



Saskatchewan Pension Plan 2009 Investment Report

After reaching multi-year lows in the first quarter of 2009, equity markets around the world continued the rally started in March. Investor sentiment started to stabilize as a consensus about the worst of the credit crisis being behind us took root. With the absence of new monetary stimulus measures in the second quarter, the flight to safety trend began to unwind and

2009 Market returns	
S&P/TSX Composite Index	35.1%
S&P 500 Index (C\$)	7.4%
MSCI EAFE Index (C\$)	11.9%
DEX Universe Bond Index	5.4%

investors began to add risk back to their portfolios, reducing their most liquid and safe assets.

Equity markets continued

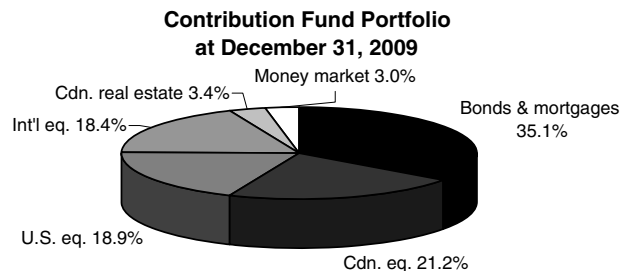
their strong recovery into the third quarter but lost momentum in the final quarter of 2009. Renewed interest in commodities, especially metals, drove demand for Canadian stocks and the Canadian dollar. The Canadian dollar appreciated versus the U.S. dollar and eight of the eleven MSCI EAFE Index currencies. The domestic bond market had a slight negative return in the last quarter of 2009. Satisfied with the general state of corporate balance sheets, investors shifted their focus to rising fiscal deficits and the threat of inflation. The higher interest income of corporate bonds allowed the sector to avoid the losses of other sectors. All major indices posted positive returns in the year.

Looking forward, economists believe the recovering economy will be driven by a number of factors such as the stabilization of the housing sector, monetary policy, growth in emerging markets and governments' fiscal exit strategy. They are also predicting a continued sharp rebound in global equity markets and a decline in credit spreads.

The market value of SPP Contribution Fund (CF) increased from \$155.7 million at the end of 2008 to \$176.8 million at the end of 2009. This represents a return of 12.7 per cent after administration costs to allocate to members' accounts at year end. The fund is managed by Greystone Managed Investments Inc.

(Greystone) of Regina and Leith Wheeler Investment Counsel Ltd. (LW) of Vancouver.

The CF is structured to provide long term capital growth and holds a mixture of equities, fixed income and Canadian real estate investments. The chart below shows the portfolio's asset mix at December 31, 2009.



The following is a summary of the 2009 CF performance by asset class. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's 2009 return, before administration expenses, was 13.5 per cent compared to a benchmark of 12.4 per cent.

Canadian Equities

Top 10 Canadian Equity Holdings in 2009			
	% of Portfolio		% of Portfolio
1. Royal Bank of Canada	6.8	6. Research In Motion	3.6
2. Toronto Dominion Bank	6.3	7. Cndn. Natural Resources	3.2
3. Bank of Nova Scotia	5.5	8. EnCana	2.9
4. Talisman Energy	4.7	9. Toromont Industries	2.8
5. Saputo	3.8	10. Canadian National Railway	2.7

The S&P/TSX Composite Index posted a return of 35.1 per cent in 2009. All 10 sectors had positive returns in the year, led by the Financials, Information Technology and Energy sectors. Telecom was the worst performing sector. Small cap stocks, as measured by the BMO Small Cap Index significantly outperformed large cap stocks.

SPP's Canadian equity portfolio returned 29.0 per cent. Both managers under-performed the benchmark due to



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a number of factors: LW was overweight in Industrials and Consumer Staples and Greystone was overweight in Consumer Discretionary and Consumer Staples and underweight in Financials, Energy and Materials. Stock selection across a number of sectors was an issue for both managers.

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio at December 31, 2009. Similar information is provided for all asset classes.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Financials	30.5	32.2	45.6
Information technology	3.5	6.7	44.3
Energy	27.6	23.7	39.5
S&P/TSX 300			35.1
Health care	0.4	0.0	34.4
Materials	19.4	11.7	34.2
SPP			29.0
Industrials	5.6	11.7	27.0
Utilities	1.7	0.7	19.0
Consumer discretionary	4.3	4.7	15.1
Consumer staples	2.8	5.8	8.1
Telecom services	4.2	2.8	6.6
Total	100.0	100.0	

U.S. Equities

Top 10 U. S. Equity Holdings in 2009			
	% of Portfolio		% of Portfolio
1. 3M Company	3.6	6. Johnson & Johnson	2.2
2. Microsoft	3.1	7. Merck & Co.	2.2
3. Markel	2.7	8. Apache	2.2
4. Intel	2.6	9. AFLAC	2.1
5. Pfizer	2.5	10. Becton Dickinson & Co.	2.0

The S&P 500 Index returned 26.5 per cent in US\$ in 2009 with the return decreasing to 7.4 per cent in C\$ as the Canadian dollar appreciated over the period. In Canadian dollar terms, only the Information Technology, Materials and Consumer Discretionary sectors posted a positive return. The Telecom and

Utilities sectors were the worst performers. Growth stocks outperformed value stocks by a wide margin. Mid cap stocks performed better than large cap and small cap stocks

SPP's U.S. equity portfolio returned 6.7 per cent. LW outperformed the benchmark due to being overweight in Materials and Consumer Discretionary, underweight in Telecom and Consumer Staples, stock selection within the Energy and Consumer Staples sectors and a bias towards small cap and value stocks. Greystone underperformed the benchmark, despite adding value through sector calls, because of security selection within Industrials, Consumer Discretionary and Consumer Staples sectors.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Information technology	19.9	14.9	35.8
Materials	3.6	6.5	23.3
Consumer discretionary	9.6	15.5	17.9
S & P 500			7.4
SPP			6.7
Industrials	10.3	10.8	-0.4
Financials	14.4	14.3	-2.5
Energy	11.5	12.0	-5.5
Consumer staples	11.4	10.5	-5.6
Health care	12.6	14.2	-7.0
Utilities	3.7	1.3	-9.3
Telecom services	3.2	0.0	-12.9
Total	100.2	100.0	



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Non-North American Equities

Top 10 Non-North American Equity Holdings in 2009			
	% of Portfolio		% of Portfolio
1. Novartis	2.8	6. Royal Dutch Shell	1.7
2. Nestle	2.5	7. CRH	1.5
3. Total	2.3	8. Honda Motor	1.4
4. HSBC Holdings	1.9	9. Adidas	1.4
5. Cash	1.8	10. Swatch Group	1.2

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 24.7 per cent in local currency terms and 11.9 per cent in Canadian dollar terms for the year. Currency effects were significant, as eight of the eleven EAFE currencies depreciated versus the Canadian dollar. The Materials sector was the top performing sector and Utilities the worst performing sector. Overall, 18 of the 21 developed countries within the Index had positive returns. Japan was the worst performing developed country in the Index. Emerging markets outpaced developed markets by a wide margin and value stocks out-performed growth stocks.

SPP's non-North American (NNA) equity portfolio returned 18.7 per cent and both managers outperformed the benchmark. LW's sub-advisor for NNA equities is Sprucegrove and the outperformance can be attributed to overweights to Pacific ex-Japan, Singapore, Hong Kong, emerging markets, as well as overweights to Consumer Discretionary and Industrials sectors and security selection within those sectors. Large Cap value stocks added the most value.

Greystone's sub-advisors are Goldman Sachs and Hansberger. Hansberger had significant outperformance because of overweights to emerging markets including China, Brasil and India and an underweight to some of the worst performing sectors in the index. Goldmans Sachs' outperformance is attributed to a bias towards large cap value stocks and away from large cap growth stocks as well as good stock selection within the Materials sector.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Norway	0.8	0.4	58.9
Australia	8.4	3.5	49.8
Singapore	1.5	3.0	47.7
Sweden	2.5	1.1	39.4
Hong Kong	2.3	4.4	36.0
Belgium	1.0	1.4	33.8
New Zealand	0.1	0.0	27.7
Spain	4.6	3.1	21.9
United Kingdom	21.5	20.1	21.7
Austria	0.3	0.4	21.6
Netherlands	2.7	2.1	20.8
Portugal	0.3	0.0	19.2
SPP			18.7
Denmark	0.9	0.7	16.0
France	11.1	6.9	12.0
MSCI EAFE			11.9
Italy	3.5	3.1	7.5
Switzerland	7.7	10.3	6.4
Germany	8.1	6.6	6.3
Greece	0.5	0.0	6.2
Ireland	0.3	2.7	-4.6
Finland	1.1	0.7	-5.6
Japan	20.7	17.3	-9.8
Emerging Markets	0.1	10.0	-
Cash	-	2.2	-
Total	100.0	100.0	

Real Estate

The Board amended the investment policy as of January 1, 2009 to allow investment into Canadian Real Estate pooled fund, managed by Greystone, as a separate asset class. The mandate was substantially funded in the year starting in the second quarter of 2009 and this asset class will be reflected in the benchmark in 2010. In the final quarter of 2009 the real estate portfolio was affected by increased vacancy rates and accompanying tenant leverage.



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Fixed Income

The DEX Universe Bond Index, which measures the Canadian Bond market returns, gained 5.4 per cent in the year. Due to an expected slower economic recovery, the Bank of Canada lowered the overnight rate by 125 basis points (bps) during the year and has left the overnight rate (0.25 per cent) unchanged over the past five meetings. The U.S. Federal Reserve maintained a target range for the Federal fund rates of 0 per cent to 0.25 per cent. As of December 31, 2009, Canadian core inflation was 1.5 per cent, while total inflation was 1.3 per cent.

SPP's Fixed Income portfolio returned 7.1 per cent. Both managers outperformed the index due to overweights in corporate bonds and underweights to Government of Canada bonds during the year.

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Corporate	27.5	50.3	16.3
SPP			7.1
Municipal	1.4	2.8	6.2
DEX UBI			5.4
Provincial	24.2	24.8	4.7
Federal	46.9	22.1	-0.2
Total	100.0	100.0	

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