**

In addition, a recent RBC Investor & Treasury Services survey of Canadian defined benefit pension plan sponsors showed that economic and geopolitical uncertainty remains a top concern, behind aligning future liabilities with assets and a low interest rate environment. The survey, [Embracing Change](#), also revealed that approximately 40 per cent of respondents are satisfied with the sustainability of their plans and almost 90 per cent are confident to extremely confident of their plan's ability to meet its ongoing liabilities.

## ADDITIONAL RESULTS

- Canadian Fixed Income returns rebounded into positive territory in Q4 in the RBC All Plan Universe, returning 1.8 per cent, vs. Q3 2018 returns of -1.5 per cent. Annual returns also finished in the black at 1.2 per cent.
- The FTSE TMX Universe Canadian Bond Index returned 1.8 percent in Q4 2018 compared to -1.0 in Q3 2018. The Index returned 1.4 per cent in 2018.
- Like their Canadian counterparts, global equities in the RBC All Plan Universe posted declines during the year: -1.3 per cent and quarter: -7.8 per cent. (Weakness in the Canadian Dollar tempered some of the local currency losses in that asset class for unhedged plans).
- The MSCI World Index's returns declined -0.5 per cent for the year and -8.5 per cent during Q4 2018.
- Emerging markets outperformed developed markets over the quarter, returning -2.2 per cent vs. -8.5 per cent, but trailed over the year returning -6.9 per cent vs. -0.5 per cent.
- Canadian defined benefit pension plans last reported a quarterly return loss in Q3 2015.

## HISTORIC PERFORMANCE

Period	Return (%)	Period	Return (%)
Q4 2018	-3.5	Q1 2017	2.9
Q3 2018	0.1	Q4 2016	0.5
Q2 2018	2.2	Q3 2016	4.2
Q1 2018	0.2	Q2 2016	2.9
Q4 2017	4.4	Q1 2016	0.0.
Q3 2017	0.4	Q4 2015	3.1
Q2 2017	1.4	Q3 2015	-2.0

### 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 a cross-section of 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**

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- 30 -

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