



CPP INVESTMENT BOARD REPORTS FISCAL THIRD QUARTER PERFORMANCE RESULTS

Fund surpasses \$200 billion milestone

TORONTO, ON (February 14, 2014): The CPP Fund ended the third quarter of its 2014 fiscal year on December 31, 2013 with net assets of \$201.5 billion, compared to \$192.8 billion at the end of the previous quarter. The \$8.7 billion increase in assets for the quarter comprised \$11.1 billion in net investment income, after operating costs, less \$2.4 billion of cash outflows. The CPP Fund routinely receives more CPP contributions than are required to pay benefits during the first part of the calendar year and then remits a portion of those funds for benefit payments in the latter part of the year. The portfolio delivered a gross investment return of 5.9% for the quarter.

For the nine month fiscal year-to-date period, the CPP Fund increased by \$18.2 billion from \$183.3 billion at March 31, 2013. This includes \$16.3 billion in net investment income after operating costs and \$1.9 billion in net CPP contributions. The portfolio delivered a gross investment return of 8.9% for this period.

“The exceptional performance of public equities contributed to the Fund’s third quarter results. Major equity indices attained all-time highs and all of our investment programs delivered significant gains, propelling the Fund past \$200 billion for the first time,” said Mark Wiseman, President & Chief Executive Officer, CPP Investment Board (CPIB). “With an investment horizon that extends over multiple generations, we remain focused on our long-term growth plans rather than performance during any particular quarter.”

“It is with that focus in mind that we continued to diversify the portfolio globally with a number of notable investments during the recent quarter carried out in multiple markets. Early in 2014, we took action to further strengthen our business platform, broadening our global presence with the launch of new offices in New York and São Paulo,” said Mr. Wiseman.

Investment highlights during the fiscal third quarter include:

Private Investments

- Entered into an agreement to acquire the assets of Assiniboia Farmland LP, which owns and manages a portfolio of 115,000 acres of farmland in Saskatchewan. CPIB’s initial equity investment is up to \$128 million, subject to final adjustments. The transaction closed on January 10, 2014.



- Purchased \$60 million of unsecured five-year notes, carrying a 9% coupon rate, in Cequence Energy Inc., through CPPIB Credit Investments Inc., a wholly-owned subsidiary of CPPIB. Headquartered in Calgary, Cequence Energy is a TSX-listed natural gas and oil company with assets primarily located in the Alberta Deep Basin, Peace River Arch and north-eastern British Columbia.
- Completed the acquisition of luxury retailer Neiman Marcus Group LTD Inc., alongside Ares Management, for a purchase price of US\$6.0 billion. CPPIB and Ares will hold an equal economic interest in Neiman Marcus Group, with the Company's management retaining a minority stake.

Public Market Investments

- Acquired a 15% interest in ORPEA S.A., one of Europe's leading providers of long-term care services, for a total consideration of €320.8 million. CPPIB also made an additional investment of €33.9 million through a primary share capital increase to help accelerate ORPEA's strategy for international growth. Paris-based ORPEA has a unique network of healthcare facilities with a total of 40,374 beds across 431 sites in France, Belgium, Spain, Italy and Switzerland.

Real Estate Investments

- Successfully divested six regional Canadian shopping centres for a combined consideration of \$1.2 billion. The divestments support CPPIB's multi-phased Canadian retail strategy to pursue new opportunities for this portfolio with core assets in primary markets held jointly with strong operating partners.
- Launched CPPIB's first real estate venture in India through the formation of a strategic alliance with the Shapoorji Pallonji Group to acquire foreign direct investment-compliant, stabilized office buildings in India's major metropolitan centres. CPPIB will own 80% of the venture with an initial equity commitment of US\$200 million.
- Formed a discretionary venture with Banco BTG Pactual S.A. (BTG) to invest in residential development opportunities in Brazil. CPPIB will invest up to US\$240 million for a 40% interest in the venture and BTG has committed to making an equal investment.
- Acquired Aldgate House, located in London, U.K., a 214,000 square foot multi-let, high-quality office property for £100 million. The transaction represents the first acquisition of the 50:50 office joint venture with Hermes Real Estate Investment Management Limited which was established in July 2013 to acquire high-quality office assets in prime Central London locations.
- Entered into a joint partnership agreement with Intu Properties plc to acquire Parque Principado Shopping Centre in Oviedo, Asturias, Spain for €162 million. Parque Principado is one of Spain's top 10 prime retail destinations and is the primary out-of-town centre for the region of Asturias.



Investment highlights following the quarter end include:

- Acquired a 10.4% equity stake in Transportadora de Gas del Perú S.A. (TgP) from Graña y Montero (GyM) for a consideration of US\$200 million. TgP is the largest transporter of natural gas and natural gas liquids in Peru, delivering approximately 95% of the country's total volume of natural gas and natural gas liquids in 2012.
- Completed several private debt and real estate investments through CPPIB Credit Investments Inc., a wholly-owned subsidiary of CPPIB:
 - Acquired a 23.8% interest in Altamira Asset Management (Altamira) representing an equity investment of €106 million. Altamira is the market leading debt recovery and real estate servicing platform in Spain.
 - Completed an investment in Ports America to finance a new seven-year US\$375 million Holdco financing. Concurrent with the transaction, CPPIB will own a 10% equity stake in the Company. Headquartered in New Jersey, Ports America is the largest independent marine terminal operator and stevedore company in the U.S. and currently operates in more than 42 ports and 80 locations.
 - Announced a strategic alliance with Piramal Enterprises Limited (PEL), one of India's largest diversified companies, to provide structured debt financing to residential projects across India's major urban centres. CPPIB and PEL have each initially committed US\$250 million.

Corporate Highlights

- Expanded CPPIB's global presence with the opening of new international offices in New York City on January 16, 2014, and in São Paulo, Brazil on February 4, 2014, which will serve as the hub office for Latin America. CPPIB now operates offices in five key international markets and the recent additions will allow it to expand its global capabilities and to facilitate access to the best investments from across the globe.
- Continued to further strengthen leadership of our Toronto and global operations. The following executives assumed new roles: Benita Warmbold as Senior Vice-President & Chief Financial Officer; Nick Zelenczuk as Senior Vice-President & Chief Operations Officer; Mark Machin as Senior Vice-President & Head of International; Ed Cass as Senior Vice-President & Chief Investment Strategist; and Alain Carrier as Managing Director & Head of Europe.



- Welcomed the appointment by the Federal Minister of Finance of Ms. Kathleen Taylor to the Board of Directors on October 3, 2013. Ms. Taylor currently serves as Chair of the Board of the Royal Bank of Canada and was most recently the President and Chief Executive Officer of Four Seasons Hotels and Resorts.

Long-Term Sustainability

In the recent triennial review released in December 2013, the Chief Actuary of Canada reaffirmed that 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 4% real rate of return, which takes into account the impact of inflation. CPPIB's 10-year annualized nominal rate of return of 6.7%, or 4.9% on a real rate of return basis, is above the Chief Actuary's prospective 4% real rate of return assumption. These figures are reported on a net basis to be consistent with the Chief Actuary's approach.

The recent Chief Actuary's report also extended the timeframe in which CPP contributions are expected to exceed paid annual benefits to 2022, thereafter a portion of the investment income from CPPIB will be needed to help pay pensions.

Asset Mix

For the period ending December 31, 2013 (\$ billions)		
	\$	%
Equities		
Public	64.7	32.1
Private	<u>36.4</u>	<u>18.1</u>
	101.1	50.2
Fixed Income	67.1	33.3
(includes bonds, money market securities, other debt and debt financing liabilities)		
Real Assets		
Real Estate	21.9	10.9
Infrastructure	<u>11.3</u>	<u>5.6</u>
	33.2	16.5
Total¹	201.4	100.0

¹ Excludes non-investment assets such as premises and equipment and non-investment liabilities.



Five and 10-Year Returns¹
(for the period ending December 31, 2013)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Investment Income²
5-Year Annualized	8.9%	7.2%	\$67.1 billion
10-Year Annualized	6.7%	4.9%	\$83.5 billion

¹After CPPIB operating costs.

²Dollar figures are cumulative.

Note: All figures in Canadian dollars unless otherwise noted.

About CPP Investment Board

CPP 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 18 million Canadian 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 London, Hong Kong, 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, 2013, the CPP Fund totalled \$201.5 billion. For more information about CPPIB, please visit www.cppib.com.

For More Information

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