



All figures in Canadian dollars unless otherwise noted.

CPP Fund Totals \$219.1 Billion at 2014 Fiscal Year-End

\$35.8 Billion Annual Increase

TORONTO, ON (May 23, 2014): The CPP Fund ended its fiscal year on March 31, 2014 with net assets of \$219.1 billion, compared to \$183.3 billion at the end of fiscal 2013. The \$35.8 billion increase in assets for the year consisted of \$30.1 billion in net investment income after operating costs and \$5.7 billion in net CPP contributions. The portfolio delivered a gross investment return of 16.5% for fiscal 2014.

“All of our investment teams made material contributions to the CPP Fund this year, producing CPPIB’s largest level of annual investment income since inception,” said Mark Wiseman, President & Chief Executive Officer. “Although we are pleased with these annual results, this relatively short-term performance is far less meaningful than our long-term results as financial markets can move sharply in either direction over shorter time horizons. Our highly diversified portfolio aims to produce long-term returns through volatile cycles.”

In the 10-year period up to and including fiscal 2014, CPPIB has contributed \$95.1 billion in cumulative net investment income to the Fund after operating costs, and over \$110 billion since inception.

“While returns in global equity markets bolstered results, all of our active management programs produced significant annual gains and strengthened our future position,” added Mr. Wiseman. “Our teams had a very active year leveraging CPPIB’s comparative advantages globally. They added investments that fit our enduring portfolio, further diversify the Fund and will generate long-term growth. Looking ahead, we also expanded our capabilities to access, secure and manage assets in markets that are central to our strategy in the coming decades with the launch of offices in São Paulo and New York.”

Long-Term Sustainability

In the recent triennial review released in December 2013, the Chief Actuary of Canada reaffirmed that, as at December 31, 2012, 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 prospective 4.0% real rate of return, which takes into account the impact of inflation. CPPIB’s 10-year annualized nominal rate of return of 7.1%, or 5.1% on a real rate of return basis, is above the Chief Actuary’s assumption over this same period. These figures are reported net of operating costs 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 the end of 2022. Thereafter, a modest portion of the investment income from CPPIB will be needed to help pay pensions.

"We are pleased that our 10-year returns exceed the Chief Actuary's assumption and we remain confident that our strategy will generate the returns needed to help sustain the CPP over longer periods of time," said Mr. Wiseman. "In seeking a maximum rate of return without undue risk of loss, our focus remains on CPPIB's exceptionally long investment horizon and our uncompromising discipline in investing."

Performance Against Benchmarks

CPPIB measures its performance against a market-based benchmark, the CPP Reference Portfolio, representing a passive portfolio of public market investments that can reasonably be expected to generate the long-term returns needed to help sustain the CPP at the current contribution rate.

In fiscal 2014, the CPP Fund's strong total portfolio return of 16.5% closely corresponded to the CPP Reference Portfolio with \$514 million in gross dollar value-added (DVA) above the CPP Reference Portfolio's return. Despite the strong CPP Reference Portfolio return, we outperformed the benchmark due to strong income and valuation gains from our privately-held assets. Net of all operating costs, the investment portfolio essentially matched the CPP Reference Portfolio's return, producing negative \$62 million in dollar value-added.

"The DVA results reflect a year in which public equity markets realized exceptional gains," said Mr. Wiseman. "With private market assets now representing a major proportion of the portfolio, we expect the CPP Reference Portfolio to outpace our investment portfolio over shorter-time horizons when there is strong public market performance, since there is typically a valuation lag between private and public market holdings as there is not an observable price until sale. And, the benchmark sets a high standard. We have conviction that our private market assets will outperform the public markets equivalents of the CPP Reference Portfolio over the long term. In addition, private assets work to further diversify and strengthen the resiliency of our portfolio resulting in less volatility over time."

Given our long-term view and risk/return accountability framework, we track cumulative value-added returns since the April 1, 2006 inception of the CPP Reference Portfolio. Cumulative gross value-added over the past eight years considerably outperformed the benchmark totalling \$5.5 billion. Over this period cumulative costs to operate CPPIB were \$2.5 billion, resulting in net dollar value-added of \$3.0 billion.



Portfolio Performance by Asset Class

Portfolio performance by asset class is included in the table below. A more detailed breakdown of performance by investment department is included in the CPPIB Annual Report for fiscal 2014, which is available at www.cppib.com.

PORTFOLIO RETURNS ¹		
Asset Class ²	Fiscal 2014	Fiscal 2013
Canadian public equities	15.6%	4.2%
Canadian private equities	30.1%	3.4%
Public foreign developed market equities	26.3%	13.2%
Private foreign developed market equities	35.1%	16.8%
Public emerging market equities	5.8%	2.4%
Private emerging market equities	36.8%	7.4%
Bonds and money market securities ³	0.3%	4.0%
Non-marketable bonds	-0.1%	8.2%
Other debt	20.0%	15.1%
Real estate	18.0%	9.2%
Infrastructure	16.6%	8.8%
Investment Portfolio ⁴	16.5%	10.1%

¹ Before CPPIB operating expenses.

² Investment results by asset class are reported on an unhedged Canadian dollar basis as any currency hedging takes place at the total CPP Fund level. Results are calculated on a time-weighted basis.

³ The Fund's remaining allocation to real return bonds was sold within fiscal 2014. Return contributions from real return bonds are reflected in Bonds and money market securities in both years shown.

⁴ The total Fund return in fiscal 2014 includes a loss of \$543 million from currency hedging activities and a \$1,005 million gain from absolute return strategies, which are not attributed to an asset class.



Asset Mix

At the end of fiscal 2014, the Fund's net assets were valued at \$219.1 billion, a year-over-year increase of \$35.8 billion net of operating costs of \$576 million or 29.3 basis points.

We continued to diversify the portfolio by risk/return characteristics and geography during fiscal 2014. Canadian assets represented 31% of the portfolio, and totalled \$68.0 billion. Foreign assets represented 69% of the portfolio, and totalled \$151.1 billion.

FOR THE YEAR ENDED						
MARCH 31 (\$ billions)		2014	2013	2012	2011	2010
CHANGE IN NET ASSETS						
Net contributions		5.7	5.5	3.9	5.4	6.1
Investment income net of operating expenses		30.1	16.2	9.5	15.2	16.0
Increase in net assets		35.8	21.7	13.4	20.6	22.1
AS AT MARCH 31 (\$ billions)						
		2014	2013	2012	2011	2010
ASSET MIX	(%)	(\$)	(\$)	(\$)	(\$)	(\$)
Equities¹						
Canada	8.5	18.6	15.3	14.2	21.0	18.5
Foreign developed markets	34.5	75.6	64.0	56.7	50.8	46.2
Emerging markets	5.7	12.6	12.4	10.6	7.6	6.5
Fixed income						
Non-marketable bonds	10.6	23.4	24.4	23.6	21.8	22.7
Marketable bonds	14.2	31.0	28.5	21.2	19.7	17.1
Other debt	5.2	11.4	8.6	8.8	6.1	3.5
Money market securities	8.0	17.4	8.7	2.5	2.3	1.7
Debt financing liabilities	(4.4)	(9.7)	(9.5)	(2.4)	(1.4)	(1.3)
Real assets						
Real estate	11.6	25.5	19.9	17.1	10.9	7.0
Infrastructure	6.1	13.3	11.2	9.5	9.5	5.8
Total²	100.0	219.1	183.5	161.8	148.3	127.7
PERFORMANCE						
Annual rate of return		16.5%	10.1%	6.6%	11.9%	14.9%

¹Equities represented 48.7% of the portfolio or \$106.8 billion. That amount consisted of 29.9% public equities valued at \$65.5 billion and 18.8% private equities valued at \$41.3 billion.

²Excludes non-investment assets such as premises and equipment and non-investment liabilities.



Investment Highlights

During fiscal 2014, CPPIB completed 45 transactions of over \$200 million each in 11 countries around the world. Highlights for the year include:

Private Investments

- Entered into a definitive agreement to acquire 100% of the common stock of Wilton Re Holdings Limited for US\$1.8 billion, together with the management of Wilton Re. Wilton Re is a provider of life insurance and reinsurance solutions to the U.S. life insurance market.
- Completed first infrastructure investment in Peru with the acquisition of a 36.8% equity stake in Transportadora de Gas del Perú S.A. (TgP), the largest transporter of natural gas and natural gas liquids in Peru, for a total consideration of approximately US\$807 million.
- 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 each hold an equal economic interest, 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. Paris-based ORPEA has a unique network of healthcare facilities in France, Belgium, Spain, Italy and Switzerland.
- Invested \$170 million for a 24% interest in TORC Oil & Gas Ltd. through a private placement. TORC is a Calgary-based oil and gas producer focused on light-oil opportunities.

Real Estate Investments

- Formed a new venture with China Vanke Co., Ltd., the largest residential developer in China, to invest in new residential development projects in large cities across the country. Through this venture, CPPIB will invest over time US\$250 million in the Chinese residential market. To seed the venture, CPPIB and Vanke are investing in a project located in Qingdao, Shangdong Province in China.
- Formed new real estate ventures in India:
 - Formed 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 strategic alliance with Piramal Enterprises Limited (PEL) to provide structured debt financing to residential projects across India's major urban centres. CPPIB and PEL have each initially committed US\$250 million.
- 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 real estate operating companies, focused on the ownership, management and development of enclosed shopping centres.



Five and 10-Year Returns¹
(for the period ending March 31, 2014)

	Investment Rate of Return (Nominal)	Investment Rate of Return (Real)	Investment Income²
5-Year Annualized	11.7%	9.7%	\$87.1 billion
10-Year Annualized	7.1%	5.1%	\$95.1 billion

¹ After CPPIB operating costs.

² Dollar figures are cumulative.

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 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 Hong Kong, London, 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 March 31, 2014, the CPP Fund totalled \$219.1 billion. For more information about CPPIB, please visit www.cppib.com.

For More Information

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