

## **CANADIAN PENSION FUNDS WEATHER SECOND QUARTER STORM**

### **RBC Dexia Investor Services releases second quarter investment results for Canadian pension plans**

**TORONTO, July 20, 2006** — Interest rate jitters, global stock market corrections and the strengthening loonie erased 3.1 per cent from the value of Canadian pension funds in the quarter ending June 2006, according to a survey just released by RBC Dexia Investor Services, which maintains the industry's most comprehensive universe of Canadian pension plan and money managers.

Within the \$340 billion BENCHMARK universe, year-to-date investment returns are barely positive at 0.9 per cent. “But to put these results into perspective, this is the first negative quarter in over three years – and the median Canadian pension fund is still up a healthy 11.4 per cent for the period,” explained Don McDougall, Director Advisory Services, RBC Dexia Investor Services. In the latest 12 months, performance averaged 6.8 per cent.

“Pension funds survived three rough months of turbulent volatility. Both stocks and debt took it on the chin, with global equities and longer duration bonds absorbing the biggest hits,” observed McDougall.

During the quarter, global stocks slipped, dropping the MSCI World Index by 3.0 per cent in local currency terms. Translated into Canadian dollars, these losses grew to 5.0 per cent, magnified by the Canadian dollar's appreciation against both the Japanese yen and the US dollar. “Fortunately, most Canadian pension funds remained under-exposed to the US market, and that helped mitigate the damage,” added McDougall. “In fact, pension plans outpaced the quarterly benchmark by 0.2 per cent.”

Canada's equity market also stumbled, dropping 3.5 per cent in the quarter. Information technology, the worst-performing sector, plunged 21.5 per cent, but it was actually the 7.1 per cent decline in widely-held financial stocks that had the greatest overall impact. According to the RBC Dexia survey, pension funds under-performed the S&P TSX composite index by 0.4 per cent. “The typical pension fund had reined in exposure to the more speculative – but better-performing – energy and materials stocks, while remaining overweight in the financial sector,” noted McDougall.

In domestic bonds, speculation about further interest rate hikes triggered another sell-off, resulting in a 1.1 per cent loss on the quarter, on par with the Scotia Capital Universe Bond Index.

### **About RBC Dexia Investor Services**

RBC Dexia Investor Services offers institutional investors an integrated suite of products, including global custody, fund and pension administration, securities lending, shareholder services, analytics and other related services. RBC Dexia Investor Services ranks among the world's top 10 global custodians, with approximately USD 2.0 trillion (EUR 1.7 trillion) in client assets under custody\*. RBC Dexia Investor Services is a joint venture equally owned by Royal Bank of Canada and Dexia. Headquartered in London, the company has 3,800 employees who provide award-winning client service from offices in 15 countries on four continents. For more information, please visit [www.rbcdexia-is.com](http://www.rbcdexia-is.com).

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