

*All figures in Canadian dollars unless otherwise noted.*

## **CPP Investments Net Assets Total \$434.4 Billion at First Quarter Fiscal 2021**

### **First-Quarter Highlights:**

- Net assets increase by \$24.8 billion
- 10-year net return of 10.7%
- \$22.9 billion in net income generated for the Fund

**TORONTO, ON (August 14, 2020):** Canada Pension Plan Investment Board (CPP Investments) ended its first quarter of fiscal 2021 on June 30, 2020, with net assets of \$434.4 billion, compared to \$409.6 billion at the end of fiscal 2020 on March 31, 2020.

The \$24.8 billion increase in net assets for the quarter consisted of \$22.9 billion in net income after all CPP Investments costs and \$1.9 billion in net Canada Pension Plan (CPP) contributions.

The Fund, which includes the combination of the base CPP and additional CPP accounts, achieved 10-year and five-year annualized net nominal returns of 10.7% and 8.9%, respectively. For the quarter, the Fund returned 5.6% net of all CPP Investments costs.

“While global financial markets experienced a strong rebound from March, significant uncertainty in health, social and economic conditions persists,” said Mark Machin, President & Chief Executive Officer, CPP Investments. “Amid this environment, CPP Investments delivered solid performance, while our investment teams were active in creating long-term value across our diversified programs.”

The Fund’s growth this quarter is attributed to gains in a broad range of asset classes. Global public equity markets experienced a significant return to positive performance in the first quarter, which is reflected in the Fund’s public holdings. The strengthening Canadian dollar against most major currencies offset some of these gains. Inflows from the CPP were lower than historic averages reflecting initial forecasts of the impact on employment of the COVID-19 pandemic.

CPP Investments 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. Accordingly, long-term results are a more appropriate measure of CPP Investments’ performance compared to quarterly or annual cycles.

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

(for the quarter ending June 30, 2020)

	Investment Rate of Return (Nominal)	Net Income <sup>4</sup>
<b>10-Year Annualized</b>	10.7%	\$259.8 billion
<b>Five-Year Annualized</b>	8.9%	\$146.5 billion
<b>Q1 Fiscal 2021</b>	5.6%	\$22.9 billion

<sup>1</sup> After all CPP Investments 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 2021 on June 30, 2020, with net assets of \$431.1 billion, compared to \$407.3 billion at the end of fiscal 2020. The \$23.8 billion increase in assets consisted of \$22.7 billion in net income after all costs and \$1.1 billion in net base CPP contributions. The base CPP account achieved a 5.6% net return for the quarter.

The additional CPP account ended its first quarter of fiscal 2021 on June 30, 2020, with net assets of \$3.3 billion, compared to \$2.3 billion at the end of fiscal 2020. The \$1.0 billion increase in assets consisted of \$0.2 billion in net income and \$0.8 billion in net additional CPP contributions. The additional CPP account achieved a 5.3% net return for the quarter.

The base and additional CPP differ in contributions, investment incomes and their risk targets. We expect the investment performance of each account to be different.

### 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 published in December 2019, the Chief Actuary reaffirmed that, as at December 31, 2018, both the base and additional CPP continue to be sustainable over the 75-year projection period at the legislated contribution rates.

The Chief Actuary's projections are based on the assumption that, over the 75 years following 2018, the base CPP investments will earn an average annual rate of return of 3.95% above the rate of Canadian consumer price inflation, after all costs. The corresponding assumption is that the additional CPP investments will earn an average annual real rate of return of 3.38%.

The Fund, combining both the base CPP and additional CPP accounts, achieved 10-year and five-year annualized net real returns of 8.9% and 7.2%, respectively.

## Diversified Asset Mix

For the quarter ending June 30, 2020 (\$ billions)		
	\$	%
<b>Public Equities</b>		
Canadian	5.9	1.3
Foreign	80.2	18.5
Emerging	<u>49.4</u>	<u>11.4</u>
	<b>135.5</b>	<b>31.2</b>
<b>Private Equities</b>		
Canadian	1.1	0.3
Foreign	90.0	20.7
Emerging	<u>14.5</u>	<u>3.3</u>
	<b>105.6</b>	<b>24.3</b>
<b>Government Bonds</b>		
Non-marketable	23.2	5.4
Marketable	<u>74.9</u>	<u>17.2</u>
	<b>98.1</b>	<b>22.6</b>
<b>Credit</b>	<b>53.9</b>	<b>12.4</b>
<b>Real Assets</b>		
Real estate	44.4	10.2
Infrastructure	36.7	8.5
Energy and resources	8.1	1.9
Power and renewables	<u>8.8</u>	<u>2.0</u>
	<b>98.0</b>	<b>22.6</b>
<b>External Debt Issuance</b>	<b>(39.7)</b>	<b>(9.1)</b>
<b>Cash and Absolute Return Strategies<sup>1</sup></b>	<b>(17.2)</b>	<b>(4.0)</b>
<b>Net Investments</b>	<b>434.2</b>	<b>100.0</b>
<b>Non-investment assets<sup>2</sup></b>	<b>0.2</b>	<b>-</b>
<b>Net Assets<sup>3</sup></b>	<b>434.4</b>	<b>-</b>

<sup>1</sup> The negative balance of \$17.2 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 \$431.1 billion of base CPP and \$3.3 billion of additional CPP.

## Operational Highlights:

### Corporate developments

- Our active investment management strategy and resulting diversified investment portfolios continue to demonstrate resiliency amid the unprecedented challenges raised by the global COVID-19 pandemic environment. The Fund's long-term returns remain strong, helping to ensure the security of Canadians' retirement benefits.
- Published an updated Policy on Sustainable Investing, reflecting our increased conviction in the importance of considering environmental, social and governance risks and opportunities amid an increasingly competitive corporate operating environment. The new Policy on Sustainable Investing specifically outlines CPP Investments' support for companies aligning their reporting with the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures.

### Board appointment

- We welcomed Boon Sim to the Board of Directors. Appointed in July 2020, Mr. Sim has close to three decades of global experience in the finance industry and expertise in a range of sectors including technology and healthcare. Mr. Sim held senior roles most recently with Temasek International, as well as having a 20-year tenure with Credit Suisse Group and its predecessor firm, The First Boston Corporation. He is also the Founder and Managing Partner of Artius Capital Partners, a growth and private equity investment firm based in New York.

### Executive announcement

- Mark Machin, President & CEO, was named a 2020 Catalyst Honours Champion for delivering a progressive workplace that advances women into leadership. Since 2010, Catalyst has annually celebrated individuals who advance women and advocate for inclusive workplaces in Canadian business. CPP Investments achieved the business goal of equal representation of women in hiring in 2019 and women now represent 46% of our global workforce. At present, 36% of the organization's Senior Management Team and 58% of Board members are female.

### Bond issuance

- Completed an international debt offering of USD five-year term notes totalling US\$1 billion. CPP Investments uses a conservative amount of short- and medium-term debt as one of several tools to manage our investment operations. Debt issuance gives CPP Investments flexibility to fund investments that may not match our contribution cycle. Net proceeds from the issuances will be used by CPP Investments for general corporate purposes.

## First-Quarter Investment Highlights:

### Active Equities

- Invested an additional C\$35 million in Premium Brands Holdings Corporation, a leading producer, marketer and distributor of specialty food products in Canada and the U.S., through a private placement of common shares. With this investment, our existing ownership in the company increased to approximately 8%.

- Invested US\$100 million in the initial financing round for Sana Biotechnology, Inc., a life sciences company focused on engineering cells as medicines for patients.
- Invested an additional C\$20 million in WSP Global Inc., a global engineering services consultancy, through a private placement of common shares. With this investment, our ownership in the company is approximately 19%.
- Invested US\$50 million in the Series B financing for insitro, a machine-learning driven drug discovery and development company, alongside other investors.

**Private Equity**

- Committed US\$100 million to ICONiQ Strategic Partners V, a late-stage venture capital and growth-focused technology fund.
- Committed €500 million to CVC Capital Partners VIII, CVC's flagship private equity platform, targeting large and mega buyouts primarily in Europe, as well as North America.

**Real Assets**

- Increased investment of approximately £43 million alongside Lendlease, an international property and infrastructure group, to fund 123 new Build-to-Rent homes at Elephant Park in South London. The partners are investing on a 50:50 basis.
- Completed a previously announced investment of C\$315 million to support Wolf Carbon Solutions' development of the Alberta Carbon Trunk Line, a 240-kilometre pipeline that is now fully operational, collecting carbon dioxide from industrial emitters and transporting it to aging reservoirs in Alberta for secure storage and enhanced oil recovery projects.
- Acquired 49% of the entity that holds Enbridge Inc.'s stake in Éolien Maritime France SAS, Enbridge's partnership with EDF Renewables, for approximately €80 million. The partnership is developing three offshore wind farms in France. A follow-on investment of €120 million is committed to the first project as it progresses through construction. The second project has also entered construction with €68 million in additional commitments. Further investments of €84 million may be made in the third offshore wind farm.
- Entered into a strategic agreement with APG and ESR Cayman Limited to establish a new logistics development joint venture, ESR-KS II. The total equity allocation of US\$1 billion represents an investment capacity to deliver as much as US\$2 billion of new development projects in Seoul and Busan metropolitan areas in South Korea. This is a successor vehicle to an earlier US\$1.15 billion joint venture between the three parties that has led to the development of 17 projects in South Korea.

**Asset Dispositions:**

- Sold our 43.9% ownership interest in the Aston Gardens senior housing portfolio in the United States. Net proceeds from the sale were approximately US\$60 million. Our ownership interest was initially acquired alongside joint venture partner Welltower in 2016.

- Sold our remaining interest in connectivity, communications and media company Altice USA, which began with our investment in Suddenlink Communications in 2012. Net proceeds of approximately C\$4.5 billion were realized from our total investment of approximately C\$1.2 billion over that time period.

#### Transaction Highlights Following the Quarter:

- Committed to acquire US\$1 billion of home improvement focused consumer loans from Service Finance Company, LLC, a sales finance business owned by ECN Capital Corp. Under the agreement, the purchases will be made through 2020 and 2021.
- Invested US\$50 million in Perfect Day, Inc., an animal-free dairy maker, the first investment in our Climate Change Opportunities strategy.
- Completed the acquisition of Galileo Global Education, a leading international provider of higher education and Europe's largest higher education group, as part of a consortium of investors, with an investment of €\$550 million for a significant minority stake.

#### About Canada Pension Plan Investment Board

Canada Pension Plan Investment Board (CPP Investments™) is a professional investment management organization that invests around the world in the best interests of the more than 20 million contributors and beneficiaries of the Canada Pension Plan. In order to build diversified portfolios of assets, investments in public equities, private equities, real estate, infrastructure and fixed income are made by CPP Investments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At June 30, 2020, the Fund totalled \$434.4 billion. For more information, please visit [www.cppinvestments.com](http://www.cppinvestments.com) or follow us on [LinkedIn](#), [Facebook](#) or [Twitter](#).

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