

## **CPPIB Totals \$409.5 Billion at Second Quarter Fiscal 2020**

### **Highlights:**

- \$9.2 billion in net income generated for the Fund this quarter
- 10-year annualized return of 10.2%
- Additional CPP account net assets surpass \$1 billion

**TORONTO, ON (November 14, 2019):** Canada Pension Plan Investment Board (CPPIB) ended its second quarter of fiscal 2020 on September 30, 2019, with net assets of \$409.5 billion, compared to \$400.6 billion at the end of the previous quarter.

The \$8.9 billion increase in assets for the quarter consisted of \$9.2 billion in net income after all CPPIB costs less \$0.3 billion in net Canada Pension Plan (CPP) cash outflows. CPPIB 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 both the base CPP and additional CPP accounts, achieved 10-year and five-year annualized net nominal returns of 10.2% and 10.3%, respectively. For the quarter, the Fund returned 2.3% net of all CPPIB costs.

For the six-month fiscal year-to-date period, the Fund increased by \$17.5 billion consisting of \$13.4 billion in net income after all CPPIB costs, plus \$4.1 billion in net CPP cash inflows. The portfolio delivered a net return of 3.4% after all CPPIB costs during the period.

“CPPIB continued to deliver steady returns this quarter,” says Mark Machin, President & Chief Executive Officer, CPPIB. “During this time, our teams continued to lay the groundwork for future value creation.”

Following the quarter, CPPIB released its 12<sup>th</sup> Report on Sustainable Investing, demonstrating the Fund’s continued focus on identifying and addressing environmental, social and governance (ESG) factors, which are key drivers of value for long-term investors.

“Embedding ESG factors more deeply into our investment process advances our investment objectives. Addressing risks and opportunities resulting from climate change and promoting the effectiveness of boards of our portfolio companies, for example, help us improve investment returns over the long run,” adds Mr. Machin.

CPPIB 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 CPPIB’s strategy and risk appetite. Accordingly, long-term results are a more appropriate measure of CPPIB’s investment performance compared to quarterly or annual cycles.



### Fund 10 and 5-Year Returns<sup>1, 2, 3</sup>

(for the quarter ending September 30, 2019)

	Investment Rate of Return (Nominal)	Net Income <sup>4</sup>
10-Year Annualized	10.2%	\$239.5 billion
Five-Year Annualized	10.3%	\$154.4 billion

<sup>1</sup> After all CPPIB costs.

<sup>2</sup> Rates of return are calculated on a time-weighted basis.

<sup>3</sup> Includes both base and additional CPP.

<sup>4</sup> Dollar figures are cumulative.

### Performance of the Base and Additional CPP Accounts

The base CPP account ended its second quarter of fiscal 2020 on September 30, 2019, with net assets of \$408.3 billion, compared to \$399.7 billion at the end of the first quarter of fiscal 2020. The \$8.6 billion increase in assets consisted of \$9.2 billion in net income after all costs and \$0.6 billion in net base CPP outflows. The base CPP account achieved a 2.3% net return for the quarter.

The additional CPP account ended its second quarter of fiscal 2020 on September 30, 2019, with net assets of \$1.2 billion, compared to \$0.9 billion at the end of the first quarter of fiscal 2020. The \$0.3 billion increase in assets consisted of \$0.02 billion in net income and \$0.3 billion in net additional CPP contributions. The additional CPP account achieved a 1.9% net return for the quarter.

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

### Long-Term Sustainability

Every three years, the Office of the Chief Actuary of Canada conducts an independent review of the sustainability of the CPP over the next 75 years. In the most recent triennial review, the Chief Actuary of Canada reaffirmed that, as at December 31, 2015, the base CPP remains sustainable at the current contribution rate of 9.9% throughout the forward-looking 75-year period covered by the actuarial report.

The Chief Actuary's projections are based on the assumption that, over the 75 years from 2015, the base CPP investments will earn an average annual rate of return of 3.9% above the rate of Canadian consumer price inflation, after all investment costs and CPPIB operating expenses. The corresponding assumption is that the additional CPP investments will earn an average annual real rate of return of 3.55%.

The Fund, combining both the base CPP and additional CPP accounts, achieved 10-year and five-year annualized net real returns of 8.4% and 8.6%, respectively.



**Asset Mix**

For the quarter ending September 30, 2019 (\$ billions)		
	\$	%
<b>Public Equities</b>		
Canadian	8.2	2.0
Foreign	83.2	20.3
Emerging	<u>39.2</u>	<u>9.6</u>
	<b>130.6</b>	<b>31.9</b>
<b>Private Equities</b>		
Canadian	1.0	0.3
Foreign	85.1	20.8
Emerging	<u>12.8</u>	<u>3.1</u>
	<b>98.9</b>	<b>24.2</b>
<b>Government Bonds</b>		
Non-marketable	21.9	5.4
Marketable	<u>68.8</u>	<u>16.8</u>
	<b>90.7</b>	<b>22.2</b>
<b>Credit</b>	<b>42.1</b>	<b>10.3</b>
<b>Real Assets</b>		
Real Estate	47.7	11.6
Infrastructure	35.2	8.6
Energy and Resources	9.4	2.3
Power and Renewables	<u>5.2</u>	<u>1.3</u>
	<b>97.5</b>	<b>23.8</b>
<b>External Debt Issuance</b>	<b>-34.0</b>	<b>-8.3</b>
<b>Cash and Absolute Return Strategies<sup>1</sup></b>	<b>-16.5</b>	<b>-4.1</b>
<b>Net Investments</b>	<b>409.3</b>	<b>100.0</b>
<b>Non-investment assets<sup>2</sup></b>	<b>0.2</b>	<b>-</b>
<b>Net Assets<sup>3</sup></b>	<b>409.5</b>	<b>-</b>

<sup>1</sup> The negative balance of \$16.5 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.

<sup>2</sup> Includes assets such as premises and equipment and non-investment liabilities.

<sup>3</sup> Includes \$408.3 billion of base CPP and \$1.2 billion of additional CPP.



### Operational Highlights:

- Published our 12<sup>th</sup> Report on Sustainable Investing, demonstrating our focus on understanding the risks and opportunities presented by climate change, as well as strengthening corporate governance through actions intended to improve the gender composition of public investee companies' boards.
- Continued to expand the San Francisco office, with Monica Adractas joining as Head of Venture Capital Funds and several important internal transfers underway from various investment groups. Ryan Selwood has been appointed the interim Senior Lead of our San Francisco office, while maintaining his role as Managing Director, Head of Direct Private Equity.
- Patrice Walch-Watson, Senior Managing Director, General Counsel & Corporate Secretary, was named a recipient of the prestigious Chambers Canada GC Influencer Award by global law-ranking firm Chambers & Partners.

### Q2 Investment Highlights:

#### Private Equity

- Extended our longstanding private equity investment partnership with Northleaf Capital Partners with the aim to invest \$200 million over four years in an evergreen fund structure that offers access to the Canadian private equity market.
- As part of a consortium, announced our agreement to merge the Refinitiv business, one of the world's largest providers of financial markets data and infrastructure, with the London Stock Exchange Group plc in an all-share transaction for a total enterprise value of approximately US\$27 billion.
- Agreed to acquire a stake in Waystar, a leading cloud-based provider of revenue cycle technology, alongside the EQT VIII Fund, at a valuation of US\$2.7 billion. The seller, Bain Capital, will retain a minority stake in the company.

#### Real Assets

- Formed a joint venture with Boston Properties, Inc. to develop Platform 16, a 1.1-million-square-foot Class A urban office campus in San Jose, California. CPPIB has a 45% ownership interest in the joint venture, with Boston Properties retaining the remaining 55% ownership stake.
- Agreed to acquire a 45% interest in PT Lintas Marga Sedaya, the concession holder and operator of the 117 km Cikopo-Palimanan (Cipali) toll road in Indonesia, alongside PT Baskhara Utama Sedaya, a wholly owned subsidiary of PT Astra Tol Nusantara, who will hold 55%.
- Acquired an additional 10.01% equity stake in 407 International Inc., which holds a concession over the 407 Express Toll Route toll road in Ontario, from SNC-Lavalin Group Inc. for \$3.0 billion, with up to an additional \$250 million to be paid over 10 years, conditional on achieving certain financial targets related to the performance of the toll highway. CPPIB controls a 50.01% stake in 407 International Inc.



- Agreed to commit up to A\$136 million on deferred terms including costs, as part of the Dexus Office Trust Australia (DOTA) partnership, to acquire office buildings in Sydney, Australia including 3 Spring Street and a portion of 58 Pitt Street.
- Announced plans to sell Liberty Living, a wholly owned student accommodation business, to the Unite Group plc for cash proceeds of approximately \$1.3 billion, retaining a 20% share in the combined group.
- IndInfravit Trust, in which CPPIB is a founding investor, has agreed to purchase the entire equity shareholding in nine Indian operational road projects from Sadbhav Infrastructure Project Ltd. The transaction values 100% of the portfolio at an enterprise value of approximately INR 66,100 million. IndInfravit Trust is an infrastructure investment trust based in India.

#### **Credit Investments**

- Committed €300 million to an Iberian Private Real Assets Credit partnership, a separately managed account which will invest in middle market real estate credit opportunities across Spain and Portugal.
- Committed to invest US\$180 million, alongside Harbor Group International LLC's US\$70 million, into the subordinated class B tranche of certain future Freddie Mac supplemental loan securitizations.

#### **Active Equities**

- Invested US\$115 million in Delhivery Pvt Ltd., one of India's leading third-party logistics providers, which operates in more than 2,000 cities in India and offers a full range of supply chain services.

#### **Asset Dispositions:**

- Sold our 50% ownership interest in Buildings 7 and 8 at Wellington Place, an office property in Leeds, United Kingdom. Net proceeds to CPPIB from the sale were approximately £97 million before customary closing adjustments. Our ownership interest in Wellington Place was acquired in 2014.
- Completed the sale of Relationship Investments' stake in TMX Group, by way of open market sales, for net proceeds of \$465 million. CPPIB has been a long-term investor in the company and this stake sale reflects ordinary-course portfolio management.
- Sold a portion of our ownership in the Lendlease International Towers Sydney Trust. Net proceeds from the transaction are expected to be A\$532 million, while still retaining a 36% interest in the Trust. CPPIB acquired its initial ownership interest in Lendlease International Towers Sydney Trust in 2012.



**Transaction highlights following the quarter end include:**

- Formed a joint venture with Cyrela Brazil Realty (Cyrela) to develop a portfolio of residential real estate across select neighborhoods in the city of São Paulo, Brazil. The joint venture will target an investment of up to R\$1 billion in combined equity. CPPIB will own an 80% ownership interest in the joint venture, and Cyrela will own the remaining 20% interest.
- Sold our 50% stake in Edmonton City Centre, a 1.4-million-square-foot retail and office complex in Edmonton, Alberta. Net proceeds to CPPIB from the sale were approximately C\$146 million. Our ownership interest was initially acquired in 2005.
- 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.
- Signed an agreement to sell our 39% stake in Interparking, a pan-European car park owner and operator, for net proceeds of approximately \$870 million. Our ownership interest was originally acquired in 2014.
- Committed to invest €500 million in Traviata I S.à r.l., a holding company that is preparing to acquire media and technology company Axel Springer SE, alongside funds advised by KKR.

**About Canada Pension Plan Investment Board**

Canada Pension Plan Investment Board (CPPIB) 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, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At September 30, 2019, the CPP Fund totalled \$409.5 billion. For more information about CPPIB, please visit [www.cppib.com](http://www.cppib.com) or follow us on [LinkedIn](#), [Facebook](#) or [Twitter](#).

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