

## **CPP Fund Exceeds \$183 Billion at 2013 Fiscal Year-End**

### ***\$21.7 Billion Increase in Assets***

**TORONTO, ON (May 16, 2013):** The CPP Fund ended its fiscal year on March 31, 2013 with net assets of \$183.3 billion, compared to \$161.6 billion at the end of fiscal 2012. The \$21.7 billion increase in assets for the year consisted of \$16.2 billion in net investment income after operating costs and \$5.5 billion in net CPP contributions. The portfolio delivered a gross investment return of 10.1% for fiscal 2013.

“All of CPPIB’s diverse investment programs played a part in delivering the Fund’s substantial increase in assets in fiscal 2013,” said Mark Wiseman, President & Chief Executive Officer, CPP Investment Board (CPPIB). “We are leveraging this growth to build the foundation for a leading global investment organization, positioning CPPIB to create enduring value for all contributors and beneficiaries in the decades ahead.”

In the ten-year period up to and including fiscal 2013, CPPIB contributed \$75.1 billion in cumulative net investment income to the Fund after operating costs.

“While the strength of public equity markets was the leading factor in the solid annual return this year, CPPIB’s active investment programs also contributed to the portfolio’s performance,” said Mr. Wiseman. “Indeed, we took full advantage of our deep internal capabilities, exceptionally long investment horizon, and global scale and scope to complete a number of sizeable and complex transactions that will continue to generate value in the years to come.”

During fiscal 2013, CPPIB completed 36 transactions of over \$200 million each in 11 countries around the world. Highlights for the year include:

#### **Private Investments**

- A debt agreement with Formula One Group to finance US\$400 million of a US\$1.0 billion private high-yield loan through CPPIB Credit Investments Inc. Formula One is an iconic global sports management organization that holds the rights to the FIA Formula One World Championship.
- The acquisition of Suddenlink Communications alongside BC Partners and Suddenlink management for US\$6.6 billion. Suddenlink is the seventh largest cable broadband company in the United States with over 1.4 million customers and thousands of commercial clients.



- The US\$1.1 billion acquisition from Tomkins of its Air Distribution division, a leading manufacturer of air ventilation system components. Tomkins is an industrial holding company co-owned by CPPIB and Onex Corporation.
- Two direct private equity secondaries investments, where we have provided liquidity to limited partners in an existing private equity fund: a US\$654 million commitment to the Behrman Capital PEP L.P. Fund; and the investment of US\$541 million to acquire a portfolio of four primarily food assets while anchoring the Kainos Capital fund.
- The acquisition of a 49.99% interest in Grupo Costanera with an equity investment of \$1.14 billion. Grupo Costanera is the largest urban toll road operator in Chile, with five major urban highways in a 188-kilometre network.

#### **Public Market Investments**

- The acquisition of TMX Group Inc., as part of a consortium of Canadian financial institutions, to create Canada's largest vertically integrated, multi-asset class exchange group. CPPIB's equity investment was \$250 million.

#### **Real Estate Investments**

- A joint venture with Lend Lease Corporation and the Australian Prime Property Fund Commercial to develop and hold two premium-grade, energy-efficient waterfront office towers at the Barangaroo South Project in Sydney, Australia. CPPIB committed 50% or A\$1.0 billion of the equity for the project.
- A joint venture with Global Logistic Properties Limited and two other institutional investors to significantly expand CPPIB's real estate holdings in Brazil. CPPIB committed US\$362 million for the joint acquisition of two logistics portfolios.
- An additional US\$365 million equity commitment to the Japan Development Venture, a logistics joint venture with Global Logistic Properties Limited originally formed in 2012. CPPIB's equity investment in this joint venture now totals US\$566 million.

#### **Long-Term Sustainability**

In the latest triennial review released in November 2010, the Chief Actuary of Canada reaffirmed that 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 4% real rate of return, which takes into account the impact of inflation. CPPIB's 10-year annualized nominal rate of return of 7.4% or 5.5% on a real rate of return basis is above the Chief Actuary's prospective 4% real rate of return assumption.

“We continue to be encouraged by this performance, especially considering that the ten-year period includes historic equity declines,” said Mr. Wiseman. “Our focus on the longer time horizon has assisted us in staying the course through market cycles and persists given the multi-generational nature of the Fund. We remain confident that our strategy will generate the returns required to help sustain the CPP over the Chief Actuary’s projection period.”

The Chief Actuary’s report also indicates that CPP contributions are expected to exceed annual benefits paid until 2021, when a portion of the investment income from CPPIB will be needed to help pay pensions.

The Chief Actuary is currently undertaking a triennial review of the CPP as at December 31, 2012, and is expected to release his report in late calendar 2013.

### **Performance Against Benchmarks**

CPPIB measures its performance against a market-based benchmark, the CPP Reference Portfolio, representing a passive portfolio of public market investments that can reasonably be expected to generate the long-term returns needed to help sustain the CPP at the current contribution rate.

In fiscal 2013, total portfolio returns closely corresponded to the CPP Reference Portfolio with \$204 million in gross dollar value-added. Net of all operating costs, the investment portfolio returned negative \$286 million in dollar value-added.

“We have strong conviction that our private market assets will outperform the public markets equivalents of the CPP Reference Portfolio over the long term,” said Mr. Wiseman. “This result will, however, not necessarily be demonstrated in the short term. Particularly when public markets have rapid moves up or down, our active private market strategies may show short-term underperformance or overperformance vis-à-vis the CPP Reference Portfolio, which does not accurately reflect our long-term value-add expectations for these strategies.”

Given our long-term view, we track cumulative dollar value-added performance since the inception of our active management strategy in fiscal 2007. The cumulative outperformance added \$3.1 billion to the CPP Fund net of all operating costs.



### Portfolio Performance by Asset Class

Portfolio performance by asset class is included in the table below. A more detailed breakdown of performance by investment department is included in the CPPIB Annual Report for fiscal 2013, which is available at [www.cppib.com](http://www.cppib.com).

PORTFOLIO RETURNS <sup>1</sup>		
Asset Class <sup>2</sup>	Fiscal 2013	Fiscal 2012
Canadian public equities	4.2%	-10.7%
Canadian private equities	3.4%	8.1%
Public foreign developed market equities	13.2%	3.6%
Private foreign developed market equities	16.8%	12.1%
Public emerging market equities	2.4%	-7.9%
Private emerging market equities	7.4%	6.6%
Bonds and money market securities	4.1%	9.5%
Non-marketable bonds	8.2%	14.4%
Inflation-linked bonds	3.0%	16.3%
Other debt	15.1%	8.5%
Real estate	9.2%	13.0%
Infrastructure	8.8%	12.8%
Investment Portfolio <sup>3</sup>	10.1%	6.6%

<sup>1</sup> Before CPPIB operating expenses.

<sup>2</sup> Investment results by asset class are reported on an unhedged Canadian dollar basis as any currency hedging takes place at the total CPP Fund level. Results are calculated on a time-weighted basis.

<sup>3</sup> The total Fund return in fiscal 2013 includes a loss of \$348 million from currency hedging activities and a \$1,414 million gain from absolute return strategies, which are not attributed to an asset class.

## Asset Mix

At the end of fiscal 2013, the Fund's net assets were valued at \$183.3 billion, a year-over-year increase of \$21.7 billion net of operating costs of \$490 million or 28.9 basis points.

We continued to diversify the portfolio by risk/return characteristics and geography during fiscal 2013. Canadian assets represented 36.7% of the portfolio, and totalled \$67.4 billion. Foreign assets represented 63.3% of the portfolio, and totalled \$116.1 billion.

<b>FOR THE YEAR ENDED</b>						
<b>MARCH 31</b> (\$ billions)		2013	2012	2011	2010	2009
<b>CHANGE IN NET ASSETS</b>						
Net contributions		5.5	3.9	5.4	6.1	6.6
Investment income (loss) net of operating expenses		16.2	9.5	15.2	16.0	(23.8)
Increase (decrease) in net assets		21.7	13.4	20.6	22.1	(17.2)
<b>AS AT MARCH 31</b> (\$ billions)						
		2013	2012	2011	2010	2009
<b>ASSET MIX</b>	(%)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Equities<sup>1</sup></b>						
Canada	8.4	15.3	14.2	21.0	18.5	15.6
Foreign developed markets	34.9	64.0	56.7	50.8	46.2	40.4
Emerging markets	6.7	12.4	10.6	7.6	6.5	4.6
<b>Fixed income</b>						
Non-marketable bonds	13.3	24.4	23.6	21.8	22.7	23.2
Marketable bonds	15.3	28.1	18.0	15.8	12.7	5.2
Inflation-linked bonds	0.2	0.4	3.2	3.9	4.4	4.1
Other debt	4.7	8.6	8.8	6.1	3.5	1.8
Money market securities	4.8	8.7	2.5	2.3	1.7	(0.8)
Debt financing liabilities	(5.2)	(9.5)	(2.4)	(1.4)	(1.3)	-
<b>Real assets</b>						
Real estate	10.8	19.9	17.1	10.9	7.0	6.9
Infrastructure	6.1	11.2	9.5	9.5	5.8	4.6
<b>Total<sup>2</sup></b>	100.0	183.5	161.8	148.3	127.7	105.6
<b>PERFORMANCE</b>						
Annual rate of return		10.1%	6.6%	11.9%	14.9%	-18.6%

<sup>1</sup>Equities represented 50.0% of the portfolio or \$91.7 billion. That amount consisted of 32.2% public equities valued at \$59.1 billion and 17.8% private equities valued at \$32.6 billion.

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

**Five and 10-Year Returns<sup>1</sup>**  
(for the period ending March 31, 2013)

	<b>Investment Rate of Return (Nominal)</b>	<b>Investment Rate of Return (Real)</b>	<b>Investment Income<sup>2</sup></b>
<b>5-Year Annualized</b>	4.2%	2.4%	\$34.7 billion
<b>10-Year Annualized</b>	7.4%	5.5%	\$77.2 billion

<sup>1</sup>Before CPPIB operating costs.

<sup>2</sup>Dollar figures are cumulative.

**About CPP Investment Board**

CPP Investment Board is a professional investment management organization that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 18 million Canadian contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, the CPP Investment Board invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in London and Hong Kong, CPP Investment Board is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At March 31, 2013, the CPP Fund totalled \$183.3 billion. For more information about CPP Investment Board, please visit [www.cppib.com](http://www.cppib.com).

**For More Information**

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