

All figures in Canadian dollars unless otherwise noted.

CPP Investments Net Assets Total \$420.4 Billion at Third Quarter Fiscal 2020

Highlights:

- \$14.5 billion in net income generated this quarter
- 10-year annualized net return of 10.4%
- All investment departments reported positive results this quarter

TORONTO, ON (February 14, 2020): Canada Pension Plan Investment Board (CPP Investments) ended its third quarter of fiscal 2020 on December 31, 2019, with net assets of \$420.4 billion, compared to \$409.5 billion at the end of the previous quarter.

The \$10.9 billion increase in assets for the quarter consisted of \$14.5 billion in net income after all CPP Investments costs, less \$3.6 billion in net Canada Pension Plan (CPP) cash outflows. CPP Investments routinely receives more CPP contributions than required to pay benefits during the first part of the calendar year, partially offset by benefit payments exceeding contributions in the final months of the year. On an annual basis, contributions to the Fund continue to exceed outflows.

The Fund, which includes the combination of the base CPP and additional CPP accounts, achieved both 10-year and five-year annualized net nominal returns of 10.4%. For the quarter, the Fund returned 3.6% net of all CPP Investments costs.

For the nine-month fiscal year-to-date period, the Fund increased by \$28.4 billion consisting of \$27.9 billion in net income after all CPP Investments costs, plus \$0.5 billion in net CPP cash inflows. The Fund delivered a net return of 7.1% after all CPP Investments costs during the period.

“All of our investment departments contributed to a very solid quarter, advancing the Fund,” says Mark Machin, President & Chief Executive Officer, CPP Investments. “Financial results and operational performance across CPP Investments’ global active programs remain strong, although the relative value of the Canadian dollar, against several foreign currencies, affected overall results.”

CPP Investments continues to build a portfolio designed to achieve a maximum rate of return without undue risk of loss, taking into account the factors that may affect the funding of the CPP and the CPP’s ability to meet its financial obligations. The CPP is designed to serve today’s contributors and beneficiaries while looking ahead to future decades and across multiple generations. As a comparative advantage, an extended investment horizon helps to define CPP Investments’ strategy and risk appetite. Accordingly, long-term results are a more appropriate measure of CPP Investments’ performance compared to quarterly or annual cycles.

Fund 10 and Five-Year Returns^{1, 2, 3}

(for the quarter ending December 31, 2019)

	Investment Rate of Return (Nominal)	Net Income ⁴
10-Year Annualized	10.4%	\$251.9 billion
Five-Year Annualized	10.4%	\$161.6 billion

¹ After all CPP Investments costs.

² Rates of return are calculated on a time-weighted basis.

³ Includes both base and additional CPP.

⁴ Dollar figures are cumulative.

Performance of the Base and Additional CPP Accounts

The base CPP account ended its third quarter of fiscal 2020 on December 31, 2019, with net assets of \$419.0 billion, compared to \$408.3 billion at the end of the second quarter of fiscal 2020. The \$10.7 billion increase in assets consisted of \$14.5 billion in net income after all costs and \$3.8 billion in net base CPP outflows. The base CPP account achieved a 3.6% net return for the quarter.

The additional CPP account ended its third quarter of fiscal 2020 on December 31, 2019, with net assets of \$1.4 billion, compared to \$1.2 billion at the end of the second quarter of fiscal 2020. The \$0.2 billion increase in assets consisted of \$0.02 billion in net income and \$0.2 billion in net additional CPP contributions. The additional CPP account achieved a 1.4% net return for the quarter.

Base and additional CPP differ in contributions, investment incomes and their risk targets. We expect the investment performance of each account to be different.

Long-Term Sustainability

Every three years, the Office of the Chief Actuary of Canada conducts an independent review of the sustainability of the base and additional CPP over the next 75 years. In the most recent triennial review, the Chief Actuary of Canada reaffirmed that, as at December 31, 2018, both the base and additional CPP continue to be sustainable over the 75-year projection period at the current legislated contribution rates.

The Chief Actuary's projections are based on the assumption that, over the 75 years following 2018, the base CPP account will earn an average annual real rate of return of 3.95% above the rate of Canadian consumer price inflation, after all investment costs and CPP Investments operating expenses. The corresponding assumption is that the additional CPP account will earn an average annual real rate of return of 3.38%.

The Fund, combining both the base CPP and additional CPP accounts, achieved 10-year and five-year annualized net real returns of 8.5% and 8.4%, respectively.

Asset Mix

For the quarter ending December 31, 2019 (\$ billions)		
	\$	%
Public Equities		
Canadian	8.2	2.0
Foreign	79.5	18.9
Emerging	<u>41.1</u>	<u>9.8</u>
	128.8	30.7
Private Equities		
Canadian	1.2	0.3
Foreign	90.2	21.5
Emerging	<u>13.2</u>	<u>3.1</u>
	104.6	24.9
Government Bonds		
Non-marketable	21.2	5.0
Marketable	<u>63.0</u>	<u>15.0</u>
	84.2	20.0
Credit	46.7	11.1
Real Assets		
Real Estate	46.1	11.0
Infrastructure	35.1	8.3
Energy and Resources	9.3	2.2
Power and Renewables	<u>5.4</u>	<u>1.3</u>
	95.9	22.8
External Debt Issuance	-32.2	-7.7
Cash and Absolute Return Strategies¹	-7.7	-1.8
Net Investments	420.3	100.0
Non-investment assets²	0.1	-
Net Assets³	420.4	-

¹The negative balance of \$7.7 billion in Cash & Absolute Return Strategies represents the net amount of financing through derivatives and repurchase agreements, and the current net position from Absolute Return Strategies.

²Includes assets such as premises and equipment and non-investment liabilities.

³Includes \$419.0 billion of base CPP and \$1.4 billion of additional CPP.

Operational Highlights:

- Subsequent to quarter end, CPPIB Capital Inc., a wholly owned subsidiary of CPP Investments, completed an international debt offering of GBP 5-year term notes totalling £500 million. CPP Investments uses a conservative amount of short- and medium-term debt as one of several tools to manage our investment operations. Debt issuance gives CPP Investments flexibility to fund investments that may not match our contribution cycle. Net proceeds from the private placement will be used by CPP Investments for general corporate purposes.
- CPPIB Capital Inc., a wholly owned subsidiary of CPP Investments, issued a Green Bond valued at US\$500 million, a Floating Rate Note linked to the new Secured Overnight Financing Rate (SOFR). This will enable CPP Investments to invest further in eligible assets such as renewables, water and real estate projects, and to diversify the investor base. This is our third issuance of Green Bonds.

Q3 Investment Highlights:**Active Equities**

- Invested R\$1,071 million (C\$340 million) for a 12.4% stake in SmartFit Escola de Ginástica e Dança S.A., Latin America's largest chain of fitness centres.

Credit Investments

- Committed US\$225 million to the India Resurgence Fund platform, which will invest in distressed assets through the purchase of existing debt and equity securities, seeking turnaround through recapitalization and operational improvements.

Private Equity

- Invested €500 million in Traviata I S.à r.l., a holding company that acquired media and technology company Axel Springer SE, alongside funds advised by KKR.

Real Assets

- Acquired a 70% stake in JK Towers D and E, two Class-A office towers in São Paulo, for R\$1,050 million (C\$347 million), alongside Cyrela Commercial Properties S.A. Located in the prime Faria Lima submarket, the towers have 35,153 square metres of leasable area and are part of the JK Complex, the largest Class-AAA mixed-use complex in the city of São Paulo.
- Committed C\$230 million to acquire a 40% interest in the Shanghai Grade-A office development joint venture. The project is located in downtown Shanghai and will be developed as a 20-storey office building with 48,000 square metres of leasable office space with LEED Gold standard.
- Agreed to invest up to US\$600 million through India's National Investment and Infrastructure Fund, which invests equity capital in the country's core infrastructure sectors, with a focus on transportation, energy and urban infrastructure.

- Entered into a definitive agreement to acquire a stake in Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. (IDEAL) to further invest in key infrastructure projects throughout Mexico. Under the terms of the agreement, CPP Investments and Ontario Teachers' Pension Plan have committed to launch a tender offer in the Mexican stock exchange for a 40% stake in IDEAL, subject to the fulfillment of certain conditions, at MXN\$43.96 per share. If successful, CPP Investments will acquire a 23.7% interest in IDEAL. IDEAL's portfolio includes 18 infrastructure concessions in Mexico, as well as an electronic toll collection business.
- Committed to an additional investment in Crestone Peak Resources (Crestone), a 95%-owned portfolio company, of up to US\$310 million to support Crestone's definitive agreement to acquire oil and gas assets in Colorado's DJ Basin.
- Formed a joint venture with Cyrela Brazil Realty to develop a portfolio of residential real estate across select neighborhoods in São Paulo. The joint venture, of which our interest is 80%, will target an investment of up to R\$1 billion in combined equity.
- Entered into a definitive agreement to acquire Pattern Energy Group Inc. (Pattern Energy) in an all-cash transaction for US\$26.75 per share, implying an enterprise value of approximately US\$6.1 billion, including net debt. Concurrently, entered into an agreement to combine Pattern Energy with its affiliated development entity, Pattern Energy Group 2 LP (Pattern Development). Headquartered in San Francisco, California, Pattern Energy has a portfolio of 28 renewable energy projects in North America and Japan while Pattern Development has a development pipeline of more than 10 GW across North America and Japan.

Asset Dispositions:

- Sold our 17.4% stake in the multinational entertainment company Entertainment One Ltd. as part of the company's sale to Hasbro Inc. Net proceeds from the sale are approximately C\$830 million. Our ownership interest was initially acquired in 2015.
- Signed an agreement to sell our 50% interest in the intu Puerto Venecia shopping centre in Zaragoza, Spain, alongside our joint venture partner intu properties plc. Closing is expected by the end of March, subject to customary regulatory approvals. Net proceeds from the sale are approximately €115 million. Our ownership interest was initially acquired in 2015.
- Sold our 50% stake in Edmonton City Centre, a 1.4-million-square-foot retail and office complex in Edmonton, Alberta. Net proceeds from the sale were C\$146 million. Our ownership interest was initially acquired in 2005.
- Sold our 39% stake in Interparking, a pan-European car-park owner and operator, for net proceeds of approximately C\$870 million. Our ownership interest was originally acquired in 2014.

Transaction highlights following the quarter end include:

- Announced an additional US\$1.1 billion target equity allocation to the Goodman North American Partnership (GNAP) alongside Goodman Group. Established in 2012, GNAP invests in high-quality logistics and industrial property in key North American markets.
- Sold our 50% stake in intu Asturias shopping centre, previously known as Parque Principado, in Oviedo, Spain, alongside our joint venture partner intu properties plc. Net proceeds from the sale are approximately €85 million. Our ownership interest was initially acquired in 2013.
- Sold our 45.0% interest in six San Francisco Bay Area multifamily assets and one land parcel in southern California. Net proceeds from the sale were approximately C\$601 million. Our ownership interests were held alongside joint venture partner Essex Property Trust and acquired between 2012 and 2014.

About CPP Investments

Canada Pension Plan Investment Board (CPP Investments™) is a professional investment management organization that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits in the best interests of 20 million contributors and beneficiaries. In order to build diversified portfolios of assets, investments in public equities, private equities, real estate, infrastructure and fixed income instruments are made by CPP Investments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At December 31, 2019, the CPP Fund totalled \$420.4 billion. For more information about CPP Investments, please visit www.cppinvestments.com or follow us on [LinkedIn](#), [Facebook](#) or [Twitter](#).

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