

# Canadian DB pensions posted healthy returns in 2021: RBC Investor & Treasury Services



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TORONTO, Jan. 31, 2022 /CNW/ - As global equity markets continued to hit new highs, defined benefit pension plans posted a Q4 median return of 4.5% and closed out 2021 with an 8.9% annual return – as compared to 2020's 9.2% return – according to the RBC Investor & Treasury Services All Plan Universe, one of the industry's largest and most comprehensive universes of Canadian pension plans.

"Despite increased volatility over concerns about the Omicron variant and mounting inflationary pressures, Canadian pension plan returns were significantly boosted by their exposure to equities," said Niki Zaphiratos, Managing Director, Asset Owners, Client Coverage, Canada, RBC Investor & Treasury Services. "New Covid-19 variants, the Russia-Ukraine crisis and imminent interest rate hikes – stemming from global shortages of workers and resulting inflationary pressures – introduce the potential for further volatility. Plan sponsors will have considerable risk factors to navigate in 2022."

Canadian equities outshone their global counterparts, returning 6.5% in Q4 2021, and ended the year with a 27.0% annual return. The TSX Composite Index generated a matching Q4 2021 return of 6.5%, and a 25.1% annual return. While all economic sectors in the benchmark, with the exception of health care, exhibited positive results, the heavy weight energy (+48.9%) and financials (+36.5%) sectors were the annual leaders.

Foreign equities returned 5.3% in Q4 2021, with a 17.1% annual return. Local currency returns for unhedged pension plans were trimmed due to the strength of the Canadian dollar. The MSCI World Index posted a 7.5% return in Q4 2021 and a 20.8% annual return, led by the financials and information technology sectors. Within this asset class, US equities handily outperformed their non-US counterparts. Over the year, emerging markets stocks (MSCI Emerging Markets -3.37%) were in the red primarily due to steep losses in the Chinese markets (MSCI China -22.4%).

Canadian fixed income assets posted a 2.7% gain in Q4 2021, but were down -1.9% for the year. In comparison, the FTSE Canada Universe Bond index returned 1.5% for the quarter and -2.5% for the year. During the quarter, longer-dated bonds benefitted from a flattening of the yield curve and outperformed their shorter-dated counterparts. Over the year, longer-dated bonds (FTSE Canada Long Term Index -4.5%) underperformed shorter-dated bonds (FTSE Canada Short Term Index -0.9%).

## Historic performance

Period	Median return (%)	Period	Median return (%)
Q4 2021	4.5	Q3 2019	1.7
Q3 2021	0.6	Q2 2019	2.7
Q2 2021	4.4	Q1 2019	7.2
Q1 2021	-0.2	Q4 2018	-3.5
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

## **About the RBC Investor & Treasury Services All Plan Universe**

RBC Investor & Treasury Services has managed one of the industry's largest and most comprehensive universes of Canadian pension plans for more than 30 years. The All Plan Universe, a widely recognized performance benchmark indicator, tracks the performance and asset allocation of a cross-section of assets across Canadian defined benefit pension plans. The All Plan Universe is produced by RBC Investor & Treasury Services' Risk & Investment Analytics service, which delivers independent and cost effective solutions that help institutional investors monitor investment decisions, optimize performance, reduce costs, mitigate risk and enhance governance.

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For further information: Ylana Kurtz, [ylana.kurtz@rbc.com](mailto:ylana.kurtz@rbc.com), 416-348-2330