

*All figures in Canadian dollars unless otherwise noted.*

## **CPP Fund Totals \$287.3 Billion at First Quarter Fiscal 2017**

### ***Fund Achieves New High***

**TORONTO, ON (August 11, 2016):** The CPP Fund ended its first quarter of fiscal 2017 on June 30, 2016 with net assets of \$287.3 billion, compared with \$278.9 billion at the end of fiscal 2016. The \$8.4 billion increase in assets for the quarter consisted of \$4.1 billion in net investment income after all CPPIB costs and \$4.3 billion in net CPP contributions. The portfolio delivered a gross investment return of 1.53% for the quarter, or 1.45% net of all costs.

“Global investors experienced ongoing volatility this quarter, generating mixed results across major equity markets. Amid these challenges, the Fund’s increase was primarily driven by positive fixed income performance, public equity gains in Canada and the U.S., and the performance of our private asset portfolio,” said Mark Machin, President & Chief Executive Officer, CPP Investment Board (CPPIB). “In the quarter, we acted on a number of investment opportunities across a range of asset classes and markets that further diversified the portfolio to prudently create long-term value for the Fund.”

### **Long-Term Sustainability**

The Canada Pension Plan’s multi-generational funding and liabilities give rise to an exceptionally long investment horizon. To meet long-term investment objectives, CPPIB is building a portfolio and investing in assets designed to generate and maximize long-term, risk-adjusted returns. Accordingly, long-term investment returns are a more appropriate measure of CPPIB’s performance than returns in any given quarter or single fiscal year.

In the most recent triennial review released in December 2013, the Chief Actuary of Canada reaffirmed that, as at December 31, 2012, the CPP remains sustainable at the current contribution rate of 9.9% throughout the 75-year period of his report. The Chief Actuary’s projections are based on the assumption that the Fund will attain a prospective 4.0% real rate of return, which takes into account the impact of inflation. CPPIB’s 10-year annualized net nominal rate of return of 7.3%, or 5.5% on a real rate of return basis, was comfortably above the Chief Actuary’s assumption over this same period. These figures are reported net of all CPPIB costs to be consistent with the Chief Actuary’s approach.

The Chief Actuary’s report also indicates that CPP contributions are expected to exceed annual benefit payments until 2023, after which a portion of the investment income from CPPIB will be needed to help pay pensions.



### Asset Mix

For the quarter ending June 30, 2016 (\$ billions)		
	\$	%
<b>Equities</b>		
Public	95.3	33.2
Private	<u>59.6</u>	<u>20.8</u>
	<b>154.9</b>	<b>54.0</b>
<b>Fixed Income</b>	<b>74.3</b>	<b>25.9</b>
(includes bonds, money market securities, other debt and debt financing liabilities)		
<b>Real Assets</b>		
Real Estate	37.1	12.9
Infrastructure	<u>20.8</u>	<u>7.2</u>
	<b>57.9</b>	<b>20.1</b>
<b>Total<sup>1</sup></b>	<b>287.1</b>	<b>100</b>

<sup>1</sup> Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling \$0.2 billion for Q1 F2017. As a result, total assets will differ from the net assets figure of \$287.3 billion.

### Q1 Investment Highlights:

#### Private Investments

- Entered into a definitive agreement with Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. (IDEAL) and Ontario Teachers' Pension Plan (Ontario Teachers') to establish a new strategic partnership (Newco) in Mexico. IDEAL will contribute its 99% equity interest in Autopista Arco Norte, S.A. de C.V., the concessionaire of the Arco Norte toll road (Arco Norte), to Newco. CPPIB and Ontario Teachers' together will commit Ps\$ 19.4 billion (C\$1.35 billion). CPPIB will own a 29% interest in Newco and Ontario Teachers' will own 20%. IDEAL will retain a 51% ownership. Arco Norte is a 223-kilometre toll road that surrounds Mexico City, providing a critical link with major trade corridors in the country.
- Invested additional equity into Teine Energy Ltd. (Teine) to support Teine's acquisition of the South Western Saskatchewan oil-weighted assets of Penn West Petroleum Ltd. for cash consideration of \$975 million. Teine's acquisition includes a core position within the Saskatchewan Viking light oil play as well as low decline heavy oil properties. Since 2010, CPPIB has invested approximately \$1.3 billion in Teine and holds approximately 90% of the company on a fully-diluted basis.



- An affiliate of CPPIB's wholly owned subsidiary, CPPIB Credit Investments Inc., committed US\$450 million to LongPoint Minerals, LLC (LongPoint), a company focused on the acquisition of oil and natural gas mineral and royalty interests in the U.S. The initial commitment represents a significant majority ownership stake in LongPoint. Based in Denver, Colorado, LongPoint will acquire oil and natural gas mineral and royalty interests in the lower 48 states of the U.S.
- Signed an agreement alongside Cinven to jointly acquire Hotelbeds Group (Hotelbeds) from Tui Group for a total enterprise value of €1.165 billion. Based in Spain, Hotelbeds is the largest independent business-to-business bedbank globally, offering hotel rooms to the travel industry from its inventory of 75,000 hotels in over 180 countries.
- Entered into an agreement, through a wholly owned subsidiary of CPPIB, to purchase 40% of Glencore Agricultural Products (Glencore Agri) from Glencore plc for US\$2.5 billion, subject to regulatory approvals. Glencore Agri is a globally integrated grain and oilseed business with high-quality port, logistics, storage and processing assets in Canada, Australia, South America and Europe.

#### **Real Estate Investments**

- Along with Cairn Capital and through CPPIB Credit Investments Inc. (CPPIB Credit), a wholly owned subsidiary of CPPIB, purchased a €180 million bond secured on properties owned by Globalworth Real Estate Investments Ltd. CPPIB Credit acquired €150 million of the bond and funds managed by Cairn Capital purchased the remaining €30 million. The bond is secured by prime real estate assets in Bucharest, Romania and is a single-tranche transaction.

Investment highlights following the quarter end include:

- CPPIB Credit Europe S.à r.l., a wholly owned subsidiary of CPPIB, acquired a portion of Dana-Farber Cancer Institute's royalty interests related to its Programmed Death Ligand-1 (PD-L1) intellectual property for US\$100 million. PD-L1 inhibitors are immuno-oncology drugs used for the treatment of various types of metastatic cancer.
- Invested US\$280 million in convertible preferred equity securities of a parent company of Advanced Disposal Services, Inc. (Advanced Disposal). Based in Ponte Vedra, Florida, Advanced Disposal is the fourth largest solid waste company in the U.S., providing integrated, non-hazardous solid waste collection, transfer, disposal and recycling services to residential, commercial, industrial and municipal customers across 16 U.S. states and the Bahamas.
- Crestone Peak Resources LLC, an entity 95% owned by CPPIB, completed the acquisition of the Denver Julesberg Basin oil and gas assets in Colorado from Encana Oil & Gas (USA) Inc., a wholly owned subsidiary of Encana Corporation, for US\$609 million.



- Committed to fund Wolf Midstream Inc. (Wolf) in connection with Wolf's acquisition of a 50% ownership interest in Access Pipeline (Access) from Devon Energy Corp. Access includes pipelines that transport blended bitumen and diluent between the Christina Lake area of Northeastern Alberta and Edmonton. The transaction will be funded at closing by Wolf through an investment by CPPIB of approximately \$825 million and third-party debt financing. In September 2015, Wolf and CPPIB created a midstream investment vehicle focused on acquisition opportunities in Western Canada.

#### **Asset Dispositions:**

- Sold our 50% interest in four retail properties, Grandview Corners (Surrey, BC), RioCan Meadows (Edmonton, AB), RioCan Beacon Hill (Calgary, AB) and RioCan Centre Burloak (Oakville, ON). Proceeds to CPPIB from the sale were approximately \$352 million. The properties were acquired between 2006 and 2009 alongside our joint venture partner RioCan Real Estate Investment Trust.
- Sold our approximate 23% ownership stake in Key Safety Systems, a global provider of light vehicle safety components and systems. Proceeds to CPPIB from the sale were approximately US\$182 million. The co-investment was made with our partner Fountainvest in 2014.

#### **Corporate Highlights:**

- The Board of Directors appointed Mark Machin as President & Chief Executive Officer of CPPIB, effective June 13, 2016. Mark joined CPPIB in 2012 as Senior Managing Director and President of CPPIB Asia Inc. He was subsequently appointed as Head of International, responsible for the organization's international investment activities, managing global advisory relationships and leading the organization internationally.
- Announced new international senior management appointments:
  - Alain Carrier appointed as Senior Managing Director, Head of International and joined the Senior Management Team. Alain is responsible for CPPIB's international investment activities and continues as Head of Europe. He has been with CPPIB since 2008.
  - Suyi Kim appointed as Managing Director, Head of Asia and is responsible for overseeing CPPIB's significant portfolio of Asian investments. Suyi joined CPPIB in 2007 and was most recently Head of Private Equity Asia.
  - Deborah Orida appointed as Managing Director, Head of Private Equity Asia and is responsible for leading private investments in Asia with a focus on both direct private equity investments and fund commitments. Deborah joined CPPIB in 2009 and was most recently Managing Director, Head of Relationship Investments International.
- Welcomed the appointment of Jackson Tai to CPPIB's Board of Directors in June 2016 for a three-year term. Mr. Tai also serves on the boards of publicly listed companies, including Bank of China, Eli Lilly and Company, MasterCard Incorporated and Royal Philips NV, and has more than 40 years of global banking experience.

- CPPIB is formalizing its existing operations in Sydney, Australia in fiscal 2017 with a stand-alone CPPIB office. With \$7.9 billion invested in the country, Australia is an important market for us. An integrated CPPIB office will enable us to better manage current and future investments.

**Five and 10-Year Returns<sup>1,2</sup>**

(for the quarter ending June 30, 2016)

	<b>Investment Rate of Return (Nominal)</b>	<b>Investment Rate of Return (Real)</b>	<b>Investment Income<sup>3</sup></b>
<b>5-Year Annualized</b>	10.8%	9.1%	\$108.5 billion
<b>10-Year Annualized</b>	7.3%	5.5%	\$132.0 billion

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

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

<sup>3</sup> Dollar figures are cumulative.

**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 on behalf of 19 million contributors and beneficiaries. In order to build a diversified portfolio of CPP 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 and São Paulo, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At June 30, 2016, the CPP Fund totalled \$287.3 billion. For more information about CPPIB, please visit [www.cppib.com](http://www.cppib.com) or follow us on [LinkedIn](#) or [Twitter](#).

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