News release
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PSP INVESTMENTS' NET ASSETS REACH $116.8 BILLION

- ***One-year total portfolio return of 1% resulting in $0.9 billion of value added above the policy benchmark return***
- ***Five-year annualized return of 8.9% resulting in $6.4 billion of value added above the policy benchmark return***
- ***Ten-year annualized net return of 5.9% resulting in $7.2 billion of cumulative net investment gains over the return objective***

Montréal, Canada (July 21, 2016)—The Public Sector Pension Investment Board (PSP Investments) announced today that its net assets under management reached $116.8 billion at the end of fiscal year 2016 (fiscal 2016), compared to $112 billion at the end of the previous fiscal year. The total portfolio generated a return of 1%, exceeding the policy benchmark return of 0.3%, and created $0.9 billion of value added.

Over the past five fiscal years, PSP Investments has recorded a compound annualized return of 8.9%, compared to 7.3% for the policy benchmark. It generated investment income of $37.3 billion, and $6.4 billion of value added above the benchmark. For the 10-year period ending March 31, 2016, PSP Investments recorded an annualized net return of 5.9%, and generated $7.2 billion of cumulative net investment gains over the return objective.

"In a year characterized by high volatility and negative returns in most markets and by significant changes internally, our team has been able to provide a positive performance, both in absolute terms and against our policy benchmark return," said André Bourbonnais, President and Chief Executive Officer of PSP Investments. "Most of our private market asset classes, and more particularly real estate, recorded strong returns during the year and surpassed their respective benchmarks. However, public equity markets posted negative returns and private equity underperformed. Our overall performance suffered as a result. After five consecutive years of positive, often double-digit returns, PSP Investments continues to exceed our long-term real return objective of 4.1%, thereby contributing to the long-term sustainability of the public sector pension plans whose assets we invest in order to provide financial protection for those who dedicate their lives to public service," Mr. Bourbonnais added.

Corporate highlights and strategic initiatives

"Fiscal 2016 was a year of significant change for PSP Investments. After assuming his position as President and CEO at the end of fiscal 2015, André Bourbonnais immediately undertook a broadly-based strategic review," said Michael P. Mueller, Chair of the Board. "That review is having a transformational effect. It has resulted in a new direction and a shift in organizational responsibilities, as well as in investment, operational and compensation models. PSP Investments is becoming a more cohesive organization with an increased capacity to deliver on its mission and mandate."

Among the strategic initiatives undertaken in fiscal 2016, the position of Chief Investment Officer was enhanced with responsibility for implementing a total portfolio approach and evolving the portfolio construction framework by pursuing cross-functional investments with an efficient mix of asset classes.

Private debt, which focuses on principal debt and credit investments in primary and secondary markets worldwide, was introduced as a new asset class in November 2015. It is a long-term asset class that offers attractive premiums on underlying illiquidity.

Although it remains committed to Canada, PSP Investments is expanding its global footprint. It opened an office in New York where the private debt market is centred. It is developing London as a European hub to pursue private investment and private debt opportunities.

"Our strategic efforts reflect considered, deliberate choices, and were undertaken with a view to enhance the construction of our portfolio," said André Bourbonnais. "The impact of these strategic changes will not be felt overnight, but they are consistent with our long-term perspective. Our vision is to be a leading global institutional investor that reliably delivers on its risk-return objective by focusing on a total fund perspective. We seek opportunities to invest innovatively at scale. Our investment approach is to leverage select business-to-business relationships and gain local market insights to identify deployment opportunities. The positive returns we generated in many asset classes during fiscal 2016 result from the ongoing implementation of this strategy."

Portfolio highlights by asset class

PSP Investments' net assets increased by $4.8 billion in fiscal 2016. Gains are attributable to net contributions of $4.0 billion and comprehensive income of $0.8 billion. Strong returns in Real Estate, Infrastructure and Natural Resources were partially offset by lower returns in Private Equity and negative returns in Public Markets.

Public Markets

- At March 31, 2016, Public Markets had net assets of $68.6 billion, compared to $76.3 billion at the end of fiscal 2015. In fiscal 2016, Public Markets recorded investment income of negative $2.5 billion, for an overall return of negative 3.2%, compared to a benchmark return of negative 2.3%. Most of Public Markets strategies performed above their respective benchmark, but the Value Opportunity Portfolio had a fairly significant negative impact on Public Markets' performance. Over a five-year period, Public Markets has generated an annualized return of 7.9%, compared to a benchmark return of 7.5%.

Real Estate

- At March 31, 2016, Real Estate had net assets of $20.4 billion, an increase of $6.0 billion from the previous fiscal year. Direct ownership and co-investments accounted for 88% of Real Estate assets, an increase from 86% at the end of fiscal 2015.
- In fiscal 2016, Real Estate generated investment income of $2.3 billion, for a total return of 14.4%, compared to a benchmark of 5.1%. Over a five-year period, Real Estate investments produced an annualized return of 12.9%, compared to a benchmark return of 5.5%.

- In fiscal 2016, Real Estate deployed $3.5 billion in new investments broadly diversified across geographies and sectors, and had unfunded commitments of $1.5 billion for investments closed during the year.

Private Equity

- As at March 31, 2016, Private Equity had net assets of $12.5 billion, an increase of $2.4 billion from the previous fiscal year. Direct investments and co-investments accounted for 40% of the assets in the Private Equity portfolio, in line with fiscal 2015.
- In fiscal 2016, Private Equity generated investment income of $279 million, for a return of 2.4%, compared to a benchmark return of 8.9%. The portfolio generated distributions of more than $1.0 billion during the year, from realized capital gains, interest and dividends. Portfolio income was primarily generated by investments in funds, including targeted funds of funds portfolio, and by gains in certain direct holdings. However, overall portfolio performance was offset by positions primarily in the communications and energy sectors, which were impacted by macro-economic factors, resulting in lower valuation multiples for many investments. Over a five-year period, Private Equity investments generated an annualized return of 11.1%, compared to a benchmark return of 11.2%.
- In fiscal 2016, Private Equity committed a total of $2.7 billion to funds with existing and new partners, and completed new direct investments and co-investments of $1.2 billion, including the acquisition of AmWINS Group, a leader in the wholesale insurance industry in the United States, and of Homeplus, one of South Korea's largest multi-channel retailers, in a deal led by fund partner MBK Partners.

Infrastructure

- As at March 31, 2016, Infrastructure had net assets of $8.7 billion, an increase of $1.6 billion from the previous fiscal year. Direct investments accounted for 86% of the assets in the Infrastructure portfolio, up slightly from 85% at the end of fiscal 2015.
- In fiscal 2016, the Infrastructure portfolio generated investment income of $940 million, for a return of 12.7%, compared to a benchmark return of 5.5%. The portfolio return was driven mainly by direct investments in the transportation and utilities sectors in Europe and emerging markets. Over a five-year period, Infrastructure investments generated an annualized return of 9.6%, compared to a benchmark return of 6.5%.
- In fiscal 2016, Infrastructure acquired a participation in Allegheny Hydro, LLC, and reinvested in Angel Trains Limited, Cubico Sustainable Investments Limited and AviAlliance GmbH. It also committed to an agreement to acquire a New England portfolio of hydroelectric assets from ENGIE Group for an enterprise value of US$1.2 billion.

Natural Resources

- As at March 31, 2016, Natural Resources had net assets of $2.5 billion, an increase of $1.0 billion from the previous fiscal year. Direct investments accounted for 96% of Natural Resources assets.
- In fiscal 2016, Natural Resources generated investment income of $150 million, for an overall return of 6.9%, compared to a benchmark return of 5.1%. Portfolio returns were primarily driven by investments in timber and agriculture, which generated a return of 20.5%. Valuation gains were materially offset by markdowns in

oil and gas investments. Since its inception in June 2011, Natural Resources has generated an annualized return of 11.1%, compared to a benchmark return of 4.5%.

- In agriculture, Natural Resources continued to expand and add to the number of investment platforms in which it participates alongside high quality, like-minded operators in some of the world's lowest cost regions, including Australasia, North America and South America.

Private Debt

- Private Debt was approved by the Board of Directors as an asset class in November 2015. It focuses on principal debt and credit investments, in primary and secondary markets worldwide. Private Debt's priority is to provide credit capital to non-investment grade US and European corporate borrowers. It has a target allocation of 5% of PSP Investments' assets under management. At March 31, 2016, Private Debt had funded net assets of $640 million across six direct investment transactions.
- In fiscal 2016, Private Debt generated net investment income of $1.4 million, resulting in a rate of return of 3.0%, compared to a benchmark return of negative 3.9%. Portfolio returns were driven by upfront fees, coupon interest, valuation adjustments and foreign exchange gains and losses. The return of the asset class was negatively impacted by the fluctuation in the Canadian dollar, resulting in significant foreign exchange losses for the year. The rate of return in local currency (US dollars) amounted to 9.1% for the year.
- In fiscal 2016, Private Debt committed to a total of US$2.3 billion, including a significant financing commitment alongside partner Apollo Global Management, LLC, to participate in the take private transaction of The ADT Corporation, a leading home and business security monitoring company.

For more information about PSP Investments' fiscal year 2016 performance or to view PSP Investments' 2016 Annual Report, visit investpsp.com.

About PSP Investments

The Public Sector Pension Investment Board (PSP Investments) is one of Canada's largest pension investment managers with $116.8 billion of net assets under management as at March 31, 2016. It manages a diversified global portfolio composed of investments in public financial markets, private equity, real estate, infrastructure, natural resources and private debt. Established in 1999, PSP Investments manages net contributions to the pension funds of the federal Public Service, the Canadian Armed Forces, the Royal Canadian Mounted Police and the Reserve Force. Headquartered in Ottawa, PSP Investments has its principal business office in Montréal and offices in New York and London. For more information, visit investpsp.com or follow Twitter @InvestPSP.

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