CPP INVESTMENT BOARD

All figures in Canadian dollars unless otherwise noted.

CPP Fund Totals $368.3 Billion at Second Quarter Fiscal 2019

CPPIB advances preparations to accept, invest and manage the Additional Canada Pension Plan contributions in January 2019

TORONTO, ON (November 9, 2018): The CPP Fund ended its second quarter of fiscal 2019 on September 30, 2018, with net assets of $368.3 billion, compared to $366.6 billion at the end of the previous quarter. The $1.7 billion increase in assets for the quarter consisted of $2.3 billion in net income after all CPPIB costs, less $0.6 billion in net Canada Pension Plan (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 benefit payments exceeding contributions in the final months. On an annual basis, contributions to the Fund continue to exceed outflows.

The Investment Portfolio achieved 10-year and five-year annualized net nominal returns of 9.1% and 12.1%, respectively, and 0.6% for the quarter. These returns are net of all CPPIB costs.

For the six-month fiscal year-to-date period, the CPP Fund increased by $12.2 billion consisting of $8.9 billion in net income after all CPPIB costs, plus $3.3 billion in net CPP cash inflows. The portfolio delivered a net return of 2.5% after all CPPIB costs during the period.

“While returns were relatively flat in the second quarter, our teams performed well against our underlying investment strategy,” says Mark Machin, President & Chief Executive Officer, Canada Pension Plan Investment Board (CPPIB). “Foreign currency exchange-rate declines relative to the Canadian dollar were the Fund’s main headwind during the quarter, offsetting strong local currency performance.”

CPPIB’s investment teams developed new partnerships around the world and executed large-scale transactions in the quarter, which further positioned the portfolio to meet long-term objectives. “Especially during times of increased market volatility, CPPIB has taken advantage of the Fund’s long horizon and pursued diverse and innovative investment approaches, just as our teams did during the quarter,” added Mr. Machin.

CPPIB also continued to advance its preparations to accept, invest and manage the Additional CPP contributions set to begin flowing into the Fund on January 1, 2019**,** which is the beginning of our fourth quarter. These added contributions will have the full advantage of CPPIB’s investment structure and risk governance framework**.** CPPIB will report on the performance of the combined total Fund, as well as the Base CPP and Additional CPP components, in our news release and annual report at the end of this fiscal year.

CPPIB continues to build a portfolio designed to achieve a maximum rate of return at an appropriate risk level, having regard to our exceptionally long investment horizon. Accordingly, long-term results are a more appropriate measure of CPPIB’s investment performance than returns in any given quarter or single fiscal year.

CPP INVESTMENT BOARD

Long-Term Sustainability

CPPIB's 10-year annualized net nominal rate of return of 9.1%, or 7.5% on a net real rate of return basis, was above the Chief Actuary's assumption of an average 3.9% return over the 75-year projection period of his report. The real rate of return is reported net of all CPPIB costs to be consistent with the Chief Actuary's approach.

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 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, is expected to average 3.9% over the 75-year period.

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.

CPP INVESTMENT BOARD

Five and 10-Year Returns[1, 2]

(for the quarter ending September 30, 2018)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Net Income[3]
5-Year Annualized	12.1%	10.2%	$153.8 billion
10-Year Annualized	9.1%	7.5%	$201.7 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 September 30, 2018
($ billions)

	$	%
Public Equities		
Canadian	8.4	2.3
Foreign	93.4	25.4
Emerging	33.3	9.0
	135.1	**36.7**
Private Equities		
Canadian	1.0	0.3
Foreign	68.9	18.7
Emerging	10.4	2.8
	80.3	**21.8**
Government Bonds		
Non-marketable	22.0	6.0
Marketable	59.3	16.1
	81.3	**22.1**
Credit Investments	**28.5**	**7.7**
Real Assets		
Real Estate	45.0	12.2
Infrastructure	31.1	8.5
Energy and Resources	6.4	1.8
Power and Renewables	4.9	1.3
	87.4	**23.8**
External Debt Issuance	**-25.8**	**-7.0**
Cash and Absolute Return Strategies[1]	**-18.7**	**-5.1**
Investment Portfolio	368.1	100.0
Cash for Benefits Portfolio	0	0
Net Investments[2]	**368.1**	**100.0**

[1] The negative balance of $18.7 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.

[2] Excludes non-investment assets (such as premises and equipment) and non-investment liabilities, totalling $0.2 billion for Q2 2019. As a result, net investments will differ from the net assets figure of $368.3 billion.

CPP INVESTMENT BOARD

Q2 Investment Highlights:

Private Equity

- Completed a co-investment of US$130 million in Anastasia Beverly Hills, alongside TPG and other co-investors. Based in California, Anastasia Beverly Hills is a high-growth, prestige beauty company.

- Acquired a stake in Sportradar alongside TCV at an enterprise value of €2.1 billion. Sportradar is the global leader in analyzing and leveraging the power of sports data and serves as the official partner of the NBA, NFL, NHL and NASCAR, as well as FIFA and UEFA.

Real Assets

- Launched the development of 1133 Melville, an office tower known as The Stack, in Vancouver's downtown core. CPPIB jointly owns the property with Oxford Properties Group on a 50:50 basis, and has targeted to invest approximately C$175 million to support the development over multiple years. The AAA-class, 540,000-square-foot office development is the largest office development currently underway in Vancouver.

- As a member of the Sydney Transport Partners consortium, CPPIB invested in the WestConnex toll road project in Sydney, Australia. The consortium was the successful bidder for a 51% ownership stake in WestConnex, representing A$9.26 billion of total proceeds to the State of New South Wales for that stake. CPPIB holds a 20.5% interest in the consortium's ownership stake. WestConnex is the largest road infrastructure project currently underway in Australia.

- Committed an additional US$1.75 billion of equity with the Goodman Group to the Goodman China Logistics Partnership (GCLP), increasing the total equity commitment to US$5 billion. The additional equity will be made on an 80:20 basis, with CPPIB allocating US$1.4 billion and Goodman US$350 million, consistent with the GCLP's equity structure. GCLP invests in high-quality logistics properties in prime locations across Mainland China.

- Partnered with ESR and its Seoul-based subsidiary Kendall Square Asset Management to invest up to US$500 million in a newly established investment vehicle targeting modern logistics facilities in South Korea. The portfolio will comprise Grade-A facilities in key locations servicing diverse tenant demands. The vehicle will initially invest in a seed portfolio of six logistics facilities with an aggregate gross floor area of 270,000 square metres, which are managed by Kendall Square Asset Management.

- Acquired a prime logistics asset in Northern New Jersey for US$150 million through the Goodman North American Partnership with Goodman Group. CPPIB invested approximately US$70 million for a 45% interest. The 617,000 square-foot logistics warehouse is fully leased to an investment-grade, e-commerce tenant as its primary last-mile distribution point for New York City.

- Committed to invest approximately C$300 million in Wolf Midstream Inc. (Wolf) to support the construction of the Alberta Carbon Trunk Line (ACTL). Wolf and Enhance Energy entered into a project development and coordination agreement related to the construction and operation of the ACTL, a 240-kilometre carbon dioxide capture and pipeline transportation asset in Alberta. Wolf will construct, own and operate the ACTL.

- Formed a joint venture with WPT Industrial Real Estate Investment Trust and Alberta Investment Management Corporation to aggregate a portfolio of industrial properties in strategic U.S. logistics markets through a value-add and development investment strategy. The joint venture will target investing up to US$1 billion of combined equity. CPPIB will own a 45% interest in the joint venture.

- Committed to invest approximately US$1.0 billion in Encino Acquisition Partners (EAP) to support EAP's acquisition of Chesapeake Energy's Utica Shale oil and gas assets in Ohio for a total consideration of US$2.0 billion in cash. CPPIB and Encino Energy formed EAP in 2017 to acquire large, high-quality oil and gas production and development assets in the U.S. lower 48 states. CPPIB owns approximately 98% of EAP.

- Formed a joint venture with Boston Properties, Inc., one of the largest public owners and developers of office buildings in the United States, and completed the acquisition of Santa Monica Business Park in Santa Monica, California, for a purchase price of approximately US$627.5 million. As part of the joint venture, CPPIB invested US$147.4 million for a 45% ownership in the Business Park.

- Launched a new investment cooperation with Longfor Group Holdings Limited to invest in rental housing programs in China with an initial targeted investment of approximately US$817 million.

Credit Investments

- Broadened our portfolio through a US$285 million investment in a newly established vehicle used to purchase equity in collateralized loan obligations (CLOs) managed by Sound Point Capital Management, LP.

- Formed a real estate lending joint venture with Silverstein Properties, Inc., known as Silverstein Capital Partners. CPPIB has approximately 45% interest in the joint venture, with an initial notional equity commitment of US$150 million.

- Agreed to participate in A$500 million of seed lending to a newly established fund with Challenger Investment Partners (CIP) to invest in middle-market real estate loans in Australia and New Zealand. CIP will source and manage investments on behalf of the fund.

- Signed an agreement to acquire a portfolio of Spanish non-performing loans with a gross book value of approximately €1,000 million from Banco Bilbao Vizcaya Argentaria, S.A.

- Invested US$260 million in the first lien term loan for Getronics, a leading European provider of digital transformation solutions. The financing supported Getronics' acquisition of Pomeroy, a leading U.S. provider of digital workplace transformation services, creating a global IT services platform company.

Active Equities

- Invested US$50 million in the Series B Preferred Share financing of Zoox, a U.S. technology company focused on developing a fully integrated autonomous vehicle mobility solution including building and operating a fleet of specially designed robo-taxis.

Asset Dispositions:

Real Assets

- Sold our 50% ownership interest in Aldgate House, a London, U.K. office property. Net proceeds to CPPIB from the sale were approximately £89 million before customary closing adjustments. CPPIB acquired its ownership interest in 2013.

- Sold our 50% ownership interest in 800 Burrard Street, a Vancouver office property. Net proceeds to CPPIB from the sale were approximately C$114 million. CPPIB acquired its ownership interest in 2012.

Investment highlights following the quarter end include:

Real Assets

- A consortium formed by the joint venture between CPPIB and Votorantim Energia was declared the successful bidder in the privatization process to acquire a controlling stake in Brazilian hydro generation company Companhia Energética de São Paulo (CESP), for 80.2% of CESP's common shares and 13.7% of its Class B Preferred Shares for R$1.7 billion.

- Entered into a definitive agreement with IDEAL and Ontario Teachers' to invest in Pacifico Sur, a 309-kilometer toll road in Mexico. IDEAL will retain a 51% ownership of the Guadalajara-Tepic, S.A. de C.V. highway concession, the concessionaire of the Pacifico Sur toll road. CPPIB and Ontario Teachers' together will acquire a 49% minority ownership position for an initial Ps$4,539 million (C$314 million), with the possibility of a second investment of up to Ps$3,141 million (C$218 million) subject to certain conditions of the agreement. CPPIB will hold a 29% stake and Ontario Teachers' will hold a 20% stake, which is consistent with the ownership structure in Arco Norte.

Corporate Highlights:

- Kelly Shen was appointed our new Senior Managing Director & Chief Technology and Data Officer. Kelly brings more than 20-years of experience in data, analytics and technology with a proven track record. Her insights will be instrumental in guiding CPPIB towards a unified and fully connected enterprise-wide technology platform that will improve the Fund's operations.

- CPPIB Capital Inc., a wholly owned subsidiary of CPPIB, completed an international debt offering of USD 5-year term notes totalling US$5 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 private placement will be used by CPPIB for general corporate purposes.

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 September 30, 2018, the CPP Fund totalled $368.3 billion. For more information about CPPIB, please visit www.cppib.com or follow us on LinkedIn, Facebook or Twitter.

Disclaimer

Certain statements included in this press release constitute forward-looking statements with respect to CPPIB's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "believe," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" and similar expressions. The forward-looking statements are not historical facts but reflect CPPIB's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including available investment income, intended acquisitions, regulatory and other approvals and general investment conditions. Although CPPIB believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. CPPIB does not undertake to publicly update such statements to reflect new information, future events, and changes in circumstances or for any other reason. The information contained on CPPIB's website, LinkedIn, Facebook and Twitter are not a part of this press release.

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