

All figures in Canadian dollars unless otherwise noted.

CPP Investments Net Assets Total \$529 Billion at Second Quarter Fiscal 2023

Second-Quarter Performance:

- Net assets increase by \$6 billion
- 10-year annualized net return of 10.1%
- Diversified portfolio resilient in the face of global headwinds

TORONTO, ON (November 10, 2022): Canada Pension Plan Investment Board (CPP Investments) ended its second quarter of fiscal 2023 on September 30, 2022, with net assets of \$529 billion, compared to \$523 billion at the end of the previous quarter.

The \$6 billion increase in net assets for the quarter consisted of \$1 billion in net income and \$5 billion in net transfers from the Canada Pension Plan (CPP).

In the five-year period up to and including the second quarter of fiscal 2023, CPP Investments has contributed \$169 billion in cumulative net income to the Fund, and over a 10-year period, it has contributed \$303 billion to the Fund on a net basis.

The Fund, which includes the combination of the base CPP and additional CPP accounts, achieved five-year and 10-year annualized net returns of 8.5% and 10.1%, respectively. For the quarter, the Fund returned 0.2%, continuing to outperform leading global indices during this period.

For the six-month fiscal year-to-date period, the Fund decreased by \$10 billion consisting of a net decline in value of \$22 billion after all CPP Investments costs, plus \$12 billion in net CPP contributions. For the period, the Fund's net return was negative 4.0%.

“Our portfolio remains resilient despite inflationary pressures, increases in central bank rates and the continued impact of the war in Ukraine, which resulted in the continued decline in global financial markets during the quarter,” said John Graham, President & CEO. “While we expect these conditions to persist throughout the fiscal year, our diversified investment portfolio – across asset classes and geographies – continues to create long-term value for CPP contributors and beneficiaries. Our active management strategy, designed to deliver results over the long term, remains on track as demonstrated by our strong 10-year net return of 10.1%.”

The Fund’s quarterly results were adversely affected by broad declines in global public and private equity markets and in fixed income markets. However, the decline in value was more than offset by gains in U.S. dollar-denominated private equity, real estate and credit investments, which benefitted from foreign exchange gains, and by positive returns on investments in energy and infrastructure. Gains by external investment managers in fixed income, currencies and commodities also contributed positively to results.

Performance of the Base and Additional CPP Accounts¹

The base CPP account ended its second quarter of fiscal 2023 on September 30, 2022, with net assets of \$512 billion, compared to \$509 billion at the end of the previous quarter. The \$4 billion increase in assets consisted of \$1 billion in net income and \$3 billion in net transfers from the CPP. The base CPP account achieved a 0.2% net return for the quarter, and a five-year annualized net return of 8.6%.

The additional CPP account ended its second quarter of fiscal 2023 on September 30, 2022, with net assets of \$17 billion, compared to \$14 billion at the end of the previous quarter. The \$2 billion increase in assets consisted of \$38 million in net income and \$2 billion in net transfers from the CPP. The additional CPP account achieved a 0.4% net return for the quarter, and an annualized net return 5.0% since inception in 2019.

The additional CPP was designed with a different legislative funding profile and contribution rate compared to the base CPP. Given the differences in their design, the additional CPP has had a different market risk target and investment profile since its inception in 2019. As a result of these differences, we expect the performance of the additional CPP to generally differ from that of the base CPP.

Furthermore, due to the differences in their net contribution profiles, the assets in the additional CPP account are also expected to grow at a much faster rate than those in the base CPP account.

CPP Investments Net Nominal Returns (For the quarter ended September 30, 2022)		
Base CPP	Five-Year	8.6%
	10-Year	10.2%
Additional CPP	Since Inception	5.0%

¹ Certain figures may not add up due to rounding.

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 long term. In the most recent triennial review published in December 2019, the Chief Actuary 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 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 rate of return of 3.95% above the rate of Canadian consumer price inflation, defined as the real rate of return. The corresponding assumption is that the additional CPP account will earn an average annual real rate of return of 3.38%.

CPP Investments Net Real Returns (For the quarter ended September 30, 2022)		
Base CPP	Five-Year	5.3%
	10-Year	7.7%
Additional CPP	Since Inception	1.3%

CPP Investments continues to build a portfolio designed to achieve a maximum rate of return without undue risk of loss, while considering the factors that may affect the funding of the CPP and its ability to pay current benefits. The CPP is designed to serve today’s contributors and beneficiaries while looking ahead to future decades and across multiple generations. Accordingly, long-term results are a more appropriate measure of CPP Investments’ performance and plan sustainability.

Operational Highlights

Corporate developments

- Hosted nine in-person public meetings this fall – one in each province that participates in the CPP – along with a national virtual meeting, which provided an accessible forum for more contributors and beneficiaries to ask questions of our senior leaders. These meetings reflect our continued accountability to the Fund’s 21 million contributors and beneficiaries.
- Published our [2022 Report on Sustainable Investing](#), which focuses on three key areas: sustainability-related considerations in the investment life cycle, our net-zero commitment and how our active ownership delivers results.

Executive announcements

- Kristina Fanjoy was appointed Senior Managing Director & Chief Financial Officer. In this role, Ms. Fanjoy will be responsible for the Fund’s financial policy and reporting strategy; business planning; performance reporting and analytics; valuations, financial controls and accounting; and tax governance. Ms. Fanjoy joined CPP Investments in 2010, during which time she has taken on progressively senior roles, most recently as Managing Director and Head of Finance.

- Richard Manley was appointed Chief Sustainability Officer and will lead the further refinement and execution of a roadmap for CPP Investments to prudently navigate the global economy's transition to address climate change, among other responsibilities. Mr. Manley joined CPP Investments in 2019 and has played a key role in evolving the integration of environmental, social and governance factors across our investment programs. He will continue to lead the Sustainable Investing group.

Second-Quarter Investment Highlights

Active Equities

- Invested US\$184 million in the Hong Kong IPO of China Tourism Group Duty Free, a leading duty-free operator in China.

Credit Investments

- Expanded an existing relationship with Affirm, a U.S.-based digital and mobile-first commerce platform that provides installment loans for consumers to use at the point of sale to finance a purchase, for a committed capacity of up to US\$1.2 billion in outstanding loan portfolio balance.
- Committed INR 18.5 billion (C\$310 million) to the first close of Kotak Infrastructure Investment Fund (KIIF). KIIF is being raised by Kotak Investment Advisors Limited and will provide senior and secured financing to operating infrastructure projects in India.
- Invested US\$75 million in a mezzanine loan backed by a Grade-A office and retail property in Shanghai.
- Invested US\$115 million in the 2nd-lien term loan of HCP Global Ltd. (HCP) to support Carlyle's acquisition of the company. HCP is a global premium cosmetics and skincare packaging manufacturer serving most of the top cosmetic companies worldwide.

Private Equity

- Committed US\$300 million to Clayton, Dubilier & Rice Fund XII. Clayton, Dubilier & Rice is one of the world's oldest private equity firms and focuses on upper middle market/large value-oriented buyouts and build-ups in North America and Western Europe.
- Completed a US\$47 million co-investment alongside True North Fund VI to invest in Accion Labs. Accion is a fast-growing global product engineering and digital IT services company.
- Acquired a stake in Universal Investment Group, a leading third-party management company and fund administration service provider serving both institutional investors and asset managers across European fund markets.

- Completed a US\$35 million equity co-investment alongside Carlyle Asia Partners to invest in HCP Global Ltd., a global premium cosmetics and skincare packaging manufacturer serving most of the top cosmetic companies worldwide.
- Committed US\$400 million to CVC Capital Partners Asia VI. CVC Capital Partners is a leading global alternative asset manager focused on private equity, secondaries and credit.
- Invested US\$316 million in several growth equity and venture capital funds and made a direct investment in a company specializing in energy storage systems. The fund investments include:
 - Scale Ventures Fund VIII. Scale Ventures is a San Francisco-based venture capital firm focused on early growth-stage investments in enterprise software businesses.
 - Ribbit Capital X and Ribbit Capital OB1 funds. Ribbit Capital is a leading global fintech investor focusing on sectors including lending, personal finance, insurance, financial software and cryptocurrency.
 - Greenoaks Capital Fund V. Greenoaks is a San Francisco-based venture capital firm focused on growth-stage technology businesses globally.
 - True Ventures Fund VIII. True Ventures is a San Francisco-based venture capital firm focused on seed and growth-stage investments across enterprise software, connected hardware, consumer brands, digital biosciences, and digital assets.
 - Highland Europe Technology Growth Fund V. Highland Europe is a London, U.K.-based growth equity firm investing in growth-stage software, internet and consumer technology companies in Europe (investment made subsequent to the quarter).
 - A direct investment was made into Form Energy's US\$450 million Series E funding round. The U.S.-based company develops and commercializes a new class of cost-effective, multi-day energy storage systems (investment made subsequent to the quarter).

Real Assets

- Increased our allocation by C\$755 million in equity to the second tranche of the Tricon Multifamily joint venture, following the C\$745 million commitment of the first tranche, for a total allocation of C\$1.5 billion. Alongside Tricon Residential, the joint venture will develop 2,000-plus Class-A purpose-built rental units in the Greater Toronto Area.

- Committed €475 million to a new joint venture focused on the European hospitality sector with Hamilton - Pyramid Europe, a leading hotel operator and co-investment partner forming part of the Pyramid Global Hospitality group of companies.
- Completed a US\$20 million co-investment in Fervo Energy's Series C preferred equity raise. Fervo is a U.S.-based developer of a proprietary geothermal energy generation technology.
- Committed US\$25 million to ArcTern Ventures Fund III. ArcTern is a Canadian early-stage cleantech investor founded in partnership with MaRS Discovery District.
- Committed US\$30 million to Congruent Continuity Fund I. Congruent invests in cleantech start-ups in the United States.
- Committed US\$30 million to Evok Innovations Fund II. Evok invests in early-stage North American cleantech companies.
- Committed €19 million to Klima Energy Transition Fund. Klima invests in later-stage venture capital and early-growth equity companies predominantly based in Europe.
- Committed an additional €475 million to the Round Hill European Student Accommodation Partnership, a joint venture with Round Hill Capital. The joint venture invests in high-quality purpose-built student accommodation in major cities across Europe.

Transaction Highlights Following the Quarter

- Acquired The W Rome hotel for €172 million as part of our joint venture with Hamilton - Pyramid Europe, a leading hotel operator and co-investment partner forming part of the Pyramid Global Hospitality group of companies.
- Invested INR 3,575 million (C\$60 million) in National Highways Infra Trust, an infrastructure investment trust sponsored by the National Highways Authority of India.
- Invested US\$200 million in an asset-purchasing vehicle with Gordon Brothers to acquire asset-backed loans originated by the company. Gordon Brothers is a global advisory, restructuring and investment firm.

About CPP Investments

Canada Pension Plan Investment Board (CPP Investments™) is a professional investment management organization that manages the Fund in the best interest of the 21 million contributors and beneficiaries of the Canada Pension Plan. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income.

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 September 30, 2022, the Fund totalled \$529 billion. For more information, please visit www.cppinvestments.com or follow us on [LinkedIn](#), [Facebook](#) or [Twitter](#).

Disclaimer

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