

NDT Industry Pension Plan
Franklin Templeton Multi-Asset Solutions
Annual Review – 2019

Performance Summary

December 31, 2019	3 Mos.	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	SI ⁽³⁾
NDT Pension Plan⁽¹⁾	2.5%	12.1%	4.3%	5.2%	6.3%	6.0%	6.6%	8.3%
NDT Benchmark ⁽²⁾	2.8%	15.5%	6.5%	7.1%	7.2%	6.6%	7.4%	7.0%

Asset allocation detracted from performance. This was driven primarily by an overweight position in Cash as equity markets rose; a greater than benchmark exposure to underperforming International Equities was also a drag on relative returns. This was partially offset by an underweight position to fixed income which lagged.

Fixed Income: In Canada, bonds rallied as interest rates declined across all maturities and credit spreads compressed. Corporate issues posted robust gains, and an overweight exposure to the sector drove outperformance in the domestic portfolio. Global bonds declined in Canadian dollar terms, reducing fixed income returns overall. The portfolio's short duration bias and positions held in Latin America detracted.

Canadian Equities: Stocks posted strong returns but trailed the benchmark index. The Health Care sector fell due to precipitous losses in cannabis stocks; having no exposure to it boosted relative returns. However, this was more than offset by positioning within the Utilities and Information Technology sectors. Higher exposure to mid-cap, pure exploration and production energy companies also detracted.

US Equities: Stocks rose in Canadian-dollar terms, recording the highest absolute returns though underperformed the S&P 500. Positioning within the Information Technology sector lowered relative returns, specifically not owning certain technology hardware companies which increased sharply. This was partially offset by positive stock selection in the Industrials and Health Care sectors.

International Equities: Developed market equities appreciated but trailed the return of the MSCI EAFE Index primarily driven by positioning within the Health Care and Consumer Staples sectors. Regionally, an underweight position in Japanese stocks aided relative returns though this was more than offset by positioning within the Eurozone. Emerging market stocks posting strong advances as trade tensions abated. This was driven primarily by holdings in Asia with China and Taiwan contributing notably.

Overall, the portfolio underperformed the passive benchmark attributed mainly to weak relative performance within Canadian and International equities. Discussions with the underlying managers have taken place and we are confident they are applying their stated style consistently. We have witnessed this type of situation in other market cycles and in each case the underlying managers have contributed to relative outperformance once their style has come back into favour.

(1) Transitioned from Franklin Templeton Institutional Balanced Trust to separately managed account March 9, 2018. Large cash flows may have an effect on returns

(2) NDT Industry Pension Plan Benchmark as per updated SIP&P:

Post April 30, 2019: 45% FTSE TMX Bond Universe + 10% S&P/TSX Composite TRI + 26.5% S&P 500 TRI (C\$) + 18.5% MSCI EAFE TRI (C\$)

Pre April 30, 2019: 40% FTSE TMX Bond Universe + 20% S&P/TSX Composite TRI + 23% S&P 500 TRI (C\$) + 17% MSCI EAFE TRI (C\$)

Pre April 30, 2018: 40% FTSE TMX Bond Universe + 30% S&P/TSX Composite TRI + 15% S&P 500 TRI (C\$) + 15% MSCI EAFE TRI (C\$)

Pre April 30, 2014: 38% FTSE TMX Bond Universe + 40% S&P/TSX Composite TRI + 10% S&P 500 TRI (C\$) + 10% MSCI EAFE TRI (C\$) + 2% DEX 91 Day T-Bills (C\$)

Pre April 30, 2013: 40% FTSE TMX Bond Universe + 30% S&P/TSX Composite TRI + 12.5% S&P 500 TRI (C\$) + 12.5% MSCI EAFE TRI (C\$) + 5% DEX 91 Day T-Bills (C\$)

(3) Since inception date is as of Feb 29, 2012