

All figures in Canadian dollars unless otherwise noted.

CPP Fund Totals \$337.1 Billion at Third Quarter Fiscal 2018

TORONTO, ON (February 9, 2018): The CPP Fund ended its third quarter of fiscal 2018 on December 31, 2017, with net assets of \$337.1 billion, compared with \$328.2 billion at the end of the previous quarter. The \$8.9 billion net increase in assets for the quarter consisted of \$13.1 billion in net income after all CPPIB costs, less \$4.2 billion in net Canada Pension Plan (CPP) cash outflows, which are used to pay CPP benefits. The CPP Fund routinely receives more CPP contributions than required to pay benefits during the first part of the calendar year, partially offset by benefit payments exceeding contributions in the final months. On an annual basis, contributions to the Fund continue to exceed outflows.

The portfolio achieved strong 10-year and five-year annualized nominal returns of 7.4% and 12.1%, respectively, and 4.0% for the quarter. These returns are net of all CPPIB costs.

For the nine-month fiscal year-to-date period, the CPP Fund increased by \$20.4 billion consisting of \$21.2 billion in net income after all CPPIB costs, less \$0.8 billion in net CPP cash outflows. The portfolio delivered a net return of 6.7% after all CPPIB costs during the period.

“Exceptional performance across public equity markets internationally during the third quarter helped bring the CPP Fund to a new high in line with our dual focus on total, as well as value-added, returns,” said Mark Machin, President & Chief Executive Officer, Canada Pension Plan Investment Board (CPPIB). “Our emphasis on diversification contemplates the role private assets play in strengthening the resiliency of portfolios over extended durations. To create value-building growth over multiple generations of beneficiaries, our investment portfolio is designed to benefit from, yet not mirror, public markets even during periods of rapid market growth.”

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 designed to generate and maximize long-term returns at an appropriate risk level. Accordingly, long-term investment returns are a more appropriate measure of CPPIB’s performance than returns in any given quarter or single fiscal year.

“Extreme market movements resulting in short-term upswings and declines, as we’ve seen recently, illustrate why we emphasize 10-year returns, which is well above the Chief Actuary’s assumption to help ensure the sustainability of the Fund,” added Mr. Machin.

Long-Term Sustainability

CPPIB's 10-year annualized net nominal rate of return of 7.4%, or 5.7% on a net real rate of return basis, was above the Chief Actuary's assumption of expected performance over this same period. The real rate of return is reported net of all CPPIB costs to be consistent with the Chief Actuary's approach.

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 the actuarial 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.

The Chief Actuary's report confirmed that the Fund's performance was ahead of projections for the 2013-2015 period as investment income was 248%, or \$70 billion, higher than anticipated.

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

(For the quarter ending December 31, 2017)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Net Income ³
5-Year Annualized	12.1%	10.4%	\$142.2 billion
10-Year Annualized	7.4%	5.7%	\$166.8 billion

¹ After all CPPIB costs.

² Rates of return are calculated on a time-weighted basis. They reflect the performance of the Investment Portfolio, which excludes the Cash for Benefits Portfolio.

³ Dollar figures are cumulative.



Asset Mix

For the quarter ending December 31, 2017 (\$ billions)		
	\$	%
Public Equities		
Canadian	9.1	2.7
Foreign	102.7	30.5
Emerging	<u>24.5</u>	<u>7.3</u>
	136.3	40.5
Private Equities		
Canadian	1.0	0.3
Foreign	55.7	16.5
Emerging	<u>8.7</u>	<u>2.6</u>
	65.4	19.4
Government Bonds		
Marketable	62.5	18.5
Canadian Provincial Non-marketable	<u>24.0</u>	<u>7.1</u>
	86.5	25.6
	20.3	6.0
Credit Investments		
Real Assets		
Real Estate	42.8	12.7
Infrastructure	25.3	7.5
Other ¹	<u>7.2</u>	<u>2.1</u>
	75.3	22.3
External Debt Issuance	-23.5	-7.0
Cash and Absolute Return Strategies²	-23.1	-6.8
Investment Portfolio	337.2	100
Cash for Benefits Portfolio	0	0
Net Investments³	337.2	100

¹ Other consists of Natural Resources and Agriculture investments.

² The negative balance of \$23.1 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.

³ Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling -\$0.1 billion for Q3 fiscal 2018. As a result, net investments will differ from the net assets figure of \$337.1 billion.

Q3 Investment Highlights:

Investment Partnerships

- Invested US\$250 million in Meituan-Dianping, China's largest service-focused e-commerce platform, alongside Tencent, Trustbridge and other investors through a Series C financing. Meituan-Dianping connects more than 280 million annual active buying consumers with more than five million annual active local merchants across 2,800 cities in China.

Private Investments

- Signed an agreement to invest approximately £675 million for a 30% stake in BGL Group, a U.K.-based leading digital distributor of insurance and household financial services. BGL Group owns brands including comparethemarket.com, LesFurets.com and online life insurer BeagleStreet.com.

Real Assets

- Signed an agreement with Votorantim Energia, the energy subsidiary of Brazil's Votorantim Group, to form a new joint venture focusing on investments and developments in the Brazilian power generation sector. The joint venture has initially acquired two operational wind parks in Northeastern Brazil with combined generation capacity of 565 megawatts. As part of the transaction, CPPIB has initially contributed approximately R\$ 690 million (C\$272 million) in equity. The acquisitions are subject to customary closing conditions and regulatory approvals.
- Invested HK\$1.94 billion (C\$320 million) to acquire an interest in Goodman Hong Kong Logistics Partnership (GHKLP). GHKLP is one of Goodman's flagship logistics partnerships, with the largest portfolio of high-quality, modern logistics properties in Hong Kong.
- Partnered with Alpha Investment Partners Limited (Alpha) and Keppel Data Centres Holding Pte. Ltd., for an initial allocation of up to US\$350 million alongside the Alpha Data Centre Fund (ADCF), with the option to invest another US\$150 million. Launched in 2016 by Alpha, ADCF aims to develop a quality portfolio of new and existing data centre assets in Asia Pacific and Europe.

Asset Dispositions:

Private Investments

- Sold our 18% ownership stake in ista International GmbH, a European heat and water sub-metering company. Net proceeds to CPPIB from the sale were €659 million. CPPIB acquired its ownership interest in 2013.

Investment highlights following the quarter end include:

- Acquired the 3.25-acre south portion of New York City's historic St. John's Terminal site alongside Oxford Properties Group for US\$700 million. CPPIB will own a 47.5% interest in the real estate development. The existing St. John's Terminal structure was built in 1934 as the terminus to the elevated freight rail that is now the High Line. The partnership expects to announce further details of the development in the second half of 2018.
- Entered into a partnership agreement with Thomson Reuters for its Financial & Risk (F&R) business as part of a consortium led by Blackstone. Under the partnership agreement, the consortium will, subject to regulatory approvals, own 55% of the equity in a new corporation created to hold the F&R business and Thomson Reuters will retain a 45% equity stake, at an overall valuation of US\$20 billion. Thomson Reuters F&R is a world-leading data and financial technology platform.
- Extended cooperation with Longfor Properties to develop two new mixed-use real estate development projects in Chengdu and Shanghai in China, for a total CPPIB commitment of approximately RMB 4,200 million (C\$800 million).



- Announced CPPIB is investing US\$144 million in ReNew Power Ventures Pvt. Ltd. (ReNew Power) for a 6.3% ownership stake. ReNew Power is a leading Indian renewable energy developer and operator with clean energy capacity diversified across wind, utility-scale solar and rooftop solar power-producing assets.
- Launched a major U.K. Build-to-Rent investment partnership with Lendlease, with an initial target to invest £1.5 billion in the sector via a develop-to-hold strategy. The partnership will begin with an investment of approximately £450 million in the next phase of new homes at Lendlease's Elephant Park development in Elephant & Castle, London. CPPIB will invest approximately £350 million for 80 per cent. Going forward, new projects will be funded on a 50:50 basis.
- Committed US\$380 million to a newly formed fund managed by Enfoca through a direct secondary transaction. The fund will focus on investing in Peruvian mid-market companies. CPPIB led the transaction with Goldman Sachs Asset Management LP's Vintage Funds as co-lead. In aggregate, the transaction represents a total capital commitment of over US\$950 million.
- Formed a joint venture with GIC and Cortland Partners with a targeted equity amount of US\$550 million to acquire and renovate 8,000 to 10,000 Class B multifamily units in the U.S. CPPIB and GIC will each own a 45% interest in the joint venture and Cortland Partners will own the remaining 10% interest. The joint venture has initially acquired three value-add, Class B garden-style communities located in high-growth markets of major U.S. metropolitan areas.
- Acquired a U.S. student housing portfolio for approximately US\$1.1 billion through a joint venture with GIC and The Scion Group LLC (Scion). CPPIB and GIC each own a 45% interest in the newly acquired portfolio and Scion owns the remaining 10%. The portfolio consists of 24 quality assets located in 20 diversified university campus markets across the U.S. comprising 13,666 beds. The joint venture's well-diversified national portfolio now includes 73 student housing communities in 52 top-tier university markets comprising 46,500 beds.

Corporate Highlights:

- Earlier this week, announced the following senior executive changes:
 - Nick Zelenczuk, Senior Managing Director & Chief Operations Officer, will retire from CPPIB effective May 31, 2018.
 - Eric Wetlaufer, Senior Managing Director & Global Head of Public Market Investments, will be leaving CPPIB effective May 31, 2018.
 - Following an announcement in July 2017 of his stepping back from his role as Global Head of Real Assets, Graeme Eadie will retire from CPPIB effective March 31, 2018.
- Natasa Kovacevic, Principal, Portfolio Value Creation, was named to the Forbes 30 Under 30 Europe list in the finance category.
- In partnership with Hillhouse Capital Group and Caixin Global, hosted a roundtable discussion on long-term capital allocation across different stakeholders in the Chinese markets as part of CPPIB's commitment to investing in and supporting sustainable growth in Chinese businesses. Market participants met to share research insights and best practices related to "long-termism," the idea that long-term horizons allow for significant value creation. CPPIB is a long-term investor in China.

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 20 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, São Paulo and Sydney, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At December 31, 2017, the CPP Fund totalled \$337.1 billion. For more information about CPPIB, please visit www.cppib.com or follow us on [LinkedIn](#) or [Twitter](#).

Disclaimer

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