



*All figures in Canadian dollars unless otherwise noted.*

## **CPP Fund Totals \$282.6 Billion at Third Quarter Fiscal 2016**

**TORONTO, ON (February 10, 2016):** The CPP Fund ended its third quarter of fiscal 2016 on December 31, 2015, with net assets of \$282.6 billion, compared to \$272.9 billion at the end of the previous quarter. The \$9.7 billion increase in assets for the quarter consisted of \$12.3 billion in net investment income after all CPPIB costs, less \$2.6 billion in 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 portfolio delivered a gross investment return of 4.6% for the quarter, or 4.5% net of all costs.

For the nine month fiscal year-to-date period, the CPP Fund increased by \$18.0 billion from \$264.6 billion at March 31, 2015. This included \$16.3 billion in net investment income after all CPPIB costs and \$1.7 billion in net CPP contributions. The portfolio delivered a gross investment return of 6.3% for this period, or 6.1% net of all costs.

“Income generated across our investment programs and the advance of global equities contributed to the Fund’s growth during the quarter, while fixed income results were mixed. Our globally diversified portfolio allowed us to earn significant gains from foreign exchange, as the Canadian dollar depreciated against most foreign currencies,” said Mark Wiseman, President & Chief Executive Officer, CPP Investment Board (CPPIB). “The design of our highly diversified portfolio continues to deliver growth during positive market conditions, while preserving value by moderating the effect of difficult markets on the downside. The five- and 10-year returns remain strong and demonstrate the prudence of our long-term investment approach.”

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 net nominal rate of return of 7.5%, or 5.8% 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 December 31, 2015 (\$ billions)		
	\$	%
<b>Equities</b>		
Public	87.7	31.0
Private	<u>59.3</u>	<u>21.0</u>
	<b>147.0</b>	<b>52.0</b>
<b>Fixed Income</b>	<b>78.2</b>	<b>27.7</b>
(includes bonds, money market securities, other debt and debt financing liabilities)		
<b>Real Assets</b>		
Real Estate	37.0	13.1
Infrastructure	<u>20.5</u>	<u>7.2</u>
	<b>57.5</b>	<b>20.3</b>
<b>Total<sup>1</sup></b>	<b>282.7</b>	<b>100.0</b>

<sup>1</sup> Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling \$(80) million for Q3 F2016. As a result, total assets will differ from the net assets figure of \$282.6 billion.

**Q3 Investment Highlights:**

**Private Investments**

- Jointly acquired Petco Animal Supplies, Inc. (Petco) with CVC Capital Partners for a total consideration of approximately US\$4.6 billion. Petco is a leading specialty retailer of premium pet food, supplies and services, which operates more than 1,400 Petco locations across the U.S., Mexico and Puerto Rico.
- Signed an agreement alongside OMERS and Ontario Teachers’ Pension Plan to acquire Skyway Concession Company LLC (SCC) for a total consideration of US\$2.8 billion. CPPIB, OMERS and Ontario Teachers’ will each own a 33.33% interest in SCC and contribute an equity investment of approximately US\$512 million each. SCC manages, operates and maintains the 7.8-mile Chicago Skyway toll road under a concession agreement, which runs until 2104.



- 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 (BCEC IX), and other co-investors. CPPIB and BC Partners exercised their option to participate pro rata in the Cablevision acquisition as part of CPPIB and BC Partners' sale of a majority stake in Suddenlink to Altice, which closed in December 2015. CPPIB and BCEC IX will each fund 12% of the acquisition of Cablevision, approximately US\$400 million each. Cablevision is one of the largest cable operators in the U.S.
- Signed an agreement through Crestone Peak Resources, a jointly formed entity with The Broe Group, to acquire all of the Denver Julesberg Basin oil and gas assets in Colorado of Encana Oil & Gas (USA) Inc., a wholly owned subsidiary of Encana Corporation, for a total consideration of approximately US\$900 million. CPPIB owns a 95% interest in Crestone Peak Resources. The transaction is expected to close in the second quarter of calendar 2016.

#### **Public Market Investments**

- Completed a follow-on investment of US\$150 million in Markit Ltd., a global provider of financial information services. CPPIB's total investment in Markit to date is US\$400 million for an ownership interest of approximately 9%.
- Invested RMB 3.2 billion (US\$500 million) in the common equity of Postal Savings Bank of China (PSBC). With more than 400 million retail customers and nearly 40,000 branches, PSBC is China's largest bank by customers and distribution network and is the sixth largest bank by total assets in China.

#### **Real Estate Investments**

- Committed an additional US\$1 billion to the Goodman China Logistics Partnership (GCLP), established with Goodman Group in 2009 to own and develop logistics assets in Mainland China, consistent with CPPIB's 80% ownership interest in GCLP. To date, CPPIB has committed US\$2.6 billion to GCLP, which has now invested in 45 logistics projects in 16 Chinese markets.
- Established a joint venture with Kendall Square Logistics Properties, the Seoul-based subsidiary of logistics developer, owner and operator e-Shang, and APG Asset Management N.V., to develop and own a portfolio of institutional-grade, modern logistics assets in South Korea. The initial equity commitment from all partners totalled US\$500 million, with an option to upsize to a total capitalization of US\$1 billion.
- Acquired a 10.6% ownership interest in a diversified portfolio of logistics properties in the United States for US\$350 million, through a joint venture with Global Logistic Properties Limited and three other global institutional investors. The portfolio comprises 721 high-quality logistics assets, including warehouses, business parks and light industrial assets, totalling 115 million square feet.



- 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 located between London and Birmingham.

Investment highlights following the quarter end include:

- Formed a student housing joint venture entity, Scion Student Communities LP, with GIC and The Scion Group LLC (Scion). The Joint Venture, through its subsidiary UHC Acquisition Sub LLC, signed an agreement to acquire University House Communities Group, Inc. (UHC), a leading student housing portfolio in the United States, for a total consideration of approximately US\$1.4 billion, including the cost to complete current development projects. Through the Joint Venture, CPPIB and GIC will each own a 47.5% interest in UHC and Scion will own the remaining 5%.

#### **Asset Dispositions:**

- The Capital London Fund in which CPPIB is an 80% equity holder, sold 55 Bishopsgate, an office building in London, U.K. Proceeds to CPPIB from the sale were approximately £150 million. The property investment was made in 2006.
- Sold our 45% indirect stake in 600 Lexington Avenue, a Midtown Manhattan office building. Proceeds to CPPIB from the sale were approximately US\$79 million. The property was acquired in 2010 alongside our joint venture partner SL Green.

#### **Corporate Highlights:**

- Supported the launch of the S&P Long-Term Value Creation (LTVC) Global Index, designed to measure companies that have the potential to create long-term value based on sustainability criteria and financial quality. CPPIB is among six of the world's largest institutional investors voicing their support for the Index as a powerful catalyst to influence corporate and investor behaviour. As an immediate indicator of this potential, CPPIB and other investors have committed to initially allocate approximately US\$2 billion to funds tracking the S&P LTVC Global Index. The creation of the Index is a key recommendation stemming from the *Focusing Capital on the Long Term* initiative.
- CPPIB Capital Inc. (CPPIB Capital), a wholly owned subsidiary of CPPIB, completed its second debt offering of three-year term notes totalling \$1.25 billion. CPPIB utilizes a conservative amount of short- and medium-term debt as one of several tools to manage our investment operations. Debt issuance gives CPPIB flexibility to fund investments that may not match our contribution cycle. Net proceeds from the second private placement will be used by CPPIB for general corporate purposes. In May 2015, CPPIB Capital completed a \$1.0 billion debt offering of five-year, medium-term notes.



- Appointed Mary Sullivan as Senior Managing Director & Chief Talent Officer, and a member of the Senior Management Team. Ms. Sullivan joined CPPIB from Holt Renfrew & Co. Ltd., where she was Senior Vice-President, People. She brings a wealth of experience and leadership from renowned Canadian and global corporations to CPPIB. Pierre Lavallée, who had been performing a dual role as Senior Managing Director & Chief Talent Officer and Senior Managing Director & Global Head of Investment Partnerships, will now focus exclusively on leading the Investment Partnerships department.

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

(for the period ending December 31, 2015)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Investment Income <sup>3</sup>
<b>5-Year Annualized</b>	11.9%	10.3%	\$117.5 billion
<b>10-Year Annualized</b>	7.5%	5.8%	\$136.6 billion

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

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

<sup>3</sup> 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, 2015, the CPP Fund totalled \$282.6 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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