



*All figures in Canadian dollars unless otherwise noted.*

## **CPP Fund Totals \$272.9 Billion at Second Quarter Fiscal 2016**

**TORONTO, ON (November 12, 2015):** The CPP Fund ended its second quarter of fiscal 2016 on September 30, 2015, with net assets of \$272.9 billion, compared to \$268.6 billion at the end of the previous quarter. The \$4.3 billion increase in assets for the quarter consisted of \$4.2 billion in net investment income after all CPPIB costs and \$0.1 billion in net CPP contributions. The portfolio delivered a gross investment return of 1.62% for the quarter, or 1.55% on a net basis.

For the six month fiscal year-to-date period, the CPP Fund increased by \$8.3 billion from \$264.6 billion at March 31, 2015. This included \$4.0 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 1.6% for this period, or 1.5% on a net basis.

“Despite significant declines across all major global equity markets and mixed results in fixed income markets this quarter, the CPP Fund showed a modest gain. Broad diversification of the investment portfolio across geographies and asset classes contributed to the Fund’s resiliency,” said Mark Wiseman, President & Chief Executive Officer, CPP Investment Board (CPPIB). “As a long-term investor, our five- and 10-year returns are the most important measurements of our performance, and these remain strong.”

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.

### **Long-Term Sustainability**

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 nominal rate of return of 7.3%, or 5.6% 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 benefits paid until the end of 2022, after which a portion of the investment income from CPPIB will be needed to help pay pensions.



### Asset Mix

For the period ending September 30, 2015 (\$ billions)		
	\$	%
<b>Equities</b>		
Public	83.1	30.4
Private	<u>55.8</u>	<u>20.5</u>
	<b>138.9</b>	<b>50.9</b>
<b>Fixed Income</b>	<b>80.2</b>	<b>29.4</b>
(includes bonds, money market securities, other debt and debt financing liabilities)		
<b>Real Assets</b>		
Real Estate	34.3	12.6
Infrastructure	<u>19.5</u>	<u>7.1</u>
	<b>53.8</b>	<b>19.7</b>
<b>Total<sup>1</sup></b>	<b>272.9</b>	<b>100.0</b>

<sup>1</sup> Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling \$15 million for Q2 F2016.

### Q2 Investment Highlights:

#### Private Investments

- Signed an agreement with Wolf Infrastructure Inc. to establish a midstream energy infrastructure investment vehicle focused on acquisition opportunities in Western Canada. Wolf will identify opportunities and operate and manage the assets held in the vehicle. CPPIB will provide funding for such future acquisitions and the development of midstream opportunities. The vehicle's goal is to initially invest more than \$1 billion in the sector.
- Acquired a stake of approximately 20% in Homeplus, Tesco's South Korean business, for US\$534 million, as part of a consortium led by MBK Partners. The total transaction value is approximately US\$6 billion. Homeplus is one of the largest multi-channel retailers in South Korea and the number two player in both hypermarkets and supermarkets.
- As previously announced, CPPIB and Hermes Infrastructure acquired a 33.33% interest in Associated British Ports (ABP), the U.K.'s leading ports group, owning and operating 21 ports with a diverse cargo base, long-term contracts and a broad mix of blue chip customers. Following this initial acquisition, CPPIB completed an additional investment of approximately £250 million and now holds an ownership stake of 33.88% in ABP.



- Invested approximately US\$169 million for a minority stake in a joint patent licensing program for digital television and computer display monitor from Technicolor S.A. and Sony Corporation.
- Acquired a 24.5% interest in the Pocahontas Parkway, an 8.8-mile tolled highway located seven miles south of Richmond, Virginia. Financial terms for the transaction were not disclosed.
- Committed approximately US\$100 million to the President Residential Mortgage Partners L.P. fund, for a U.S. performing and non-performing residential mortgage strategy, including both loans and related servicing operations.
- Completed the acquisition of Antares Capital, through Antares Holdings, a subsidiary of CPPIB Credit Investments Inc., alongside Antares management, for a total consideration of approximately US\$12 billion. CPPIB Credit Investments' equity investment was approximately US\$3.9 billion. Antares is a leading lender to middle market private equity sponsors in the U.S.
- An affiliate of CPPIB Credit Investments Inc., a wholly owned subsidiary of CPPIB, entered into an agreement to provide a Senior Secured Term Loan in an amount of up to US\$650 million to Marina District Finance Company, Inc., which operates the Borgata Hotel Casino & Spa in Atlantic City, New Jersey, a leading entertainment destination resort.

#### **Public Market Investments**

- Acquired 52.9 million common shares of Entertainment One Ltd. (eOne) for £142.4 million. Following the investment, CPPIB participated in eOne's subsequent rights issue in excess of its pro rata share, increasing CPPIB's pro forma ownership interest to approximately 18.7%. eOne is a leading international independent film and television entertainment company.
- Completed a follow-on investment of \$71.9 million in WSP Global Inc. (WSP), a leading global pure-play engineering services firm, through a private placement for common shares to support WSP's acquisition of MMM Group Ltd., a Canadian engineering services firm. CPPIB's total investment in WSP to date is \$491 million for an ownership interest of approximately 17.9%.

#### **Real Estate Investments**

- An affiliate of CPPIB Credit Investments Inc., a wholly owned subsidiary of CPPIB, entered into an agreement to provide a US\$526 million construction-to-permanent loan to Kemper Development Company. The loan will finance the 1.5-million-square-foot expansion of the Bellevue Collection known as the Lincoln Square Expansion, in Bellevue, Washington.
- Formed a joint venture with Pavilion Group to invest in Pavilion Damansara Heights, a mixed-use development project in Kuala Lumpur, Malaysia. CPPIB will commit approximately \$170 million for a 49% interest in the development.



- Formed a 45%/55% joint venture with Welltower Inc., formerly Health Care REIT, Inc., to hold a portfolio of eight medical office buildings in Southern California, valued at US\$449 million. The majority of assets are located within the Golden Triangle district of Beverly Hills, California, a premier medical office market.

Investment highlights following the quarter end include:

- Acquired a 10.6% ownership interest in a diversified portfolio of logistics properties in the United States for US\$350 million. CPPIB formed a joint venture with Global Logistic Properties Limited and three other global institutional investors to jointly own the portfolio, comprising 722 high-quality logistics assets, including warehouses, business parks and light industrial assets, totalling 115 million square feet.
- Committed to fund approximately 30% of the equity in Altice's proposed acquisition of Cablevision Systems Corporation (Cablevision), together with Funds advised by BC Partners, BC European Capital IX, and other co-investors. CPPIB and BC Partners are exercising their option to participate pro rata in the Cablevision acquisition as part of CPPIB and BC Partners' announced agreement to sell a majority stake in Suddenlink to Altice. CPPIB and BCEC IX will each fund 12% of the acquisition in Cablevision, approximately US\$400 million each. Cablevision is one of the largest cable operators in the U.S.
- Signed an agreement, through a jointly formed entity with The Broe Group, to acquire all 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 a total consideration of approximately US\$900 million. CPPIB will own a 95% interest in the entity.
- Established the Goodman U.K. Logistics Partnership with Goodman Group and APG Asset Management, to invest in high-quality U.K. logistics and industrial development opportunities. Each investor will commit £200 million for a 33% interest in the Partnership. The initial portfolio comprises two developments in proven logistics locations close to London and Birmingham.

**Asset Dispositions:**

- Sold our 50% interest in Tour KPMG, an office tower located in Montreal. Proceeds from the sale to CPPIB were approximately \$89.1 million. The property was acquired in 2005 and held alongside our joint venture partner Oxford Properties.
- Sold our 80% interest in Hürth Park Shopping Centre located in Hürth, Germany. Proceeds from the sale to CPPIB were approximately €95 million. The regional shopping centre was acquired in 2010 with joint venture partner LaSalle Investment Management.



### Corporate Highlights:

- In October 2015, we officially opened a new office in Mumbai, India's financial capital, representing our seventh international office. The Mumbai office will expand CPPIB's global reach and enhance our strategy to build a diversified investment portfolio. The on-the-ground presence in India will allow CPPIB to better identify new investment opportunities through local expertise and partnerships.

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

(for the period ending September 30, 2015)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Investment Income <sup>3</sup>
<b>5-Year Annualized</b>	11.6%	9.7%	\$109.1 billion
<b>10-Year Annualized</b>	7.3%	5.6%	\$126.5 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 18 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 September 30, 2015, the CPP Fund totalled \$272.9 billion. For more information about CPPIB, please visit [www.cppib.com](http://www.cppib.com).

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