



**CPP
INVESTMENT
BOARD**

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PLANTING MAPLES: INVESTING INTERNATIONALLY WITH CANADA'S GLOBAL ROOTS

Address to the Toronto Region Board of Trade Annual Dinner

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CHECK AGAINST DELIVERY

Thank you, Carl, and good evening, everyone.

It is an honour to have been invited to address the Toronto Region Board of Trade's 127th Annual Dinner.

The history buffs among you will know that while this dinner tradition dates back to 1887, the Board was actually incorporated in 1845, some 170 years ago.

Of course, the world looked very different back then....

- 1845 was the year US President James Polk announced that the Monroe Doctrine would be strictly enforced...meaning that the U.S. would treat any European action in the Americas as an act of aggression;
- Friedrich Engels had just published *The Condition of the Working Class in England*;
- It was five years after the Union of Upper Canada and Lower Canada, and eight years after the Rebellion of 1837 – Kingston was the capital of the combined Province of Canada;
- And, the Franklin Expedition fatefully set sail from England to find the Northwest Passage.

But some things about Toronto in 1845 are very much the same...Toronto was then...as it is today...a city where people have come from other places.

In 1845, Toronto – or York as it was called – had a population of less than 30,000, roughly the size of Stratford, Ontario today.ⁱ The vast majority of its inhabitants were British... and many were United Empire Loyalists who came to Upper Canada as immigrants to escape persecution in the relatively young United States.

York had the nickname “Methodist Rome”... reflecting the fact that the city had one of the largest populations of Methodists in the world. That explains our former reputation as a puritanical city, where “the swings were tied up on Sunday”.

Today, the face of Toronto would be unrecognizable to our civic ancestors.

Half of Toronto's current population of 2.8 million were born outside of Canada.ⁱⁱ Today approximately one quarter of Canada's 300,000 immigrants per year settle in Toronto.ⁱⁱⁱ In fact, in the past ten years, this city has welcomed approximately half a million new inhabitants from outside Canada and many additional migrants from other parts of our country.

Today, residents of Toronto comprise over 230 different ethnic origins.^{iv}

Here, in this city... every day... we can witness a pluralistic vision of the future... a future in which people from diverse cultures, traditions and life experiences have come together to forge a community stronger than the sum of its parts – a true cultural mosaic.

Toronto is Canada's gateway, its economic engine, its vision.

Every great city needs a champion to promote healthy growth. The Board of Trade is that champion.

Whether the issue is traffic congestion, job creation or closing the prosperity gap... the Board has been instrumental in building awareness, encouraging debate and finding solutions. The Board works hard to improve the quality of life and opportunity here – in this gateway to Canada. Thank you all for demonstrating your support of this great organization by joining us this evening.

Before sitting down for a discussion with Wendy Mesley, I would like to touch on two topics that relate to my introduction about the evolution of the City of Toronto:

First, the work of CPPIB as an organization headquartered in Toronto... and how our deep Canadian roots help us “plant maples” in markets around the world;

And second, some thoughts on what a small market like Canada’s needs to do in order to succeed in today’s globalized economy.

In the wake of plunging oil prices, this topic is being hotly debated, as Canadians look for the reset button on our industrial strategy. In my view, the path to success on the world stage can be found through leveraging a vast and underutilized resource in this country... and, in particular, in this city – namely our multicultural population.

However, let me start with a brief introduction to CPPIB.

Established by an Act of Parliament in 1997, today the Canada Pension Plan Investment Board manages over \$235 billion on behalf of the CPP’s 18 million contributors and beneficiaries – which includes almost everyone in this room.

By 2020, our assets are forecast to grow to well over \$300 billion. By 2030, they will be over \$500 billion... and by 2045 they will total more than one trillion dollars.

CPPIB’s objective is to help ensure that the Canada Pension Plan is financially sustainable for generations to come. With Canada representing less than 3% of world market capitalization... fulfilling this mandate requires us to scour the globe for investments that offer the best long-term, risk-adjusted returns available.

Indeed today, more than 70% of CPP assets are invested outside of Canada.

This geographic diversification reflects a basic truth that everyone here is familiar with – whether you are an active investor or simply someone with a retirement savings portfolio – diversification reduces risk and opens up new avenues for returns. For a fund of our size, Canada is simply too small a market for us to find the kind of investments we need to fulfill our mandate.

We can’t invest and grow in our own backyard alone. We must plant maples **around** the world.

Supported by a highly skilled investment management team with a 900-person head office here in Toronto and 5 additional offices globally... we actively buy quality assets that we believe will benefit from long-term growth and deliver attractive returns.

Did you know that Canadians... through CPPIB... own significant stakes in:

- The leading electrical transmission company in Chile, serving more than 98% of that country's population [*Transelec S.A.*]
- One of the largest shopping mall developers in Brazil [*Aliansce Shopping Centers*]
- The largest e-commerce company in China [*Alibaba*]
- The operator of the transmission backbone for numerous television and radio broadcasters, and mobile phone services across the United Kingdom. [*Arqiva*]
- One of the largest retail shopping developments ever undertaken in Germany [*Centro Oberhausen*]
- An industrial facility located at the heart of the Hong Kong logistics hub [*Interlink*]
- One of the largest luxury fashion retailers in the world [*Neiman Marcus Group*]
- The largest transporter of natural gas in Peru [*TgP*]
- The largest urban shopping centre in Europe, located next to the site of the 2012 London Olympics [*Westfield Stratford City*]
- A leading private-sector bank in India [*Kotak Mahindra Bank*]
- An international sports management, media and marketing company that holds the global rights to the pre-eminent motorcycle racing series in the world. [*Dorna*]
- Two commercial towers in the new waterfront financial district in Sydney, Australia [*Barangaroo*]

And, these are just a handful of the “maples” we are planting around the world... not to mention many at home, like the 407 and First Canadian Place.

CPPIB is a uniquely Canadian organization, but we are also uniquely global. Every day we compete with some of the largest investment managers in the world. And, increasingly, we are winning.

We do so by leveraging our Canadian roots.

Let me briefly provide two examples of what I mean by this...

First, is our **global** investment team.

Not long ago, immigrants to Canada – even to Toronto – were at a disadvantage. Those days are gone—**especially** if you are looking for a job at CPPIB. We place a premium on international experience, and we source new talent from everywhere. Today, almost three-quarters of our senior employees have some form of international experience...

The bottom line is that if you were born in Toronto... went to high school at York Mills Collegiate... attended university at U of T or York... and still think that the Far East is located somewhere near Oshawa – then you need not apply for a job at CPPIB.

At a breakfast with some 35 new employees a few weeks ago, I discovered that, among them, there were 18 languages spoken... and only two of these new employees were unilingual English speakers!

Fortunately, as an organization headquartered in Toronto, we have access to a talent pool with rich global experiences right in our own backyard. And, if potential employees don't already live here... they likely want to! First-generation immigrants make up a bigger share of Toronto's population than every other major city in the world, including London and New York.^v

My second example relates to when CPPIB conducts business abroad – which, in fact, is most of our business. We are blessed with the advantage of Canada's stellar international reputation – our Canadian roots. And while the strong Canadian brand opens doors... it is the Canadian spirit of partnership, respect and fairness that means people worldwide genuinely like doing business with Canadians.

This is an enormous advantage shared by all Canadians living, working or doing business overseas... and it is one we must all be very careful never to squander.

Now CPPIB is still a relatively young organization, having only invested our first dollar in 1999.

Yet, given our global reach, we have learned a great deal about... what it takes to succeed in today's interconnected global business environment... how a Canadian organization can nurture its roots at home... and at the same time, plant seeds abroad.

And given our mission and mandate, we are very happy to share these learnings as widely as possible with Canadians.

My second topic this evening is to offer three simple thoughts for you based on CPPIB's experience... and, indeed, I believe our international success.

First, take a long-term outlook to building your business.

Think about where you should build and invest *today* to be in a position to generate sustainable, long-term value five to ten years from now. This advice applies as much to our national economy as it does to individual businesses... and it demands that we think globally.

Most of you are familiar with Wayne Gretzky's style of playing hockey – he skated to where the puck was going to be, not to where it was. To put it bluntly, Canada needs to follow Gretzky's practice.

The world's fastest-growing economies are the emerging markets of Asia. Yet, despite this stark reality, 90% of our current trade is with the OECD, and less than 5% is with China.^{vi}

In other words, our trade relationships are overwhelmingly in places where the puck has been... not even where it is today, let alone where it is going to be in the future.

CPPIB's first international office was in Hong Kong – not in New York, not in London. We knew having a local presence and talent in this crucial market early-on, would plant the roots for future deals to come.

These seeds came to fruition last year when Alibaba – a company our Hong Kong team first invested in privately in 2011 – became one of the most valuable publicly traded companies in the world.

We continue to take the same outlook to crucial long-term growth markets globally... such as India where we made our first direct investment in 2010 and where we continue to build our business.^{vii} In fact, we will open an office in Mumbai later this year.

My second recommendation is to know your comparative advantages and to exploit them.

Again, this applies to all enterprises – from the flower shop on the corner to Canada’s trade relationships.

We are a nation of newcomers... with all the advantages and insights that accompany a diverse population and workforce. This diversity gives us a powerful connection to the world’s fastest-growing economies, and yet we are squandering this comparative advantage.

Let me go back to our national game.

For Canada, having this diversity in our midst and not using it effectively, is like having Mr. Gretzky on our team... and keeping him on the bench. It just doesn’t make any sense.

To win in the global arena, we simply must leverage the rich diversity of experience and education of our multicultural and multilingual workforce in the global marketplace.

Whether you are an exporter or simply a company with an ethnically and culturally diverse employee and customer base... having international skills and knowledge is a key asset – and it’s one that won’t rise and fall in value along with global commodity prices.

In short, it is a highly **sustainable** advantage.

My third and final recommendation is for Canada and Canadian businesses to think bigger.

The pace of change today is rapid. Three billion new middle-income consumers will enter the market by 2030, fuelled primarily by Asian countries with a growing middle class.

As global populations age, people will need to work longer, retire later, and engage in lifelong learning. There will be an unprecedented strain on natural resources. Disruptive technologies will massively change the way we live and work.

The major global trends that will shape our world over the coming decades will also bring immense opportunity for our country. To lead in this new world, Canada will need to drastically shift who we attract... what we have to offer... and the global voice we possess.

For Canada, thinking bigger in this world means growing our own population. Given our low birth rate – and keeping in mind all of the advantages of an international workforce I’ve been talking about – we must continue to welcome more people to our shores... Global citizens who can help define a stronger vision of Canada and of Toronto...

This is how we will sustain and build our key human resource advantage.

What role can Canadian and Toronto business play in supporting a diverse, innovative and entrepreneurial population? How can business catalyze smarter social, educational and environmental systems to face this new world?

Answering such questions requires a long-term, multi-dimensional vision and strong leadership.

The world took notice of Canada's stellar performance during the global financial crisis, and deservedly so. But global attention quickly moves on, and resting on one's laurels is hardly the ticket to success in the future. Canada's, and CPPIB's, futures lie increasingly in our ability to find opportunity offshore... **and** to attract more of the brightest and the best to our shore.

The maple leaf is the emblem of our nation and all that it stands for.

We have much to learn from the world... and much to share with the world... stemming from the deep roots of knowledge and sound practice we have grown in our own soil.

Now is the time to plant maples **around** the world.

Thank you very much, and I am looking forward to continuing this discussion now with Wendy.

ⁱ City of Toronto website: <http://www.toronto.ca/311/knowledgebase/57/101000168157.html>

ⁱⁱ City of Toronto website:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=dbe867b42d853410VgnVCM10000071d60f89RCRD&vgnnextchannel=57a12cc817453410VgnVCM10000071d60f89RCRD>

ⁱⁱⁱ *Ibid*

^{iv} City of Toronto 2011 census data:

http://www1.toronto.ca/city_of_toronto/social_development_finance_administration/files/pdf/nhs_background.pdf

^v The Economist. See chart: <http://www.economist.com/news/americas/21594328-debates-over-immigration-are-often-toxic-not-canada-more-merrier/>

^{vi} From “Innovation: The New Competitiveness Imperative”, Dr. Kevin Lynch, Vice-Chair, BMO, to Canada’s Bioscience and Agriculture Innovation Conference, September 23, 2014

^{vii} Multiples Alternate Asset Management is a mid-market, India-based private equity firm focused on buyout and growth opportunities. CPPIB committed INR 4.4 billion to Multiples I in 2010.