

Loonie dampens pension gains in first quarter

Toronto, April 21, 2010 – Pension assets rose for a fourth successive quarter as global financial markets continued to progress, but the strengthening loonie weighed on gains, according to a survey just released by RBC Dexia Investor Services, which maintains the industry’s most comprehensive universe of Canadian pension plans and money managers.

Within the CAD 340 billion RBC Dexia universe, Canadian pension plans earned 1.9 per cent in the three months ending March 31, 2010, bringing one year gains to 22.1 per cent. Domestic equity remained the top performing asset class for Canadian plans, climbing 3.8 per cent in the quarter and 44.7 per cent over 12 months.

“The loonie has held us back some, but four consecutive quarters of positive returns speaks to the momentum of the recovery - It might be that Q1 2009 marked the end of the financial crisis for Canadian pensions,” said Don McDougall, Director of Advisory Services for RBC Dexia.

“Advances have been fairly broad, but the heavy weightings in bank stocks and their relative performance (up 75 per cent) have accounted for most of the market’s gains since last March. Surprisingly, pensions were generally under-exposed to the Financials sector and still managed to beat the index by 0.7 per cent in the quarter and 2.5 per cent year-over-year.”

Foreign equity fared better but currency losses eclipsed stock market gains. In the quarter, the MSCI World Index rose 4.7 per cent in local currency terms, but pension plans actually lost 0.1 per cent once converted into Canadian dollars. Year-over-year, the loonie appreciated by more than 23 per cent against a basket of world currencies, including 24 per cent against the US dollar, 22 per cent against the Euro and 17 per cent against the Japanese yen.

Despite a late quarter sell-off, Canadian pensions saw their bond holdings rise by 1.7 per cent in the first 3-month of the year, outpacing the DEX Universe index by 0.4 per cent.

“Corporate spreads continued to narrow across all maturities while longer duration bonds were the best performers,” noted McDougall.

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide, including Canadian pension funds. Our unique offshore and onshore solutions, combined with the expertise of our 5,400 professionals in 16 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management processes. Equally-owned by RBC and Dexia, the company ranks among the world’s top 10 global custodians with USD 2.3 trillion in client assets under administration.

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