

All figures in Canadian dollars unless otherwise noted.

CPP Fund Totals \$298.1 Billion at Third Quarter Fiscal 2017

TORONTO, ON (February 10, 2017): The CPP Fund ended its third quarter of fiscal 2017 on December 31, 2016 with net assets of \$298.1 billion, compared with \$300.5 billion at the end of the previous quarter. The \$2.4 billion decrease in assets for the quarter consisted of \$1.7 billion in net investment income after all CPPIB costs, less \$4.1 billion in Canada Pension Plan (CPP) cash outflows. The CPP Fund routinely receives more CPP contributions than required to pay benefits during the first part of the calendar year, partially offset by payments exceeding contributions in the final months. The Fund continues to benefit from net contributions on an annual basis after all outflows. The portfolio delivered a gross investment return of 0.64% for the quarter, or 0.56% net of all costs.

For the nine-month fiscal year-to-date period, the CPP Fund increased by \$19.2 billion from \$278.9 billion at March 31, 2016. This included \$19.4 billion in net investment income after all CPPIB costs, less \$0.2 billion in net CPP cash outflows. The portfolio delivered a gross investment return of 7.1% for this period, or 6.9% net of all costs.

“The Fund’s modest return this quarter reflects the largest quarterly decline in North American fixed income markets since CPPIB’s inception coupled with the Canadian dollar strengthening against most major currencies except for the U.S. dollar, partially offsetting gains in our public equity portfolio,” said Mark Machin, President & Chief Executive Officer, Canada Pension Plan Investment Board (CPPIB). “Income was generated across investment programs and our teams continue to invest in assets in line with our long-term objectives to deliver solid results.”

Long-Term Sustainability

The CPP’s multi-generational funding and liabilities give rise to an exceptionally long investment horizon. To meet long-term investment objectives, CPPIB continues to build a portfolio and to invest 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 September 2016, the Chief Actuary of Canada reaffirmed that, as at December 31, 2015, the CPP remains sustainable at the current contribution rate of 9.9% throughout the forward-looking 75-year period covered by his report. The Chief Actuary’s projections are based on the assumption that the Fund’s prospective real rate of return, which takes into account the impact of inflation, will average 3.9% over 75 years. CPPIB’s 10-year annualized net nominal rate of return of 6.5%, or 4.8% on a net real rate of return basis, was comfortably above the Chief Actuary’s assumption over this same 10-year 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 2021, after which a small portion of the investment income from CPPIB will be needed to help pay pensions.

Asset Mix

For the quarter ending December 31, 2016 (\$ billions)		
	\$	%
Equities		
Public	103.6	34.8
Private	<u>63.3</u>	<u>21.2</u>
	166.9	56.0
Fixed Income	66.0	22.1
(includes bonds, money market securities, other debt and debt financing liabilities)		
Real Assets		
Real Estate	37.7	12.6
Infrastructure	<u>27.6</u>	<u>9.3</u>
	65.3	21.9
Total¹	298.2	100

¹ Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling \$(0.1) billion for Q3 F2017. As a result, total assets will differ from the net assets figure of \$298.1 billion.

Q3 Investment Highlights:

Private Investments

- Invested US\$152.8 million in the first lien term loan of Pretium Packaging LLC. Based in Missouri, Pretium designs and manufactures custom rigid plastic containers for food and beverage, household and industrial, pharmaceutical and personal care customers.
- Committed an additional US\$107.5 million in the first lien term loan for Caliber Home Loans, Inc., a U.S.-based residential mortgage originator and servicer owned by Lone Star, for a total commitment of US\$482.5 million.

Real Assets

- CPPIB Liberty Living Inc., a wholly owned subsidiary of CPPIB, invested additional equity into Liberty Living to support its acquisition of the Union State Portfolio of student accommodation for a total consideration of approximately £460 million. The portfolio comprises 13 student residences across the U.K., Germany and Spain. Liberty Living was acquired by CPPIB in 2015.
- Committed US\$375 million in Secured Capital Japan Real Estate Fund VI (SCREP VI), PAG's real estate investment vehicle focused on distressed debt and off-market acquisition opportunities in commercial real estate, primarily in Japan with additional opportunities in South Korea and China. CPPIB's investment represents an approximate 25% stake in the investment vehicle.



- Signed an agreement to acquire a 50% interest in a diversified portfolio of prime office and retail properties in New Zealand from the Public Sector Pension Investment Board, for a value of C\$545 million. CPPIB's equity investment is approximately C\$215 million. Located primarily in Auckland and Wellington, the portfolio comprises 13 office and retail properties totalling approximately 2.9 million square feet. The transaction is subject to customary regulatory approvals and closing conditions.
- CPPIB Credit Investments Inc., a wholly owned subsidiary of CPPIB, signed an agreement to provide a £240 million corporate mezzanine development facility to Quintain, a Lone Star-owned investment company. The financing will support the delivery of a new masterplan for Wembley Park in London, U.K.
- Invested US\$162 million to acquire a 40% interest in the Pavilion Dalian shopping mall from the Pavilion Group. Pavilion Dalian is a prime shopping centre in Dalian, a major economic hub in northeast China.
- Invested US\$375 million in Raffles City China Investment Partners III, CapitaLand's third integrated development private investment vehicle in China. CPPIB's investment represents a 25% stake in the investment vehicle.
- Entered into a second joint venture with Longfor Properties Co. Ltd to invest in Chongqing West Paradise Walk shopping centre in China. CPPIB committed approximately C\$193 million for a 49% interest in the property. West Paradise Walk is a six-level shopping mall built in 2008, located in the heart of one of Chongqing's most established commercial areas.
- Acquired an additional 5.1% stake in Transportadora de Gas del Peru (TgP) for approximately US\$110 million. TgP is the largest transporter of natural gas and natural gas liquids in Peru. With this acquisition, CPPIB's ownership stake increased from 44.8% to 49.9%.
- Formed a joint venture with Hudson Pacific Properties (Hudson Pacific) to acquire a 285,680-square-foot, Class-A office tower in Seattle for approximately US\$180 million (after closing adjustments). CPPIB owns a 45% interest in the joint venture and Hudson Pacific owns 55%. Known as Hill7, the newly constructed, 11-storey office building offers large floorplates, city and water views, modern on-site amenities and convenient access to the regional transportation system.

Investment highlights following the quarter end include:

- Invested US\$80 million for a 23% equity stake in Accordia Golf, the leading golf course operator in Japan. The investment was made alongside MBK Partners, as part of their acquisition of Accordia Golf.
- Signed an agreement to acquire an approximate 48% stake in GlobalLogic Inc., a global leader in digital product development services, from funds advised by Apax Partners LLP. Based in San Jose, California, GlobalLogic helps clients build innovative digital products to enhance customer engagement, user experience and service capabilities. The transaction is subject to customary regulatory approvals and closing conditions.

Asset Dispositions:

- Sold CPPIB’s 45% ownership interest in 1221 Avenue of the Americas, a Midtown Manhattan office property. Net proceeds to CPPIB from the sale were approximately US\$950 million. CPPIB acquired the ownership interest in 2010.
- An affiliate of CPPIB Credit Investments Inc. sold a 16% equity stake in Antares Holdings (Antares) to a private investment fund managed by Northleaf Capital Partners (Northleaf). Northleaf and Antares are forming a broader strategic relationship, which will include developing separately managed accounts and other investment solutions designed specifically for Canadian asset managers, institutional investors and private clients.

Corporate Highlights:

- Benita Warmbold, Senior Managing Director & Chief Financial Officer, announced her intention to retire in June 2017. CPPIB plans to name a successor ahead of CPPIB’s current fiscal year reporting activities, to allow for a seamless transition.

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

(for the quarter ending December 31, 2016)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Investment Income³
5-Year Annualized	11.7%	10.2%	\$122.1 billion
10-Year Annualized	6.5%	4.8%	\$134.7 billion

¹ After all CPPIB costs.

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

³ 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 December 31, 2016, the CPP Fund totalled \$298.1 billion. For more information about CPPIB, please visit www.cppib.com or follow us on [LinkedIn](#) or [Twitter](#).

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