



Canadian DB pensions post near-double-digit returns despite historic, turbulent year: RBC Investor & Treasury Services

TORONTO, January 29, 2021 — Canadian defined benefit (DB) pension plans ended the year in positive territory against a backdrop of radical uncertainty. Retirement assets returned 9.2% overall in 2020 and 5.4% in the final quarter of the year, according to an All Plan Universe survey just released by [RBC Investor & Treasury Services](#).

“It’s been a tumultuous time for the markets, but we’re seeing positive returns for a third consecutive quarter,” said David Linds, managing director and head of asset servicing, Canada. “The successful development of multiple Covid-19 vaccines was a contributing factor, as were the anticipated government support packages and the conclusion of the US elections.”

Linds continued, “Investor confidence may be tempered into 2021 as uncertainty surrounding the vaccine rollout, new virus strains, and other unknowns may place additional pressure on equity markets.”

Global equity markets, propelled by the investor optimism Linds mentioned, posted solid returns in the fourth quarter, with stocks in the energy and financials sectors leading those gains. But while value stocks outperformed growth stocks over the quarter, growth far outdistanced value for the year.

Foreign equities were the top-performing asset class in 2020, returning 12.6% overall, versus 13.9% for the benchmark MSCI World Index (10.1% and 8.7% respectively in Q4). During the quarter, a weakened US dollar led to a rise in commodity prices, which strengthened the Canadian dollar and trimmed unhedged plans’ foreign equity returns. While the MSCI World Index (CAD) index returned 12.4% in local currency terms, that translated to an 8.7% return in Canadian dollar terms.

Canadian equities returned 4.1% for the year (9.4% for the quarter), whereas the benchmark TSX Composite Index returned 5.6% for the year (9.0% for the quarter). The technology sector, propped by Shopify, led the market, returning 80.7% for the year. Materials (21.2%) and consumer discretionary (17.1%) trailed significantly. Energy was the lowest performing sector (-26.6%).

Domestic bonds returned 11.1% in 2020 (1.1% in Q4), compared to 8.7% for the FTSE TMX Canada Universe Bond Index (0.6% in Q4). Longer dated bonds benefited from the steep drop in longer term yields during the first two quarters and handily outperformed their shorter dated counterparts over the entire year. The FTSE TMX Long Bond Index returned an annual 11.9% versus the FTSE TMX Short Term Bond Index’s annual return of 5.3%.

Historic performance

Period	Median return (%)	Period	Median return (%)
Q4 2020	5.4	Q3 2018	0.1
Q3 2020	3.0	Q2 2018	2.2
Q2 2020	9.6	Q1 2018	0.2
Q1 2020	-7.1	Q4 2017	4.4
Q4 2019	2.0	Q3 2017	0.4
Q3 2019	1.7	Q2 2017	1.4
Q2 2019	2.7	Q1 2017	2.9
Q1 2019	7.2	Q4 2016	0.5
Q4 2018	-3.5	Q3 2016	4.2

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

[RBC Investor & Treasury Services](#) (RBC I&TS) is a specialist provider of asset services, custody, payments and treasury and market services for financial and other institutional investors worldwide, with over 4,500 employees in 16 countries across North America, Europe and Asia. We deliver services which safeguard client assets, underpinned by client-centric digital solutions which continue to be enhanced and evolved in line with our clients’ changing needs. Trusted with CAD 4.5 trillion in client assets under administration, RBC I&TS is a financially strong partner with among the highest credit ratings globally.

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