



## CPP INVESTMENT BOARD REPORTS FISCAL SECOND QUARTER PERFORMANCE RESULTS

**TORONTO, ON (November 8, 2013):** The CPP Fund ended the second quarter of its 2014 fiscal year on September 30, 2013 with net assets of \$192.8 billion, compared to \$188.9 billion at the end of the previous quarter. The \$3.9 billion increase in assets for the quarter consisted of \$3.3 billion in net investment income after operating costs and \$0.6 billion in net CPP contributions. The portfolio delivered a gross investment return of 1.8% for the quarter.

For the six month fiscal year-to-date period, the CPP Fund increased by \$9.5 billion from \$183.3 billion at March 31, 2013. This includes \$5.1 billion in net investment income after operating costs and \$4.4 billion in net CPP contributions. The portfolio delivered a gross investment return of 2.9% for this period.

“Domestic and foreign equity markets, and gains in each of our active investment programs, contributed to the increase in the CPP Fund during the quarter. Overall, investment returns were consistent with the expected performance of a balanced portfolio,” said Mark Wiseman, President & Chief Executive Officer, CPP Investment Board (CPPIB). “Our five- and 10-year nominal returns of 6.4% and 6.8% respectively, demonstrate our commitment to focusing on the long term, as we continue to take actions today for the benefit of CPP Fund contributors and beneficiaries for decades to come. We continue to diversify the portfolio and during the reporting period we made significant investments in eight different countries.”

Investment highlights during the fiscal second quarter include:

### Private Investments

- Entered into a definitive agreement along with Ares Management to acquire leading luxury retailer Neiman Marcus Group LTD Inc. 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. The acquisition was completed on October 25, 2013.

### Public Market Investments

- Invested \$170 million for a 24% interest in TORC Oil & Gas Ltd. through a private placement to enable TORC to acquire significant assets in southeast Saskatchewan and convert to a dividend-paying business model. TORC is a Calgary-based oil and gas producer focused on light-oil opportunities in Western Canada.

### Real Estate Investments

- Acquired a 50% interest in the Samsung SRA Private Real Estate Investment Trust No. 4 for KRW 126 billion (C\$118.6 million). The single-asset fund owns a high-quality Grade A office development property in Seoul, that is 100% pre-leased by Samsung SDS, South Korea’s largest IT services company.



- Through the purchase of the minority shareholder's interest, acquired an additional US\$125 million interest in the Mayflower partnership, a U.S. regional mall joint venture with Simon Property Group that was formed in 2011. This acquisition increases CPPIB's ownership interest in the partnership to 44% in 10 properties and 47% in two properties.
- Acquired a 27.6% interest in Aliansce Shopping Centers S.A. for an equity amount of US\$480 million. Based in Rio de Janeiro, Aliansce is one of Brazil's top publicly traded real estate operating companies, focused on the ownership, management and development of enclosed shopping centres.
- Formed a 50%/50% regional mall joint venture with Ivanhoé Cambridge, whereby Ivanhoé Cambridge acquired a 50% interest in Carrefour de l'Estrie from CPPIB. CPPIB continues to own 50% of Carrefour de l'Estrie, the largest shopping centre in Quebec's Eastern Townships region. This transaction follows the expansion of our 50%/50% Canadian joint venture with Oxford Properties Group in June 2013, that involved the addition of two regional malls, one contributed by each partner. As part of this transaction, CPPIB acquired a 50% interest in Upper Canada Mall in Newmarket, Ontario and Oxford acquired a 50% interest in Les Galeries de la Capitale in Quebec City.
- Entered into a 50%/50% office joint partnership with Hermes Real Estate Investment Management Limited, through an initial £173.9 million investment. The joint venture currently comprises nine high-quality Central London office assets.
- Agreed to commit an additional US\$400 million of equity to our China logistics joint venture with Goodman Group, Goodman China Logistics Holding (GCLH). This increases CPPIB's committed equity to US\$1.2 billion. GCLH was formed in 2009 and has invested in 19 logistics projects across seven Chinese markets.

Investment highlights following the quarter end include:

#### **Private Investments**

- Purchased \$60 million in unsecured five-year notes 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.

#### **Real Estate Investments**

- 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.
- On October 10, 2013, CPPIB and Dexus Property Group (the Consortium) announced an indicative, non-binding joint proposal to the responsible entity of Commonwealth Property Office Fund (CPA),



Commonwealth Managed Investments Limited, to acquire all of the units in CPA for consideration of cash and Dexu shares. The proposal, if implemented, will result in the Consortium acquiring a A\$3.8 billion prime grade Australian office portfolio.

- 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.

**Long-Term Sustainability**

In the latest triennial review released in November 2010, 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 6.8%, or 4.9% on a real rate of return basis, is above the Chief Actuary’s prospective 4% real rate of return assumption.

The Chief Actuary’s report also indicates that CPP contributions are expected to exceed annual benefits paid until 2021, when a portion of the investment income from CPPIB will be needed to help pay pensions. The Chief Actuary is currently undertaking a triennial review of the CPP as at December 31, 2012, and is expected to release his report in late calendar 2013.

**Asset Mix**

For the period ending September 30, 2013 (\$ billions)		
	\$	%
<b>Equities</b>		
Public	64.4	33.4
Private	<u>33.1</u>	<u>17.2</u>
	<b>97.5</b>	<b>50.6</b>
<b>Fixed Income</b>	<b>62.2</b>	<b>32.3</b>
(includes bonds, money market securities, other debt and debt financing liabilities)		
<b>Real Assets</b>		
Real Estate	22.0	11.4
Infrastructure	<u>11.0</u>	<u>5.7</u>
	<b>33.0</b>	<b>17.1</b>
<b>Total<sup>1</sup></b>	<b>192.7</b>	<b>100.0</b>

<sup>1</sup> Excludes non-investment assets such as premises and equipment and non-investment liabilities.



**Five and 10-Year Returns<sup>1</sup>**  
(for the period ending September 30, 2013)

	<b>Investment Rate of Return (Nominal)</b>	<b>Investment Rate of Return (Real)</b>	<b>Investment Income<sup>2</sup></b>
<b>5-Year Annualized</b>	6.4%	5.1%	\$49.6 billion
<b>10-Year Annualized</b>	6.8%	4.9%	\$77.7 billion

<sup>1</sup>Before CPPIB operating costs.

<sup>2</sup>Dollar figures are cumulative.

**Note:** All figures in Canadian dollars unless otherwise noted.

**About CPP 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 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 and Hong Kong, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At September 30, 2013, the CPP Fund totalled \$192.8 billion. For more information about CPPIB, please visit [www.cppib.com](http://www.cppib.com).

**For More Information**

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