

*All figures in Canadian dollars unless otherwise noted.*

## CPP Fund Totals \$400.6 Billion at First Quarter Fiscal 2020

### Highlights:

- Net assets surpass \$400 billion
- 10-year and five-year returns of 10.5% each
- \$4.1 billion in net income generated for the Fund this quarter

**TORONTO, ON (August 14, 2019):** Canada Pension Plan Investment Board (CPPIB) ended its first quarter of fiscal 2020 on June 30, 2019, with net assets of \$400.6 billion, compared to \$392.0 billion at the end of the previous quarter.

The \$8.6 billion increase in assets for the quarter consisted of \$4.1 billion in net income after all CPPIB costs and \$4.5 billion in net Canada Pension Plan (CPP) contributions.

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 10.5% each. For the quarter, the Fund returned 1.1% net of all CPPIB costs.

“CPPIB’s investment programs performed well in the first quarter, achieving solid net income in local-dollar terms,” says Mark Machin, President & Chief Executive Officer, CPPIB. “At the same time, the strengthening of the Canadian dollar against all major currencies in June dampened our returns overall, as the market responded to lower interest rate expectations in the U.S. and Europe.”

The Total Portfolio Management department was the top contributor, in part due to gains in fixed income investments. Both the Private Equity and Active Equities departments also delivered positive results, supported by the improved sentiment in global equity markets.

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 Five and 10-Year Returns<sup>1, 2, 3</sup>**

(for the quarter ending June 30, 2019)

	<b>Investment Rate of Return (Nominal)</b>	<b>Net Income<sup>4</sup></b>
<b>Five-Year Annualized</b>	10.5%	\$152.7 billion
<b>10-Year Annualized</b>	10.5%	\$235.6 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 first quarter of fiscal 2020 on June 30, 2019 with net assets of \$399.7 billion, compared to \$391.6 billion at the end of fiscal 2019. The \$8.1 billion increase in assets consisted of \$4.1 billion in net income after all costs and \$4.0 billion in net base CPP contributions. The base CPP account achieved a 1.1% net return for the quarter.

The additional CPP account ended its first quarter of fiscal 2020 on June 30, 2019 with net assets of \$0.9 billion, compared to \$0.4 billion at the end of fiscal 2019. The \$0.5 billion increase in assets consisted of \$0.01 billion in net income and \$0.5 billion in net additional CPP contributions. The additional CPP account achieved a 1.5% net return for the quarter.

### **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 8.6% and 8.8%, respectively.



**Asset Mix**

For the quarter ending June 30, 2019 (\$ billions)		
	\$	%
<b>Public Equities</b>		
Canadian	8.1	2.0
Foreign	83.9	20.9
Emerging	<u>39.5</u>	<u>9.9</u>
	<b>131.5</b>	<b>32.8</b>
<b>Private Equities</b>		
Canadian	1.0	0.3
Foreign	81.9	20.4
Emerging	<u>12.6</u>	<u>3.2</u>
	<b>95.5</b>	<b>23.9</b>
<b>Government Bonds</b>		
Non-marketable	22.0	5.5
Marketable	<u>66.6</u>	<u>16.6</u>
	<b>88.6</b>	<b>22.1</b>
<b>Credit Investments</b>		
	<b>39.4</b>	<b>9.9</b>
<b>Real Assets</b>		
Real Estate	47.0	11.7
Infrastructure	33.1	8.3
Energy and Resources	9.6	2.4
Power and Renewables	<u>5.2</u>	<u>1.3</u>
	<b>94.9</b>	<b>23.7</b>
<b>External Debt Issuance</b>		
	<b>(31.3)</b>	<b>(7.8)</b>
<b>Cash and Absolute Return Strategies<sup>1</sup></b>		
	<b>(18.3)</b>	<b>(4.6)</b>
<b>Net Investments</b>		
	<b>400.3</b>	<b>100.0</b>
<b>Non-investment assets<sup>2</sup></b>		
	<b>0.3</b>	<b>-</b>
<b>Net Assets<sup>3</sup></b>		
	<b>400.6</b>	<b>-</b>

<sup>1</sup>The negative balance of \$18.3 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 \$399.7 billion of base CPP and \$0.9 billion of additional CPP.

### Operational Highlights:

- In June 2019, we opened a workspace in San Francisco to better access investment opportunities and deepen relationships within the technology ecosystem. Professionals from investment departments such as Private Equity and Active Equities will be represented in this location. This office becomes the ninth global location for CPPIB and our second U.S. location after New York, which opened in 2014.
- We built upon the enhanced Integrated Risk Framework introduced in fiscal 2019 to implement an additional set of risk limits that cover both financial and non-financial risks. The Integrated Risk Framework together with the related new risk limits provide a fuller representation and enhanced governance over the different dimensions of the various risks that we are managing. The new risk limits do not materially change the level of risk the Fund is exposed to.

### Q1 Investment Highlights:

#### Private Equity

- As part of a consortium, agreed to terms of a recommended offer to purchase Merlin Entertainments plc at a price of 455 pence per share in cash for the entire issued, and to be issued, share capital of Merlin, other than shares already owned by consortium partner KIRKBI. Merlin is a global leader in location-based family entertainment.
- Closed a transaction to invest an incremental £95 million in Visma, a leading provider of business management software and services in the Nordic and Benelux regions, increasing total investment to £200 million, and ownership to 4.7%.

#### Real Assets

- Established Maple Power, a 50/50 Joint Venture with Enbridge, to invest in offshore wind projects in Europe at various stages of development following an initial transaction to purchase renewable power assets from Enbridge in 2018.
- Signed a Memorandum of Understanding with Piramal Enterprises to co-sponsor a Renewables InvIT that will acquire operating renewable assets in India. We will hold a majority stake, with an initial target investment of approximately \$300 million, with Piramal and other long-term investors holding the remaining interest.

#### Credit Investments

- Acquired a portion of LifeArc's royalty interests on worldwide sales of Keytruda® (pembrolizumab) for approximately US\$1.3 billion. Keytruda is an anti-PD-1 therapy developed and commercialized by Merck (known as MSD outside the U.S. and Canada).



### Active Equities

- Invested \$200 million in Premium Brands Holdings, for an ownership stake of approximately 7.1%. Premium Brands is a leading producer, marketer and distributor of specialty food products in Canada and the U.S.

### Asset Dispositions

- Agreed to sell Acelity Inc. for a total value of approximately US\$6.725 billion alongside our consortium of Apax Partners and the Public Sector Pension Investment Board. Acelity is a leader in negative pressure wound therapy, specialty surgical and advanced wound dressing products.
- Agreed to vote in favour of the acquisition of Advanced Disposal Services, in which we have a 19% stake, by Waste Management. The transaction is subject to customary closing conditions, and net proceeds are expected to be US\$549 million. Advanced Disposal provides waste collection, disposal and recycling services in the United States.

### Transaction highlights following the quarter end include:

- 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, which values the business at US\$2.7 billion. The seller, Bain Capital, will retain a minority stake in the company.
- Agreed to invest A\$136 million, 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.
- Completed the sale of our 40% stake in Solveig Gas HoldCo A/S, a company that held a 25.6% stake in Gassled, a natural gas transport network in Norway.
- 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.

**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 interest 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 June 30, 2019, the CPP Fund totalled \$400.6 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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