Financial Statements

and Notes to the Financial Statements

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Management's Responsibility for Financial Reporting

The consolidated financial statements of the Public Sector Pension Investment Board ("PSP Investments") as well as the financial statements of the Public Service, the Canadian Forces, the Royal Canadian Mounted Police, and the Reserve Force Pension Plan Accounts (the "financial statements") have been prepared by management and approved by the Board of Directors. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. Management is responsible for the contents of these financial statements and the financial information contained in the annual report. The consolidated financial statements include certain amounts based on Management's judgments and best estimates where deemed appropriate. The significant accounting policies used are disclosed in note 2 to the consolidated financial statements. The financial information presented throughout the Annual Report is consistent with the consolidated financial statements.

For fiscal year ended March 31, 2024 and March 31, 2023, we certify that the internal controls over financial reporting and disclosure controls and procedures are adequately designed and are operating effectively. We report any significant deficiencies to the Audit Committee ("Committee") of the Board of Directors of PSP Investments.

PSP Investments maintains records and systems of internal control and supporting procedures designed to provide reasonable assurance that PSP Investments' assets are safeguarded and controlled in accordance with the *Public Sector Pension Investment Board Act*.

The Committee assists the Board of Directors in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with management and the internal and external auditors to discuss the scope and findings of audits and other work that they may be requested to perform from time to time, to review financial information, and to discuss the effectiveness of internal controls. The Committee reviews the annual financial statements and recommends them to the Board of Directors for approval.

PSP Investments' external "joint" auditors, the Office of the Auditor General of Canada and Deloitte LLP (the "External Auditors"), have conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The External Auditors have full and unrestricted access to management and the Committee to discuss findings related to the integrity of PSP Investments' financial reporting and the adequacy of internal control systems.

Deborah K. Orida
President and Chief Executive Officer
May 14, 2024

Jean-François Bureau
Senior Vice President and Chief Financial and Risk Officer
May 14, 2024

Investment Certificate

The *Public Sector Pension Investment Board Act* (the “Act”) requires that a certificate be signed by a director on behalf of the Board of Directors, stating that the investments of the Public Sector Pension Investment Board (“PSP Investments”) held during the financial year were in accordance with the Act and PSP Investments’ investment policies, standards and procedures. Accordingly, the Investment Certificate follows:

“The investments of PSP Investments held during the year ended March 31, 2024, were in accordance with the Act and PSP Investments’ Statement of Investment Policies, Standards and Procedures”.

Martin Glynn
Chair of the Board
May 14, 2024

Public Sector Pension Investment Board

Independent Auditors' Report

To the President of the Treasury Board

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Public Sector Pension Investment Board (PSP Investments), which comprise the consolidated statements of financial position as at March 31, 2024 and 2023, and the consolidated statements of net income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PSP Investments as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of PSP Investments in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing PSP Investments' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PSP Investments or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PSP Investments' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSP Investments' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PSP Investments' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause PSP Investments to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Public Sector Pension Investment Board and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board and its wholly-owned subsidiaries to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Consolidated Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**302,674**	283,411
Other assets		**194**	184
Total assets		**302,868**	283,595
Liabilities			
Trade payable and other liabilities		**500**	523
Investment-related liabilities	4.1	**10,807**	15,715
Borrowings	4.1, 8.2	**27,010**	24,042
Total liabilities		**38,317**	40,280
Net assets		**264,551**	243,315
Equity			
Statutory rights Held by the Government of Canada with respect to:	9.1		
Public Service Pension Plan Account		**193,952**	177,962
Canadian Forces Pension Plan Account		**50,517**	46,802
Royal Canadian Mounted Police Pension Plan Account		**19,004**	17,546
Reserve Force Pension Plan Account		**1,078**	1,005
Total equity		**264,551**	243,315
Total liabilities and equity		**302,868**	283,595

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**20,208**	12,084
Investment-related expenses	2.1, 11, 14.2	**(1,751)**	(1,158)
Net investment income		**18,457**	10,926
Operating expenses	2.1, 12, 14.2	**(731)**	(744)
Recoveries of costs	2.1, 14.2	**30**	–
Net income		**17,756**	10,182

Consolidated Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**89,749**	86,889
Fund transfers received during the year	9.3	**3,480**	2,860
Balance at end of year		**93,229**	89,749
Retained earnings			
Balance at beginning of year		**153,566**	143,384
Net income		**17,756**	10,182
Balance at end of year		**171,322**	153,566
Total equity		**264,551**	243,315

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**17,756**	10,182
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**24**	25
Effect of exchange rate changes on cash and cash equivalents		**(15)**	(141)
Unrealized losses on borrowings		**35**	252
		17,800	10,318
Net changes in operating assets and liabilities			
Increase in investments		**(22,714)**	(20,879)
(Increase) decrease in other assets		**(16)**	1
(Decrease) increase in trade payables and other liabilities		**(23)**	96
(Decrease) increase in investment-related liabilities		**(4,909)**	5,178
Net cash flows used in operating activities		**(9,862)**	(5,286)
Cash flows from financing activities			
Proceeds from borrowings		**31,407**	28,159
Repayment of borrowings		**(28,466)**	(27,161)
Fund transfers received	9.3	**3,480**	2,860
Net cash flows provided by financing activities		**6,421**	3,858
Cash flows from investing activities			
Acquisitions of equipment		**(3)**	(5)
Net cash flows used in investing activities		**(3)**	(5)
Net change in cash and cash equivalents		**(3,444)**	(1,433)
Effect of exchange rate changes on cash and cash equivalents		**15**	141
Cash and cash equivalents at the beginning of the year		**7,037**	8,329
Cash and cash equivalents at the end of the year[1]		**3,608**	7,037
Supplementary disclosure of cash flow information			
Interest paid		**(1,305)**	(686)

The accompanying notes are an integral part of these Consolidated Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $3,547 million (March 31, 2023 – $6,998 million) included in investments (see Note 4.1), as well as $61 million (March 31, 2023 – $39 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $588 million (March 31, 2023 – $587 million).

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. They are herein referred to individually as a "Plan" and collectively as the "Plans".

The funds for which amounts are currently transferred to PSP Investments by the Government of Canada (individually a "Fund" and collectively the "Funds") relate to pension obligations under the Plans for service on or after April 1, 2000, and in the case of the Reserve Force Plan, for service on or after March 1, 2007 (collectively "Post-2000 Service"). The accounts managed by PSP Investments for the Funds are herein referred to individually as a "Plan Account" and collectively as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans and the ability of the Plans to meet their financial obligations.

Pursuant to the *Superannuation Acts*, the Government of Canada, which administers the Plans and their respective Funds, may at any time call upon the net assets of PSP Investments allocated to each Fund's Plan Account for amounts required for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Consolidated Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

The Consolidated Financial Statements of PSP Investments have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

PSP Investments qualifies as an investment entity as defined under IFRS 10 Consolidated Financial Statements and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 Financial Instruments ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 Investments in Associates and Joint Ventures and IFRS 9.

These Consolidated Financial Statements present the financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Funds, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plans, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

Plan Accounts and CGF

PSP Investments maintains records of net contributions for each Fund, as well as the allocation of its investments and the results of its operations to each of the Plan Accounts. Separate financial statements for each Plan Account are prepared. It also maintains separate accounting records of CGF's activities and prepares the financial statements of CGF.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts.* Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Consolidated Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Consolidated Statements of Net Income.

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Consolidated Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Funds in their respective Plan Account when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Consolidated Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. The Consolidated Financial Statements of PSP Investments reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Consolidated Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**2,802**	4,483
Foreign equity	**42,012**	35,289
Private markets		
Real estate	**37,213**	41,143
Private equity	**39,616**	35,906
Infrastructure	**40,817**	35,952
Natural resources	**21,752**	18,662
Fixed income		
Cash and cash equivalents[1]	**3,547**	6,998
Money market securities[1]	**8,468**	8,337
Government and corporate bonds	**26,968**	23,217
Inflation-linked bonds	**17,969**	11,438
Private debt securities	**29,818**	30,362
Alternative investments	**25,871**	24,895
	296,853	276,682
Investment-related assets		
Amounts receivable from pending trades	**1,274**	2,541
Interest receivable	**631**	502
Dividends receivable	**270**	208
Securities purchased under reverse repurchase agreements	**2,290**	1,279
Derivative-related assets	**1,356**	2,199
	5,821	6,729
Investments representing financial assets at FVTPL[2]	**302,674**	283,411
Investment-related liabilities		
Amounts payable from pending trades	**(540)**	(1,079)
Interest payable	**(165)**	(116)
Securities sold short	**(3,212)**	(2,495)
Collateral payable	**(669)**	(957)
Securities sold under repurchase agreements	**(5,242)**	(9,433)
Derivative-related liabilities	**(979)**	(1,635)
Investment-related liabilities representing financial liabilities at FVTPL	**(10,807)**	(15,715)
Borrowings		
Capital market debt financing	**(27,010)**	(24,042)
Borrowings representing financial liabilities designated at FVTPL	**(27,010)**	(24,042)
Net investments	**264,857**	243,654

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $10,154 million out of $302,674 million were investments pledged as described in Note 5 (March 31, 2023 – $13,702 million out of $283,411 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	5,610	–	–	3,690	–	–
Warrants and rights	–	1	–	1	2	–
Options: Purchased	159	–	–	911	29	–
Written	–	–	–	1,194	–	(12)
OTC						
Swaps	22,288	494	(212)	20,687	658	(228)
Options: Purchased	–	–	–	84	–	–
Currency derivatives						
Listed						
Futures	378	–	–	229	–	–
OTC						
Forwards	58,608	218	(344)	107,457	704	(839)
Swaps	1,235	–	(34)	3,564	89	(33)
Options: Purchased	913	5	–	2,060	9	–
Written	1,059	–	(4)	2,663	–	(8)
Interest rate derivatives						
Listed						
Futures	10,893	–	–	2,200	–	–
Options: Purchased	41,603	18	–	48,521	8	–
Written	43,227	–	(16)	44,442	–	(7)
OTC						
Forwards	801	–	(4)	1,416	12	(4)
Swaps	2,446	5	(22)	3,481	33	(13)
Options: Purchased	53,660	599	–	65,627	641	–
Written	69,725	–	(326)	76,605	–	(480)
OTC-cleared						
Swaps	65,932	–	–	80,888	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	623	–	(17)	562	–	(11)
Written[1]	2,001	16	–	1,206	14	–
OTC-cleared						
Credit default swaps: Purchased	2,961	–	–	2,021	–	–
Total		1,356	(979)		2,199	(1,635)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**101,870**	**19**	**(16)**	101,188	39	(19)
OTC derivatives	**213,359**	**1,337**	**(963)**	285,412	2,160	(1,616)
OTC-cleared derivatives	**68,893**	**–**	**–**	82,909	–	–
Total		**1,356**	**(979)**		2,199	(1,635)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**172,481**	229,680
3 to 12 months	**112,896**	148,978
Over 1 year	**98,745**	90,851

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	967	1,835	–	2,802
Foreign equity	39,161	511	2,340	42,012
Private markets				
Real estate	–	–	37,213	37,213
Private equity	–	–	39,616	39,616
Infrastructure	–	–	40,817	40,817
Natural resources	–	–	21,752	21,752
Fixed income				
Cash and cash equivalents	1,343	2,204	–	3,547
Money market securities	7,787	681	–	8,468
Government and corporate bonds	6,959	20,006	3	26,968
Inflation-linked bonds	17,860	109	–	17,969
Private debt securities	–	–	29,818	29,818
Alternative investments	–	15,869	10,002	25,871
	74,077	41,215	181,561	296,853
Investment-related assets				
Amounts receivable from pending trades	–	1,274	–	1,274
Interest receivable	–	631	–	631
Dividends receivable	–	270	–	270
Securities purchased under reverse repurchase agreements	–	2,290	–	2,290
Derivative-related assets	19	1,337	–	1,356
	19	5,802	–	5,821
Investments representing financial assets at FVTPL	74,096	47,017	181,561	302,674
Investment-related liabilities				
Amounts payable from pending trades	–	(540)	–	(540)
Interest payable	–	(165)	–	(165)
Securities sold short	(3,212)	–	–	(3,212)
Collateral payable	–	(669)	–	(669)
Securities sold under repurchase agreements	–	(5,242)	–	(5,242)
Derivative-related liabilities	(16)	(963)	–	(979)
Investment-related liabilities representing financial liabilities at FVTPL	(3,228)	(7,579)	–	(10,807)
Borrowings				
Capital market debt financing	–	(27,010)	–	(27,010)
Borrowings representing financial liabilities designated at FVTPL	–	(27,010)	–	(27,010)
Net investments	70,868	12,428	181,561	264,857

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	2,753	1,730	–	4,483
Foreign equity	33,276	1,032	981	35,289
Private markets				
Real estate	–	–	41,143	41,143
Private equity	–	–	35,906	35,906
Infrastructure	–	–	35,952	35,952
Natural resources	–	–	18,662	18,662
Fixed income				
Cash and cash equivalents[1]	3,301	3,697	–	6,998
Money market securities[1]	7,582	755	–	8,337
Government and corporate bonds	8,127	15,087	3	23,217
Inflation-linked bonds	11,438	–	–	11,438
Private debt securities	–	–	30,362	30,362
Alternative investments	–	15,402	9,493	24,895
	66,477	37,703	172,502	276,682
Investment-related assets				
Amounts receivable from pending trades	–	2,541	–	2,541
Interest receivable	–	502	–	502
Dividends receivable	–	208	–	208
Securities purchased under reverse repurchase agreements	–	1,279	–	1,279
Derivative-related assets	39	2,160	–	2,199
	39	6,690	–	6,729
Investments representing financial assets at FVTPL	66,516	44,393	172,502	283,411
Investment-related liabilities				
Amounts payable from pending trades	–	(1,079)	–	(1,079)
Interest payable	–	(116)	–	(116)
Securities sold short	(2,333)	(162)	–	(2,495)
Collateral payable	–	(957)	–	(957)
Securities sold under repurchase agreements	–	(9,433)	–	(9,433)
Derivative-related liabilities	(19)	(1,616)	–	(1,635)
Investment-related liabilities representing financial liabilities at FVTPL	(2,352)	(13,363)	–	(15,715)
Borrowings				
Capital market debt financing	–	(24,042)	–	(24,042)
Borrowings representing financial liabilities designated at FVTPL	–	(24,042)	–	(24,042)
Net investments	64,164	6,988	172,502	243,654

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $33 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**2,340**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**33,722**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% - 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% - 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% - 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83))
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**3,491**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**75,015**	DCF	Discount rate[2]	5.19% - 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**27,170**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**3**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**22,573**	DCF	Discount rate[2]	7.02% - 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**7,245**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**10,002**	NAV[1]	N/A	N/A
Total		**181,561**			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	981	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	37,675	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 - $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	3,468	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	65,129	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	25,391	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	3	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	22,957	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	7,405	NAV[1]	N/A	N/A
Alternative investments	Fund investments	9,493	NAV[1]	N/A	N/A
Total		172,502			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains	Transfer Into Level 3	Closing Balance
Public markets	**981**	**457**	**(136)**	**–**	**80**	**958**	**–**	**2,340**
Private markets	**131,663**	**14,058**	**(9,274)**	**–**	**2,204**	**685**	**62**	**139,398**
Fixed income	**30,365**	**6,068**	**(7,327)**	**–**	**288**	**427**	**–**	**29,821**
Alternative investments	**9,493**	**557**	**(1,093)**	**–**	**254**	**791**	**–**	**10,002**
Total	**172,502**	**21,140**	**(17,830)**	**–**	**2,826**	**2,861**	**62**	**181,561**

As at March 31, 2023, listed foreign equity securities with a fair value of $62 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)	Transfer Out of Level 3	Closing Balance
Public markets	1,352	37	(129)	–	27	(260)	(46)	981
Private markets	117,947	18,224	(10,103)	–	3,448	2,362	(215)	131,663
Fixed income	25,619	7,921	(4,338)	–	360	803	–	30,365
Alternative investments	8,455	690	(580)	–	107	821	–	9,493
Total	153,373	26,872	(15,150)	–	3,942	3,726	(261)	172,502

As at March 31, 2022, a public market investment of $46 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $215 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of such collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**4,117**	4,378
Collateral held[1]	**4,268**	4,583
Securities borrowed	**2,625**	1,929
Collateral pledged[2, 3]	**2,700**	2,049
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**5,250**	9,546
Collateral pledged[3]	**5,253**	9,486
Securities purchased under reverse repurchase agreements	**2,296**	1,296
Collateral held[4]	**2,292**	1,292
Derivative contracts		
Collateral pledged[3]	**2,201**	2,167
Collateral held[5]	**2,010**	1,864

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $548 million and $3,720 million, respectively (March 31, 2023 – $846 million and $3,737 million, respectively). All cash amounts are reinvested.

2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.

3 The total of $10,154 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $13,702 million).

4 The collateral received is in the form of securities of which $587 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $566 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $307 million).

5 As part of collateral held, cash amounted to $121 million as at March 31, 2024 (March 31, 2023 – $113 million) and securities amounted to $1,889 million as at March 31, 2024 (March 31, 2023 – $1,751 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of PSP Investments' net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	3,547[1]	3,547
Money market securities	–	–	–	–	8,468[1]	8,468
Government and corporate bonds	460	10,133	9,564	6,568	243[2]	26,968
Inflation-linked bonds	–	9,164	5,127	3,678	–	17,969
Private debt securities	38	11,152	7,256	3,909	7,463[3]	29,818
Total fixed income	498	30,449	21,947	14,155	19,721	86,770

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	6,998[1, 4]	6,998
Money market securities	–	–	–	–	8,337[1, 4]	8,337
Government and corporate bonds	679	10,202	6,654	5,349	333[2]	23,217
Inflation-linked bonds	–	4,873	3,966	2,599	–	11,438
Private debt securities	1,038	6,696	11,386	4,148	7,094[3]	30,362
Total fixed income	1,717	21,771	22,006	12,096	22,762	80,352

[1] Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
[2] Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
[3] Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $184,212 million as at March 31, 2024 ($171,435 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $25,871 million as at March 31, 2024 ($24,895 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	367
Derivatives notional	750

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments were as follows as at:

		March 31, 2024
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**170,934**	**67.2**
Euro	**26,897**	**10.6**
Japanese Yen	**9,916**	**3.9**
British Pound	**9,466**	**3.7**
Indian Rupee	**5,743**	**2.3**
Australian Dollar	**4,357**	**1.7**
Mexican Peso	**4,149**	**1.6**
Brazilian Real	**3,135**	**1.2**
Swiss Franc	**2,424**	**1.0**
Singapore Dollar	**1,754**	**0.7**
Hong Kong Dollar	**1,677**	**0.7**
New Taiwan Dollar	**1,567**	**0.6**
Others	**12,251**	**4.8**
Total	**254,270**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $29,158 million (US $17,502 million, €3,085 million, £415 million, 1,111 million Mexican pesos, 136 million Australian dollars, 1,028 million Indian rupees and 3,146 million Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	154,354	66.0
Euro	28,217	12.1
Hong Kong Dollar	10,547	4.5
British Pound	8,630	3.7
Japanese Yen	5,669	2.4
Indian Rupee	3,767	1.6
Mexican Peso	3,679	1.6
New Taiwan Dollar	2,089	0.9
Singapore Dollar	2,025	0.9
Swiss Franc	1,879	0.8
South African Rand	1,693	0.7
Others	11,201	4.8
Total	233,750	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $32,663 million (US $20,533 million, €2,549 million, £416 million, 22 million South African rands, 1,807 million Mexican pesos, 236 million Australian dollars, 2,203 million Indian rupees and 4,253 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, PSP Investments' maximum exposure to credit risk amounted to $90 billion (March 31, 2023 – $83 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**17,368**	**17,909**	**2,532**	**7,787**	**1,044**	**38**	**–**	**46,678**
A	**7,772**	**–**	**488**	**135**	**1,045**	**1,299**	**–**	**10,739**
BBB	**1,261**	**110**	**–**	**–**	**201**	**–**	**76**	**1,648**
BB or below	**728**	**–**	**–**	**–**	**–**	**–**	**30,015**	**30,743**
No rating[3]	**81**	**–**	**–**	**–**	**–**	**–**	**66**	**147**
Total	**27,210**	**18,019**	**3,020**	**7,922**	**2,290**	**1,337**	**30,157**	**89,955**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	15,141	11,463	5,068	7,775	160	75	–	39,682
A	6,739	–	1,382	39	1,062	2,085	–	11,307
BBB	663	–	–	–	57	–	349	1,069
BB or below	753	–	–	–	–	–	30,023	30,776
No rating[3]	104	–	–	–	–	–	276	380
Total	23,400	11,463	6,450	7,814	1,279	2,160	30,648	83,214

1 Includes interest receivable.
2 As disclosed in Note 4.1.12.
3 Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Consolidated Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Consolidated Statements of Financial Position	Less: Related Amounts Not Set Off in the Consolidated Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**2,290**	**–**	**2,290**[1]	**781**	**1,509**	**–**
OTC derivatives	**1,337**	**–**	**1,337**[2]	**878**	**439**	**20**
Total	**3,627**	**–**	**3,627**	**1,659**	**1,948**	**20**
March 31, 2023						
Reverse repurchase agreements	1,279	–	1,279[1]	1,221	58	–
OTC derivatives	2,160	–	2,160[2]	1,541	459	160
Total	3,439	–	3,439	2,762	517	160

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Consolidated Statements of Financial Position	Less: Related Amounts Not Set Off in the Consolidated Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**5,242**	**–**	**5,242**[1]	**781**	**4,461**	**–**
OTC derivatives	**963**	**–**	**963**[2]	**769**	**169**	**25**
Collateral payable	**121**	**–**	**121**[3]	**109**	**–**	**12**
Total	**6,326**	**–**	**6,326**	**1,659**	**4,630**	**37**
March 31, 2023						
Repurchase agreements	9,433	–	9,433[1]	1,221	8,212	–
OTC derivatives	1,616	–	1,616[2]	1,437	172	7
Collateral payable	113	–	113[3]	104	–	9
Total	11,162	–	11,162	2,762	8,384	16

1 As described in Note 4.1.10.
2 As described in Note 4.1.12.
3 As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(540)	–	–	(540)
Interest payable	(141)	(24)	–	(165)
Securities sold short	(3,212)	–	–	(3,212)
Collateral payable	(669)	–	–	(669)
Securities sold under repurchase agreements	(4,904)	(338)	–	(5,242)
Capital market debt financing[2]	(6,295)	(4,691)	(16,024)	(27,010)
Trade payable and other liabilities	(353)	(5)	(142)	(500)
Total	(16,114)	(5,058)	(16,166)	(37,338)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	602	291	463	1,356
Derivative-related liabilities[1]	(511)	(236)	(232)	(979)
Total	91	55	231	377

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $30,832 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(1,079)	–	–	(1,079)
Interest payable	(104)	(12)	–	(116)
Securities sold short	(2,495)	–	–	(2,495)
Collateral payable	(957)	–	–	(957)
Securities sold under repurchase agreements	(8,772)	(661)	–	(9,433)
Capital market debt financing[2]	(3,740)	(4,853)	(15,449)	(24,042)
Trade payable and other liabilities	(373)	(4)	(146)	(523)
Total	(17,520)	(5,530)	(15,595)	(38,645)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	1,207	622	370	2,199
Derivative-related liabilities[1]	(921)	(512)	(202)	(1,635)
Total	286	110	168	564

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $26,862 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**	**–**	4.41–4.44	40	40
USD	365 days or less	**4.73–5.49**	**5,503**	**5,428**	2.40–5.56	7,237	7,158
EUR	215 days or less	**3.85–3.93**	**716**	**710**	–	–	–
GBP	245 days or less	**5.18–5.24**	**525**	**521**	–	–	–
AUD	79 days or less	**4.28**	**132**	**132**	–	–	–
Total short-term notes			**6,876**	**6,791**		7,277	7,198

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	1,416	1,395
April 2024	7	CAD	3.29%	**1,187**	**1,187**	1,315	1,301
September 2024	G2	USD	0.50%	**1,692**	**1,655**	1,692	1,597
March 2025	G5	USD	SOFR[1]+24 bps	**1,353**	**1,353**	1,353	1,348
November 2025	11	CAD	3.00%	**1,160**	**1,135**	1,250	1,225
June 2026	13	CAD	0.90%	**1,423**	**1,324**	1,445	1,328
June 2026	G1	USD	1.00%	**1,353**	**1,246**	1,353	1,225
June 2027	G6	USD	3.50%	**1,353**	**1,309**	1,353	1,322
March 2028	14	CAD	1.50%	**975**	**890**	1,000	911
October 2028	G3	USD	1.63%	**1,353**	**1,194**	1,353	1,192
February 2029	A1	AUD	4.63%	**1,324**	**1,335**	–	–
June 2029	G8	CAD	3.75%	**1,400**	**1,391**	1,390	1,410
January 2030	12	CAD	2.05%	**1,250**	**1,130**	1,236	1,127
December 2030	G13[2]	CAD	4.40%	**1,000**	**1,025**	–	–
March 2032	G4[2]	CAD	2.60%	**1,000**	**898**	1,000	920
August 2032	G7	AUD	4.57%	**203**	**200**	208	208
January 2033	G9	AUD	4.82%	**177**	**177**	181	184
June 2033	G11	CAD	4.15%	**2,500**	**2,499**	–	–
March 2038	G10	EUR	3.68%	**146**	**154**	147	151
July 2043	G12	EUR	3.68%	**110**	**117**	–	–
Total medium-term notes				**20,959**	**20,219**	17,692	16,844
Total capital market debt financing				**27,835**	**27,010**	24,969	24,042

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $35 million for the year ended March 31, 2024 (unrealized losses of $252 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**361**	221
Medium-term notes	**511**	331
Total	**872**	552

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**24,042**	**31,407**	**(28,466)**	**(92)**	**119**	**27,010**
Borrowings	**24,042**	**31,407**	**(28,466)**	**(92)**	**119**	**27,010**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Gains	Fair Value[1] Losses	Closing Balance
Capital market debt financing	22,710	28,159	(27,161)	600	(266)	24,042
Borrowings	22,710	28,159	(27,161)	600	(266)	24,042

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Shares Issued

Pursuant to the Act, PSP Investments issued 10 shares having a par value of $10 each to the President of the Treasury Board, to be held on behalf of His Majesty[2] in Right of Canada. The Act does not attribute any voting, dividend, residual or other rights to these shares.

9.3. Fund Transfers

PSP Investments received fund transfers from the Government of Canada for the Funds for the years ended March 31 as follows:

(Canadian $ millions)	**2024**	2023
Public Service Pension Fund	**2,988**	2,428
Canadian Forces Pension Fund	**313**	135
Royal Canadian Mounted Police Pension Fund	**179**	297
Reserve Force Pension Fund	**–**	–
Total	**3,480**	2,860

[2] In accordance with the *Public Sector Pension Investment Board Act*, the shares shall be issued to the President of the Treasury Board to be held on behalf of Her Majesty in right of Canada. On September 8, 2022, following the passing of Queen Elizabeth II, King Charles the III acceded to the throne and became Sovereign of Canada.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**55,637**	53,440
Private Equity	**40,392**	37,238
Fixed Income	**56,247**	45,036
Credit Investments	**26,222**	26,113
Real Estate	**27,229**	32,038
Infrastructure	**34,518**	29,362
Natural Resources	**15,196**	12,277
Complementary Portfolio	**2,351**	2,173
Other[1]	**7,065**	5,977
Total	**264,857**	243,654

[1] Includes cash and money market securities not managed within the investment segments.

10. Segment Information (continued)

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	Investment Income (Loss)[1]	Expenses[2, 3]	Net Income (Loss)	Investment Income (Loss)[1]	Expenses[2]	Net Income (Loss)
Public Equity	**8,614**	**(639)**	**7,975**	(412)	(429)	(841)
Private Equity	**4,482**	**(113)**	**4,369**	1,204	(139)	1,065
Fixed Income	**1,504**	**(212)**	**1,292**	637	(160)	477
Credit Investments	**3,481**	**(120)**	**3,361**	3,073	(116)	2,957
Real Estate	**(4,452)**	**(444)**	**(4,896)**	540	(353)	187
Infrastructure	**4,795**	**(321)**	**4,474**	5,012	(343)	4,669
Natural Resources	**1,049**	**(261)**	**788**	1,593	(187)	1,406
Complementary Portfolio	**427**	**(11)**	**416**	(81)	(3)	(84)
Other[4]	**308**	**(331)**	**(23)**	518	(172)	346
Total	**20,208**	**(2,452)**	**17,756**	12,084	(1,902)	10,182

[1] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[2] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[3] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[4] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses are comprised of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Interest expense	**1,345**	802
Transaction costs	**159**	139
External investment management fees[5]	**54**	66
Other (net)	**193**	151
Total	**1,751**	1,158

[5] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $323 million for the year ended March 31, 2024 ($194 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $587 million for the year ended March 31, 2024 ($590 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses consisted of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Salaries and employee benefits	**467**	459
Professional and consulting fees	**120**	137
Premises and equipment	**19**	19
Market data and business applications	**70**	60
Depreciation of property and equipment	**24**	25
Custodial fees	**5**	5
Other operating expenses	**26**	39
Total	**731**	744

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.3.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14. Related Party Transactions (continued)

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel for the years ended March 31 was recorded in the Consolidated Statements of Net Income and was as follows:

(Canadian $ millions)	**2024**	2023
Short-term compensation and other benefits	**18**	17
Long-term compensation and other benefits	**9**	9
Total	**27**	26

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.3, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The commitments were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**3**	3
Real estate	**3,857**	4,584
Private equity	**11,374**	13,148
Infrastructure	**3,990**	5,904
Natural resources	**480**	673
Private debt securities	**8,644**	6,963
Alternative investments	**1,557**	2,047
Total	**29,905**	33,322

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Public Service Pension Plan Account

Independent Auditors’ Report

To the President of the Treasury Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Public Service Pension Plan Account (the Public Service Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Service Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Public Service Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Public Service Pension Plan Account’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Public Service Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Public Service Pension Plan Account’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Service Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Service Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Public Service Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Public Service Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Public Service Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Public Service Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Public Service Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**221,901**	207,287
Other assets		**143**	135
Total assets		**222,044**	207,422
Liabilities			
Trade payable and other liabilities		**367**	382
Investment-related liabilities	4.1	**7,923**	11,494
Borrowings	4.1, 8.2	**19,802**	17,584
Total liabilities		**28,092**	29,460
Net assets		**193,952**	177,962
Equity	9	**193,952**	177,962
Total liabilities and equity		**222,044**	207,422

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**14,797**	8,834
Investment-related expenses	2.1, 11, 14.2	**(1,282)**	(846)
Net investment income		**13,515**	7,988
Operating expenses	2.1, 12, 14.2	**(535)**	(544)
Recoveries of costs	2.1, 14.2	**22**	–
Net income		**13,002**	7,444

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**66,271**	63,843
Fund transfers received during the year	9.2	**2,988**	2,428
Balance at end of year		**69,259**	66,271
Retained earnings			
Balance at beginning of year		**111,691**	104,247
Net income		**13,002**	7,444
Balance at end of year		**124,693**	111,691
Total equity		**193,952**	177,962

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**13,002**	7,444
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**18**	19
Effect of exchange rate changes on cash and cash equivalents		**(11)**	(103)
Unrealized losses on borrowings		**25**	184
		13,034	7,544
Net changes in operating assets and liabilities			
Increase in investments		**(17,132)**	(15,640)
(Increase) decrease in other assets		**(13)**	1
(Decrease) increase in trade payables and other liabilities		**(15)**	69
(Decrease) increase in investment-related liabilities		**(3,571)**	3,802
Net cash flows used in operating activities		**(7,697)**	(4,224)
Cash flows from financing activities			
Proceeds from borrowings		**22,988**	20,566
Repayment of borrowings		**(20,790)**	(19,802)
Fund transfers received	9.2	**2,988**	2,428
Net cash flows provided by financing activities		**5,186**	3,192
Cash flows from investing activities			
Acquisitions of equipment		**(2)**	(4)
Net cash flows used in investing activities		**(2)**	(4)
Net change in cash and cash equivalents		**(2,513)**	(1,036)
Effect of exchange rate changes on cash and cash equivalents		**11**	103
Cash and cash equivalents at the beginning of the year		**5,147**	6,080
Cash and cash equivalents at the end of the year[1]		**2,645**	5,147
Supplementary disclosure of cash flow information			
Interest paid		**(955)**	(501)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $2,600 million (March 31, 2023 – $5,118 million) included in investments (see Note 4.1), as well as $45 million (March 31, 2023 – $29 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $431 million (March 31, 2023 – $430 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act,* the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan (the "Plan"), the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Public Service Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Public Service Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
   As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
   PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**2,054**	3,279
Foreign equity	**30,801**	25,812
Private markets		
Real estate	**27,282**	30,092
Private equity	**29,044**	26,262
Infrastructure	**29,925**	26,295
Natural resources	**15,947**	13,649
Fixed income		
Cash and cash equivalents[1]	**2,600**	5,118
Money market securities[1]	**6,208**	6,098
Government and corporate bonds	**19,771**	16,981
Inflation-linked bonds	**13,174**	8,365
Private debt securities	**21,861**	22,207
Alternative investments	**18,967**	18,208
	217,634	202,366
Investment-related assets		
Amounts receivable from pending trades	**933**	1,859
Interest receivable	**463**	367
Dividends receivable	**198**	152
Securities purchased under reverse repurchase agreements	**1,679**	935
Derivative-related assets	**994**	1,608
	4,267	4,921
Investments representing financial assets at FVTPL[2]	**221,901**	207,287
Investment-related liabilities		
Amounts payable from pending trades	**(397)**	(789)
Interest payable	**(121)**	(85)
Securities sold short	**(2,355)**	(1,825)
Collateral payable	**(490)**	(700)
Securities sold under repurchase agreements	**(3,843)**	(6,899)
Derivative-related liabilities	**(717)**	(1,196)
Investment-related liabilities representing financial liabilities at FVTPL	**(7,923)**	(11,494)
Borrowings		
Capital market debt financing	**(19,802)**	(17,584)
Borrowings representing financial liabilities designated at FVTPL	**(19,802)**	(17,584)
Net investments	**194,176**	178,209

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $7,445 million out of $221,901 million were investments pledged as described in Note 5 (March 31, 2023 – $10,022 million out of $207,287 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	4,113	–	–	2,699	–	–
Warrants and rights	–	1	–	1	2	–
Options: Purchased	117	–	–	666	21	–
Written	–	–	–	873	–	(9)
OTC						
Swaps	16,340	362	(156)	15,130	481	(167)
Options: Purchased	–	–	–	62	–	–
Currency derivatives						
Listed						
Futures	277	–	–	168	–	–
OTC						
Forwards	42,968	160	(250)	78,594	514	(613)
Swaps	905	–	(25)	2,607	65	(24)
Options: Purchased	670	4	–	1,507	7	–
Written	776	–	(3)	1,948	–	(6)
Interest rate derivatives						
Listed						
Futures	7,986	–	–	1,609	–	–
Options: Purchased	30,501	13	–	35,488	5	–
Written	31,690	–	(12)	32,505	–	(5)
OTC						
Forwards	587	–	(3)	1,036	9	(3)
Swaps	1,793	4	(16)	2,546	24	(10)
Options: Purchased	39,340	438	–	48,000	469	–
Written	51,119	–	(239)	56,029	–	(351)
OTC-cleared						
Swaps	48,338	–	–	59,162	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	457	–	(13)	411	–	(8)
Written[1]	1,467	12	–	882	11	–
OTC-cleared						
Credit default swaps: Purchased	2,170	–	–	1,478	–	–
Total		994	(717)		1,608	(1,196)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**74,684**	**14**	**(12)**	74,009	28	(14)
OTC derivatives	**156,422**	**980**	**(705)**	208,752	1,580	(1,182)
OTC-cleared derivatives	**50,508**	**–**	**–**	60,640	–	–
Total		**994**	**(717)**		1,608	(1,196)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**126,452**	167,989
3 to 12 months	**82,768**	108,963
Over 1 year	**72,394**	66,449

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	709	1,345	–	2,054
Foreign equity	28,711	375	1,715	30,801
Private markets				
Real estate	–	–	27,282	27,282
Private equity	–	–	29,044	29,044
Infrastructure	–	–	29,925	29,925
Natural resources	–	–	15,947	15,947
Fixed income				
Cash and cash equivalents	984	1,616	–	2,600
Money market securities	5,709	499	–	6,208
Government and corporate bonds	5,102	14,667	2	19,771
Inflation-linked bonds	13,094	80	–	13,174
Private debt securities	–	–	21,861	21,861
Alternative investments	–	11,634	7,333	18,967
	54,309	30,216	133,109	217,634
Investment-related assets				
Amounts receivable from pending trades	–	933	–	933
Interest receivable	–	463	–	463
Dividends receivable	–	198	–	198
Securities purchased under reverse repurchase agreements	–	1,679	–	1,679
Derivative-related assets	14	980	–	994
	14	4,253	–	4,267
Investments representing financial assets at FVTPL	54,323	34,469	133,109	221,901
Investment-related liabilities				
Amounts payable from pending trades	–	(397)	–	(397)
Interest payable	–	(121)	–	(121)
Securities sold short	(2,355)	–	–	(2,355)
Collateral payable	–	(490)	–	(490)
Securities sold under repurchase agreements	–	(3,843)	–	(3,843)
Derivative-related liabilities	(12)	(705)	–	(717)
Investment-related liabilities representing financial liabilities at FVTPL	(2,367)	(5,556)	–	(7,923)
Borrowings				
Capital market debt financing	–	(19,802)	–	(19,802)
Borrowings representing financial liabilities designated at FVTPL	–	(19,802)	–	(19,802)
Net investments	51,956	9,111	133,109	194,176

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	2,014	1,265	–	3,279
Foreign equity	24,339	755	718	25,812
Private markets				
Real estate	–	–	30,092	30,092
Private equity	–	–	26,262	26,262
Infrastructure	–	–	26,295	26,295
Natural resources	–	–	13,649	13,649
Fixed income				
Cash and cash equivalents[1]	2,414	2,704	–	5,118
Money market securities[1]	5,546	552	–	6,098
Government and corporate bonds	5,944	11,035	2	16,981
Inflation-linked bonds	8,365	–	–	8,365
Private debt securities	–	–	22,207	22,207
Alternative investments	–	11,265	6,943	18,208
	48,622	27,576	126,168	202,366
Investment-related assets				
Amounts receivable from pending trades	–	1,859	–	1,859
Interest receivable	–	367	–	367
Dividends receivable	–	152	–	152
Securities purchased under reverse repurchase agreements	–	935	–	935
Derivative-related assets	28	1,580	–	1,608
	28	4,893	–	4,921
Investments representing financial assets at FVTPL	48,650	32,469	126,168	207,287
Investment-related liabilities				
Amounts payable from pending trades	–	(789)	–	(789)
Interest payable	–	(85)	–	(85)
Securities sold short	(1,706)	(119)	–	(1,825)
Collateral payable	–	(700)	–	(700)
Securities sold under repurchase agreements	–	(6,899)	–	(6,899)
Derivative-related liabilities	(14)	(1,182)	–	(1,196)
Investment-related liabilities representing financial liabilities at FVTPL	(1,720)	(9,774)	–	(11,494)
Borrowings				
Capital market debt financing	–	(17,584)	–	(17,584)
Borrowings representing financial liabilities designated at FVTPL	–	(17,584)	–	(17,584)
Net investments	46,930	5,111	126,168	178,209

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $24 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets, was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	1,715	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	24,723	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% - 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% - 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% - 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 - $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	2,559	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	54,997	DCF	Discount rate[2]	5.19% - 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	19,919	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	2	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	16,549	DCF	Discount rate[2]	7.02% - 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	5,312	NAV[1]	N/A	N/A
Alternative investments	Fund investments	7,333	NAV[1]	N/A	N/A
Total		133,109			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	718	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	27,555	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	2,537	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	47,635	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	18,571	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	2	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	16,791	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	5,416	NAV[1]	N/A	N/A
Alternative investments	Fund investments	6,943	NAV[1]	N/A	N/A
Total		126,168			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains[1]	Transfer Into Level 3	Closing Balance
Public markets	**718**	**335**	**(100)**	**–**	**58**	**704**	**–**	**1,715**
Private markets	**96,298**	**10,290**	**(6,791)**	**–**	**1,614**	**741**	**46**	**102,198**
Fixed income	**22,209**	**4,442**	**(5,364)**	**–**	**210**	**366**	**–**	**21,863**
Alternative investments	**6,943**	**408**	**(800)**	**–**	**186**	**596**	**–**	**7,333**
Total	**126,168**	**15,475**	**(13,055)**	**–**	**2,068**	**2,407**	**46**	**133,109**

As at March 31, 2023, listed foreign equity securities with a fair value of $46 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	985	27	(92)	–	20	(188)	(34)	718
Private markets	86,098	13,311	(7,383)	–	2,519	1,910	(157)	96,298
Fixed income	18,701	5,786	(3,170)	–	263	629	–	22,209
Alternative investments	6,172	504	(424)	–	78	613	–	6,943
Total	111,956	19,628	(11,069)	–	2,880	2,964	(191)	126,168

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $34 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $157 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**3,018**	3,202
Collateral held[1]	**3,129**	3,352
Securities borrowed	**1,925**	1,411
Collateral pledged[2, 3]	**1,980**	1,499
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**3,849**	6,982
Collateral pledged[3]	**3,851**	6,938
Securities purchased under reverse repurchase agreements	**1,683**	948
Collateral held[4]	**1,680**	945
Derivative contracts		
Collateral pledged[3]	**1,614**	1,585
Collateral held[5]	**1,474**	1,363

[1] The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $402 million and $2,727 million, respectively (March 31, 2023 – $619 million and $2,733 million, respectively). All cash amounts are reinvested.
[2] The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
[3] The total of $7,445 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $10,022 million).
[4] The collateral received is in the form of securities of which $430 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $414 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $224 million).
[5] As part of collateral held, cash amounted to $89 million as at March 31, 2024 (March 31, 2023 – $83 million) and securities amounted to $1,385 million as at March 31, 2024 (March 31, 2023 – $1,280 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	2,600[1]	2,600
Money market securities	–	–	–	–	6,208[1]	6,208
Government and corporate bonds	337	7,430	7,011	4,815	178[2]	19,771
Inflation-linked bonds	–	6,719	3,759	2,696	–	13,174
Private debt securities	28	8,176	5,320	2,866	5,471[3]	21,861
Total fixed income	365	22,325	16,090	10,377	14,457	63,614

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	5,118[1, 4]	5,118
Money market securities	–	–	–	–	6,098[1, 4]	6,098
Government and corporate bonds	497	7,462	4,867	3,912	243[2]	16,981
Inflation-linked bonds	–	3,563	2,901	1,901	–	8,365
Private debt securities	759	4,898	8,328	3,034	5,188[3]	22,207
Total fixed income	1,256	15,923	16,096	8,847	16,647	58,769

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $135,053 million as at March 31, 2024 ($125,389 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $18,967 million as at March 31, 2024 ($18,208 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	269
Derivatives notional	550

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

		March 31, 2024
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	**125,318**	**67.2**
Euro	**19,719**	**10.6**
Japanese Yen	**7,270**	**3.9**
British Pound	**6,940**	**3.7**
Indian Rupee	**4,210**	**2.3**
Australian Dollar	**3,194**	**1.7**
Mexican Peso	**3,042**	**1.6**
Brazilian Real	**2,298**	**1.2**
Swiss Franc	**1,777**	**1.0**
Singapore Dollar	**1,286**	**0.7**
Hong Kong Dollar	**1,229**	**0.7**
New Taiwan Dollar	**1,149**	**0.6**
Others	**8,982**	**4.8**
Total	**186,414**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $21,376 million for the Plan Account (US $12,831 million, €2,261 million, £305 million, 814 million Mexican pesos, 100 million Australian dollars, 754 million Indian rupees and 2,307 million Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	112,895	66.0
Euro	20,638	12.1
Hong Kong Dollar	7,714	4.5
British Pound	6,312	3.7
Japanese Yen	4,147	2.4
Indian Rupee	2,755	1.6
Mexican Peso	2,691	1.6
New Taiwan Dollar	1,528	0.9
Singapore Dollar	1,481	0.9
Swiss Franc	1,374	0.8
South African Rand	1,238	0.7
Others	8,192	4.8
Total	170,965	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $23,890 million for the Plan Account (US $15,018 million, €1,865 million, £304 million, 16 million South African rands, 1,322 million Mexican pesos, 172 million Australian dollars, 1,611 million Indian rupees and 3,111 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $66 billion (March 31, 2023 – $61 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**12,733**	**13,130**	**1,857**	**5,709**	**765**	**28**	**–**	**34,222**
A	**5,698**	**–**	**357**	**99**	**766**	**952**	**–**	**7,872**
BBB	**924**	**81**	**–**	**–**	**148**	**–**	**56**	**1,209**
BB or below	**534**	**–**	**–**	**–**	**–**	**–**	**22,003**	**22,537**
No rating[3]	**60**	**–**	**–**	**–**	**–**	**–**	**49**	**109**
Total	**19,949**	**13,211**	**2,214**	**5,808**	**1,679**	**980**	**22,108**	**65,949**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	11,074	8,384	3,707	5,686	117	55	–	29,023
A	4,929	–	1,011	29	776	1,525	–	8,270
BBB	485	–	–	–	42	–	255	782
BB or below	551	–	–	–	–	–	21,959	22,510
No rating[3]	76	–	–	–	–	–	202	278
Total	17,115	8,384	4,718	5,715	935	1,580	22,416	60,863

[1] Includes interest receivable.
[2] As disclosed in Note 4.1.12.
[3] Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**1,679**	**–**	**1,679**[1]	**573**	**1,106**	**–**
OTC derivatives	**980**	**–**	**980**[2]	**644**	**322**	**14**
Total	**2,659**	**–**	**2,659**	**1,217**	**1,428**	**14**
March 31, 2023						
Reverse repurchase agreements	935	–	935[1]	893	42	–
OTC derivatives	1,580	–	1,580[2]	1,127	336	117
Total	2,515	–	2,515	2,020	378	117

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**3,843**	**–**	**3,843**[1]	**573**	**3,270**	**–**
OTC derivatives	**705**	**–**	**705**[2]	**564**	**123**	**18**
Collateral payable	**89**	**–**	**89**[3]	**80**	**–**	**9**
Total	**4,637**	**–**	**4,637**	**1,217**	**3,393**	**27**
March 31, 2023						
Repurchase agreements	6,899	–	6,899[1]	893	6,006	–
OTC derivatives	1,182	–	1,182[2]	1,051	127	4
Collateral payable	83	–	83[3]	76	–	7
Total	8,164	–	8,164	2,020	6,133	11

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(397)	–	–	(397)
Interest payable	(104)	(17)	–	(121)
Securities sold short	(2,355)	–	–	(2,355)
Collateral payable	(490)	–	–	(490)
Securities sold under repurchase agreements	(3,595)	(248)	–	(3,843)
Capital market debt financing[2]	(4,615)	(3,439)	(11,748)	(19,802)
Trade payable and other liabilities	(259)	(4)	(104)	(367)
Total	(11,815)	(3,708)	(11,852)	(27,375)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	441	214	339	994
Derivative-related liabilities[1]	(374)	(173)	(170)	(717)
Total	67	41	169	277

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $22,604 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(789)	–	–	(789)
Interest payable	(76)	(9)	–	(85)
Securities sold short	(1,825)	–	–	(1,825)
Collateral payable	(700)	–	–	(700)
Securities sold under repurchase agreements	(6,416)	(483)	–	(6,899)
Capital market debt financing[2]	(2,735)	(3,549)	(11,300)	(17,584)
Trade payable and other liabilities	(272)	(3)	(107)	(382)
Total	(12,813)	(4,044)	(11,407)	(28,264)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	883	455	270	1,608
Derivative-related liabilities[1]	(674)	(374)	(148)	(1,196)
Total	209	81	122	412

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $19,647 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	Term at Issuance	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	–	–	–	4.41–4.44	29	29
USD	365 days or less	4.73–5.49	4,034	3,979	2.40–5.56	5,293	5,235
EUR	215 days or less	3.85–3.93	525	521	–	–	–
GBP	245 days or less	5.18–5.24	385	382	–	–	–
AUD	79 days or less	4.28	97	97	–	–	–
Total short-term notes			5,041	4,979		5,322	5,264

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	Series	Currency	Interest Rate	Capital Amounts Payable at Maturity	Fair Value	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	–	–	1,036	1,020
April 2024	7	CAD	3.29%	870	870	961	951
September 2024	G2	USD	0.50%	1,240	1,213	1,237	1,171
March 2025	G5	USD	SOFR[1]+24 bps	992	992	990	986
November 2025	11	CAD	3.00%	850	832	914	896
June 2026	13	CAD	0.90%	1,043	971	1,057	971
June 2026	G1	USD	1.00%	992	913	990	896
June 2027	G6	USD	3.50%	992	959	990	967
March 2028	14	CAD	1.50%	715	652	731	666
October 2028	G3	USD	1.63%	992	875	990	872
February 2029	A1	AUD	4.63%	971	979	–	–
June 2029	G8	CAD	3.75%	1,026	1,020	1,017	1,031
January 2030	12	CAD	2.05%	916	829	904	824
December 2030	G13[2]	CAD	4.40%	733	752	–	–
March 2032	G4[2]	CAD	2.60%	733	659	731	673
August 2032	G7	AUD	4.57%	149	147	152	152
January 2033	G9	AUD	4.82%	129	129	133	134
June 2033	G11	CAD	4.15%	1,836	1,833	–	–
March 2038	G10	EUR	3.68%	107	113	108	110
July 2043	G12	EUR	3.68%	80	85	–	–
Total medium-term notes				15,366	14,823	12,941	12,320
Total capital market debt financing				20,407	19,802	18,263	17,584

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $25 million for the year ended March 31, 2024 (unrealized losses of $184 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**264**	162
Medium-term notes	**374**	241
Total	**638**	403

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**17,584**	**22,988**	**(20,790)**	**(66)**	**86**	**19,802**
Borrowings	**17,584**	**22,988**	**(20,790)**	**(66)**	**86**	**19,802**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	16,577	20,566	(19,802)	439	(196)	17,584
Borrowings	16,577	20,566	(19,802)	439	(196)	17,584

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $2,988 million for the year ended March 31, 2024 ($2,428 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**40,791**	39,087
Private Equity	**29,613**	27,236
Fixed Income	**41,236**	32,938
Credit Investments	**19,224**	19,099
Real Estate	**19,962**	23,433
Infrastructure	**25,306**	21,476
Natural Resources	**11,141**	8,979
Complementary Portfolio	**1,724**	1,589
Other[1]	**5,179**	4,372
Total	**194,176**	178,209

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**6,307**	**(467)**	**5,840**	(301)	(314)	(615)
Private Equity	**3,282**	**(82)**	**3,200**	880	(101)	779
Fixed Income	**1,102**	**(156)**	**946**	466	(117)	349
Credit Investments	**2,549**	**(88)**	**2,461**	2,245	(84)	2,161
Real Estate	**(3,260)**	**(325)**	**(3,585)**	395	(258)	137
Infrastructure	**3,511**	**(235)**	**3,276**	3,664	(251)	3,413
Natural Resources	**768**	**(191)**	**577**	1,165	(137)	1,028
Complementary Portfolio	**313**	**(8)**	**305**	(59)	(2)	(61)
Other[5]	**225**	**(243)**	**(18)**	379	(126)	253
Total	**14,797**	**(1,795)**	**13,002**	8,834	(1,390)	7,444

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Interest expense	**985**	587
Transaction costs	**116**	101
External investment management fees[1]	**40**	48
Other (net)	**141**	110
Total	**1,282**	846

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $237 million for the year ended March 31, 2024 ($142 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $430 million for the year ended March 31, 2024 ($431 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Salaries and employee benefits	**343**	334
Professional and consulting fees	**87**	100
Premises and equipment	**14**	14
Market data and business applications	**51**	44
Depreciation of property and equipment	**18**	19
Custodial fees	**3**	4
Other operating expenses	**19**	29
Total	**535**	544

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ millions)	**2024**	2023
Short-term compensation and other benefits	**14**	12
Long-term compensation and other benefits	**6**	7
Total	**20**	19

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $1,992 million has been allocated to the Plan Account (March 31, 2023 – $1,933 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which $1 million has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**2**	2
Real estate	**2,828**	3,352
Private equity	**8,339**	9,619
Infrastructure	**2,925**	4,318
Natural resources	**352**	492
Private debt securities	**6,337**	5,092
Alternative investments	**1,142**	1,497
Total	**21,925**	24,372

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Canadian Forces Pension Plan Account

Independent Auditors' Report

To the Minister of National Defence

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account (the Canadian Forces Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Canadian Forces Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Canadian Forces Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Canadian Forces Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Canadian Forces Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Canadian Forces Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Canadian Forces Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Canadian Forces Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Canadian Forces Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	March 31, 2024	March 31, 2023
Assets			
Investments	4.1	**57,798**	54,514
Other assets		**36**	36
Total assets		**57,834**	54,550
Liabilities			
Trade payable and other liabilities		**95**	101
Investment-related liabilities	4.1	**2,064**	3,023
Borrowings	4.1, 8.2	**5,158**	4,624
Total liabilities		**7,317**	7,748
Net assets		**50,517**	46,802
Equity	9	**50,517**	46,802
Total liabilities and equity		**57,834**	54,550

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	**2024**	2023
Investment income		**3,872**	2,328
Investment-related expenses	2.1, 11, 14.2	**(336)**	(224)
Net investment income		**3,536**	2,104
Operating expenses	2.1, 12, 14.2	**(140)**	(144)
Recoveries of costs	2.1, 14.2	**6**	–
Net income		**3,402**	1,960

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	**2024**	2023
Fund transfers			
Balance at beginning of year		**16,642**	16,507
Fund transfers received during the year	9.2	**313**	135
Balance at end of year		**16,955**	16,642
Retained earnings			
Balance at beginning of year		**30,160**	28,200
Net income		**3,402**	1,960
Balance at end of year		**33,562**	30,160
Total equity		**50,517**	46,802

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**3,402**	1,960
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**5**	5
Effect of exchange rate changes on cash and cash equivalents		**(3)**	(27)
Unrealized losses on borrowings		**7**	50
		3,411	1,988
Net changes in operating assets and liabilities			
Increase in investments		**(3,953)**	(3,557)
Increase in other assets		**(2)**	–
(Decrease) increase in trade payables and other liabilities		**(6)**	19
(Decrease) increase in investment-related liabilities		**(958)**	977
Net cash flows used in operating activities		**(1,508)**	(573)
Cash flows from financing activities			
Proceeds from borrowings		**6,028**	5,444
Repayment of borrowings		**(5,500)**	(5,294)
Fund transfers received	9.2	**313**	135
Net cash flows provided by financing activities		**841**	285
Cash flows from investing activities			
Acquisitions of equipment		**(1)**	(2)
Net cash flows used in investing activities		**(1)**	(2)
Net change in cash and cash equivalents		**(668)**	(290)
Effect of exchange rate changes on cash and cash equivalents		**3**	27
Cash and cash equivalents at the beginning of the year		**1,354**	1,617
Cash and cash equivalents at the end of the year[1]		**689**	1,354
Supplementary disclosure of cash flow information			
Interest paid		**(251)**	(133)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $677 million (March 31, 2023 – $1,346 million) included in investments (see Note 4.1), as well as $12 million (March 31, 2023 – $8 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $113 million (March 31, 2023 – $113 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan (the "Plan"), and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Canadian Forces Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Canadian Forces Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**535**	862
Foreign equity	**8,022**	6,787
Private markets		
Real estate	**7,106**	7,914
Private equity	**7,565**	6,907
Infrastructure	**7,794**	6,915
Natural resources	**4,154**	3,590
Fixed income		
Cash and cash equivalents[1]	**677**	1,346
Money market securities[1]	**1,617**	1,604
Government and corporate bonds	**5,150**	4,466
Inflation-linked bonds	**3,431**	2,200
Private debt securities	**5,694**	5,840
Alternative investments	**4,940**	4,789
	56,685	53,220
Investment-related assets		
Amounts receivable from pending trades	**244**	488
Interest receivable	**121**	97
Dividends receivable	**52**	40
Securities purchased under reverse repurchase agreements	**437**	246
Derivative-related assets	**259**	423
	1,113	1,294
Investments representing financial assets at FVTPL[2]	**57,798**	54,514
Investment-related liabilities		
Amounts payable from pending trades	**(103)**	(209)
Interest payable	**(32)**	(22)
Securities sold short	**(613)**	(480)
Collateral payable	**(128)**	(184)
Securities sold under repurchase agreements	**(1,001)**	(1,814)
Derivative-related liabilities	**(187)**	(314)
Investment-related liabilities representing financial liabilities at FVTPL	**(2,064)**	(3,023)
Borrowings		
Capital market debt financing	**(5,158)**	(4,624)
Borrowings representing financial liabilities designated at FVTPL	**(5,158)**	(4,624)
Net investments	**50,576**	46,867

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.
[2] As at March 31, 2024, $1,939 million out of $57,798 million were investments pledged as described in Note 5 (March 31, 2023 – $2,636 million out of $54,514 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	**1,071**	**–**	**–**	710	–	–
Options: Purchased	**30**	**–**	**–**	175	6	–
Written	**–**	**–**	**–**	230	–	(3)
OTC						
Swaps	**4,256**	**94**	**(41)**	3,979	127	(44)
Options: Purchased	**–**	**–**	**–**	16	–	–
Currency derivatives						
Listed						
Futures	**72**	**–**	**–**	44	–	–
OTC						
Forwards	**11,191**	**42**	**(66)**	20,670	136	(160)
Swaps	**236**	**–**	**(6)**	686	17	(6)
Options: Purchased	**174**	**1**	**–**	396	2	–
Written	**202**	**–**	**(1)**	512	–	(2)
Interest rate derivatives						
Listed						
Futures	**2,080**	**–**	**–**	423	–	–
Options: Purchased	**7,944**	**4**	**–**	9,334	1	–
Written	**8,255**	**–**	**(3)**	8,548	–	(1)
OTC						
Forwards	**153**	**–**	**(1)**	272	2	(1)
Swaps	**467**	**1**	**(4)**	670	6	(3)
Options: Purchased	**10,247**	**114**	**–**	12,623	123	–
Written	**13,315**	**–**	**(62)**	14,735	–	(92)
OTC-cleared						
Swaps	**12,591**	**–**	**–**	15,559	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	**119**	**–**	**(3)**	108	–	(2)
Written[1]	**382**	**3**	**–**	232	3	–
OTC-cleared						
Credit default swaps: Purchased	**565**	**–**	**–**	389	–	–
Total		**259**	**(187)**		423	(314)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**19,452**	**4**	**(3)**	19,464	7	(4)
OTC derivatives	**40,742**	**255**	**(184)**	54,899	416	(310)
OTC-cleared derivatives	**13,156**	**–**	**–**	15,948	–	–
Total		**259**	**(187)**		423	(314)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**32,936**	44,180
3 to 12 months	**21,558**	28,656
Over 1 year	**18,856**	17,475

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - (i) Quoted prices for similar assets or liabilities in active markets.
  - (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - (iii) Inputs other than quoted prices that are observable for the asset or liability.
  - (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	185	350	–	535
Foreign equity	7,478	98	466	8,022
Private markets				
Real estate	–	–	7,106	7,106
Private equity	–	–	7,565	7,565
Infrastructure	–	–	7,794	7,794
Natural resources	–	–	4,154	4,154
Fixed income				
Cash and cash equivalents	256	421	–	677
Money market securities	1,487	130	–	1,617
Government and corporate bonds	1,329	3,820	1	5,150
Inflation-linked bonds	3,410	21	–	3,431
Private debt securities	–	–	5,694	5,694
Alternative investments	–	3,030	1,910	4,940
	14,145	7,870	34,670	56,685
Investment-related assets				
Amounts receivable from pending trades	–	244	–	244
Interest receivable	–	121	–	121
Dividends receivable	–	52	–	52
Securities purchased under reverse repurchase agreements	–	437	–	437
Derivative-related assets	4	255	–	259
	4	1,109	–	1,113
Investments representing financial assets at FVTPL	14,149	8,979	34,670	57,798
Investment-related liabilities				
Amounts payable from pending trades	–	(103)	–	(103)
Interest payable	–	(32)	–	(32)
Securities sold short	(613)	–	–	(613)
Collateral payable	–	(128)	–	(128)
Securities sold under repurchase agreements	–	(1,001)	–	(1,001)
Derivative-related liabilities	(3)	(184)	–	(187)
Investment-related liabilities representing financial liabilities at FVTPL	(616)	(1,448)	–	(2,064)
Borrowings				
Capital market debt financing	–	(5,158)	–	(5,158)
Borrowings representing financial liabilities designated at FVTPL	–	(5,158)	–	(5,158)
Net investments	13,533	2,373	34,670	50,576

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	529	333	–	862
Foreign equity	6,400	199	188	6,787
Private markets				
Real estate	–	–	7,914	7,914
Private equity	–	–	6,907	6,907
Infrastructure	–	–	6,915	6,915
Natural resources	–	–	3,590	3,590
Fixed income				
Cash and cash equivalents[1]	635	711	–	1,346
Money market securities[1]	1,459	145	–	1,604
Government and corporate bonds	1,563	2,902	1	4,466
Inflation-linked bonds	2,200	–	–	2,200
Private debt securities	–	–	5,840	5,840
Alternative investments	–	2,963	1,826	4,789
	12,786	7,253	33,181	53,220
Investment-related assets				
Amounts receivable from pending trades	–	488	–	488
Interest receivable	–	97	–	97
Dividends receivable	–	40	–	40
Securities purchased under reverse repurchase agreements	–	246	–	246
Derivative-related assets	7	416	–	423
	7	1,287	–	1,294
Investments representing financial assets at FVTPL	12,793	8,540	33,181	54,514
Investment-related liabilities				
Amounts payable from pending trades	–	(209)	–	(209)
Interest payable	–	(22)	–	(22)
Securities sold short	(449)	(31)	–	(480)
Collateral payable	–	(184)	–	(184)
Securities sold under repurchase agreements	–	(1,814)	–	(1,814)
Derivative-related liabilities	(4)	(310)	–	(314)
Investment-related liabilities representing financial liabilities at FVTPL	(453)	(2,570)	–	(3,023)
Borrowings				
Capital market debt financing	–	(4,624)	–	(4,624)
Borrowings representing financial liabilities designated at FVTPL	–	(4,624)	–	(4,624)
Net investments	12,340	1,346	33,181	46,867

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $6 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets, was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**446**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**6,439**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% - 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% - 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% - 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 - $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**667**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**14,325**	DCF	Discount rate[2]	5.19% - 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**5,188**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**1**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**4,310**	DCF	Discount rate[2]	7.02% - 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**1,384**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**1,910**	NAV[1]	N/A	N/A
Total		**34,670**			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	188	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	7,247	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	667	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	12,528	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	4,884	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	1	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	4,416	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	1,424	NAV[1]	N/A	N/A
Alternative investments	Fund investments	1,826	NAV[1]	N/A	N/A
Total		33,181			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Into Level 3	Closing Balance
Public markets	**188**	**87**	**(26)**	**–**	**15**	**182**	**–**	**446**
Private markets	**25,326**	**2,698**	**(1,778)**	**–**	**423**	**(62)**	**12**	**26,619**
Fixed income	**5,841**	**1,164**	**(1,404)**	**–**	**55**	**39**	**–**	**5,695**
Alternative investments	**1,826**	**107**	**(210)**	**–**	**49**	**138**	**–**	**1,910**
Total	**33,181**	**4,056**	**(3,418)**	**–**	**542**	**297**	**12**	**34,670**

As at March 31, 2023, listed foreign equity securities with a fair value of $12 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	262	7	(25)	–	5	(52)	(9)	188
Private markets	22,899	3,522	(1,951)	–	666	232	(42)	25,326
Fixed income	4,974	1,531	(837)	–	69	104	–	5,841
Alternative investments	1,642	133	(113)	–	21	143	–	1,826
Total	29,777	5,193	(2,926)	–	761	427	(51)	33,181

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $9 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $42 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	March 31, 2024	March 31, 2023
Securities lending and borrowing		
Securities lent	**786**	842
Collateral held[1]	**815**	882
Securities borrowed	**501**	371
Collateral pledged[2, 3]	**516**	394
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**1,003**	1,836
Collateral pledged[3]	**1,003**	1,825
Securities purchased under reverse repurchase agreements	**438**	249
Collateral held[4]	**438**	248
Derivative contracts		
Collateral pledged[3]	**420**	417
Collateral held[5]	**384**	359

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $105 million and $710 million, respectively (March 31, 2023 – $163 million and $719 million, respectively). All cash amounts are reinvested.
2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
3 The total of $1,939 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $2,636 million).
4 The collateral received is in the form of securities of which $112 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $109 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $59 million).
5 As part of collateral held, cash amounted to $23 million as at March 31, 2024 (March 31, 2023 – $22 million) and securities amounted to $361 million as at March 31, 2024 (March 31, 2023 – $337 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	**Less than 1 Year**	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**	**Other**	**Total**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**677[1]**	**677**
Money market securities	**–**	**–**	**–**	**–**	**1,617[1]**	**1,617**
Government and corporate bonds	**88**	**1,936**	**1,826**	**1,254**	**46[2]**	**5,150**
Inflation-linked bonds	**–**	**1,750**	**979**	**702**	**–**	**3,431**
Private debt securities	**7**	**2,130**	**1,386**	**746**	**1,425[3]**	**5,694**
Total fixed income	**95**	**5,816**	**4,191**	**2,702**	**3,765**	**16,569**

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	1,346[1, 4]	1,346
Money market securities	–	–	–	–	1,604[1, 4]	1,604
Government and corporate bonds	131	1,962	1,280	1,029	64[2]	4,466
Inflation-linked bonds	–	937	763	500	–	2,200
Private debt securities	200	1,288	2,190	798	1,364[3]	5,840
Total fixed income	331	4,187	4,233	2,327	4,378	15,456

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $35,176 million as at March 31, 2024 ($32,975 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $4,940 million as at March 31, 2024 ($4,789 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	**CDOR**
Non-derivative financial assets fair value	**70**
Derivatives notional	**143**

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

	March 31, 2024	
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**32,641**	**67.2**
Euro	**5,136**	**10.6**
Japanese Yen	**1,893**	**3.9**
British Pound	**1,807**	**3.7**
Indian Rupee	**1,097**	**2.3**
Australian Dollar	**832**	**1.7**
Mexican Peso	**792**	**1.6**
Brazilian Real	**599**	**1.2**
Swiss Franc	**463**	**1.0**
Singapore Dollar	**335**	**0.7**
Hong Kong Dollar	**320**	**0.7**
New Taiwan Dollar	**299**	**0.6**
Others	**2,339**	**4.8**
Total	**48,553**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $5,568 million for the Plan Account (US $3,342 million, €589 million, £79 million, 212 million Mexican pesos, 26 million Australian dollars, 196 million Indian rupees and 601 million Japanese yen) which were not included in the foreign currency exposure table above.

	March 31, 2023	
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	29,690	66.0
Euro	5,428	12.1
Hong Kong Dollar	2,029	4.5
British Pound	1,660	3.7
Japanese Yen	1,091	2.4
Indian Rupee	725	1.6
Mexican Peso	708	1.6
New Taiwan Dollar	402	0.9
Singapore Dollar	390	0.9
Swiss Franc	361	0.8
South African Rand	326	0.7
Others	2,154	4.8
Total	44,964	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $6,283 million for the Plan Account (US $3,950 million, €490 million, £80 million, 4 million South African rands, 348 million Mexican pesos, 45 million Australian dollars, 424 million Indian rupees and 818 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $17 billion (March 31, 2023 – $16 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1]	Money Market Securities[1]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	3,316	3,420	484	1,487	199	7	–	8,913
A	1,484	–	93	26	200	248	–	2,051
BBB	241	21	–	–	38	–	14	314
BB or below	139	–	–	–	–	–	5,731	5,870
No rating[3]	16	–	–	–	–	–	13	29
Total	5,196	3,441	577	1,513	437	255	5,758	17,177

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	2,912	2,205	976	1,495	31	14	–	7,633
A	1,296	–	265	8	204	402	–	2,175
BBB	128	–	–	–	11	–	67	206
BB or below	145	–	–	–	–	–	5,774	5,919
No rating[3]	20	–	–	–	–	–	53	73
Total	4,501	2,205	1,241	1,503	246	416	5,894	16,006

[1] Includes interest receivable.
[2] As disclosed in Note 4.1.12.
[3] Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**437**	**–**	**437**[1]	**149**	**288**	**–**
OTC derivatives	**255**	**–**	**255**[2]	**168**	**83**	**4**
Total	**692**	**–**	**692**	**317**	**371**	**4**
March 31, 2023						
Reverse repurchase agreements	246	–	246[1]	235	11	–
OTC derivatives	416	–	416[2]	296	89	31
Total	662	–	662	531	100	31

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**1,001**	**–**	**1,001**[1]	**149**	**852**	**–**
OTC derivatives	**184**	**–**	**184**[2]	**147**	**32**	**5**
Collateral payable	**23**	**–**	**23**[3]	**21**	**–**	**2**
Total	**1,208**	**–**	**1,208**	**317**	**884**	**7**
March 31, 2023						
Repurchase agreements	1,814	–	1,814[1]	235	1,579	–
OTC derivatives	310	–	310[2]	276	33	1
Collateral payable	22	–	22[3]	20	–	2
Total	2,146	–	2,146	531	1,612	3

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(103)	–	–	(103)
Interest payable	(27)	(5)	–	(32)
Securities sold short	(613)	–	–	(613)
Collateral payable	(128)	–	–	(128)
Securities sold under repurchase agreements	(936)	(65)	–	(1,001)
Capital market debt financing[2]	(1,202)	(896)	(3,060)	(5,158)
Trade payable and other liabilities	(67)	(1)	(27)	(95)
Total	(3,076)	(967)	(3,087)	(7,130)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	115	56	88	259
Derivative-related liabilities[1]	(98)	(45)	(44)	(187)
Total	17	11	44	72

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $5,888 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(209)	–	–	(209)
Interest payable	(20)	(2)	–	(22)
Securities sold short	(480)	–	–	(480)
Collateral payable	(184)	–	–	(184)
Securities sold under repurchase agreements	(1,687)	(127)	–	(1,814)
Capital market debt financing[2]	(719)	(933)	(2,972)	(4,624)
Trade payable and other liabilities	(72)	(1)	(28)	(101)
Total	(3,371)	(1,063)	(3,000)	(7,434)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	232	120	71	423
Derivative-related liabilities[1]	(177)	(98)	(39)	(314)
Total	55	22	32	109

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $5,167 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together "the Credit Facilities").

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments' capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments' capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	Term at Issuance	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	–	–		4.41–4.44	8	8
USD	365 days or less	4.73–5.49	1,051	1,036	2.40–5.56	1,395	1,376
EUR	215 days or less	3.85–3.93	137	136	–	–	–
GBP	245 days or less	5.18–5.24	100	100	–	–	–
AUD	79 days or less	4.28	25	25	–	–	–
Total short-term notes			1,313	1,297		1,403	1,384

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	Series	Currency	Interest Rate	Capital Amounts Payable at Maturity	Fair Value	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	–	–	272	268
April 2024	7	CAD	3.29%	227	227	253	250
September 2024	G2	USD	0.50%	323	316	325	309
March 2025	G5	USD	SOFR[1]+24 bps	258	258	260	259
November 2025	11	CAD	3.00%	222	217	240	236
June 2026	13	CAD	0.90%	272	253	278	255
June 2026	G1	USD	1.00%	258	238	260	236
June 2027	G6	USD	3.50%	258	250	260	254
March 2028	14	CAD	1.50%	186	170	192	175
October 2028	G3	USD	1.63%	258	228	260	229
February 2029	A1	AUD	4.63%	253	255	–	–
June 2029	G8	CAD	3.75%	267	266	267	271
January 2030	12	CAD	2.05%	239	216	238	217
December 2030	G13[2]	CAD	4.40%	191	196	–	–
March 2032	G4[2]	CAD	2.60%	191	172	192	177
August 2032	G7	AUD	4.57%	39	38	40	40
January 2033	G9	AUD	4.82%	34	34	35	35
June 2033	G11	CAD	4.15%	477	476	–	–
March 2038	G10	EUR	3.68%	28	29	28	29
July 2043	G12	EUR	3.68%	21	22	–	–
Total medium-term notes				4,002	3,861	3,400	3,240
Total capital market debt financing				5,315	5,158	4,803	4,624

1 Secured Overnight Financing Rate
2 Green bonds

Unrealized losses in connection with borrowings amounted to $7 million for the year ended March 31, 2024 (unrealized losses of $50 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**69**	43
Medium-term notes	**98**	64
Total	**167**	107

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**4,624**	**6,028**	**(5,500)**	**(18)**	**24**	**5,158**
Borrowings	**4,624**	**6,028**	**(5,500)**	**(18)**	**24**	**5,158**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	4,409	5,444	(5,294)	115	(50)	4,624
Borrowings	4,409	5,444	(5,294)	115	(50)	4,624

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $313 million for the year ended March 31, 2024 ($135 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**10,625**	10,279
Private Equity	**7,713**	7,163
Fixed Income	**10,740**	8,663
Credit Investments	**5,007**	5,023
Real Estate	**5,199**	6,162
Infrastructure	**6,592**	5,648
Natural Resources	**2,902**	2,361
Complementary Portfolio	**449**	418
Other[1]	**1,349**	1,150
Total	**50,576**	46,867

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**1,651**	**(123)**	**1,528**	(79)	(83)	(162)
Private Equity	**859**	**(22)**	**837**	232	(27)	205
Fixed Income	**288**	**(40)**	**248**	123	(31)	92
Credit Investments	**667**	**(23)**	**644**	591	(22)	569
Real Estate	**(853)**	**(86)**	**(939)**	104	(68)	36
Infrastructure	**919**	**(62)**	**857**	965	(67)	898
Natural Resources	**201**	**(50)**	**151**	307	(36)	271
Complementary Portfolio	**82**	**(2)**	**80**	(15)	(1)	(16)
Other[5]	**58**	**(62)**	**(4)**	100	(33)	67
Total	**3,872**	**(470)**	**3,402**	2,328	(368)	1,960

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Interest expense	**259**	155
Transaction costs	**30**	27
External investment management fees[1]	**10**	13
Other (net)	**37**	29
Total	**336**	224

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $62 million for the year ended March 31, 2024 ($37 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $112 million for the year ended March 31, 2024 ($113 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Salaries and employee benefits	**89**	88
Professional and consulting fees	**23**	27
Premises and equipment	**4**	4
Market data and business applications	**13**	12
Depreciation of property and equipment	**5**	5
Custodial fees	**1**	1
Other operating expenses	**5**	7
Total	**140**	144

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**3,562**	3,168
Long-term compensation and other benefits	**1,677**	1,816
Total	**5,239**	4,984

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $519 million has been allocated to the Plan Account (March 31, 2023 – $508 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which nil has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**1**	1
Real estate	**737**	882
Private equity	**2,171**	2,529
Infrastructure	**762**	1,136
Natural resources	**92**	129
Private debt securities	**1,651**	1,339
Alternative investments	**297**	394
Total	**5,711**	6,410

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Royal Canadian Mounted Police Pension Plan Account

Independent Auditors' Report

To the Minister of Public Safety

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account (the Royal Canadian Mounted Police Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Royal Canadian Mounted Police Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Royal Canadian Mounted Police Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Royal Canadian Mounted Police Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Royal Canadian Mounted Police Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Royal Canadian Mounted Police Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Royal Canadian Mounted Police Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Royal Canadian Mounted Police Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Royal Canadian Mounted Police Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**21,742**	20,438
Other assets		**14**	13
Total assets		**21,756**	20,451
Liabilities			
Trade payable and other liabilities		**36**	38
Investment-related liabilities	4.1	**776**	1,133
Borrowings	4.1, 8.2	**1,940**	1,734
Total liabilities		**2,752**	2,905
Net assets		**19,004**	17,546
Equity	9	**19,004**	17,546
Total liabilities and equity		**21,756**	20,451

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**1,456**	873
Investment-related expenses	2.1, 11, 14.2	**(126)**	(84)
Net investment income		**1,330**	789
Operating expenses	2.1, 12, 14.2	**(53)**	(53)
Recoveries of costs	2.1, 14.2	**2**	–
Net income		**1,279**	736

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**6,506**	6,209
Fund transfers received during the year	9.2	**179**	297
Balance at end of year		**6,685**	6,506
Retained earnings			
Balance at beginning of year		**11,040**	10,304
Net income		**1,279**	736
Balance at end of year		**12,319**	11,040
Total equity		**19,004**	17,546

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**1,279**	736
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**2**	2
Effect of exchange rate changes on cash and cash equivalents		**(1)**	(10)
Unrealized losses on borrowings		**3**	18
		1,283	746
Net changes in operating assets and liabilities			
Increase in investments		**(1,554)**	(1,607)
Increase in other assets		**(1)**	–
(Decrease) increase in trade payables and other liabilities		**(2)**	8
(Decrease) increase in investment-related liabilities		**(358)**	375
Net cash flows used in operating activities		**(632)**	(478)
Cash flows from financing activities			
Proceeds from borrowings		**2,262**	2,032
Repayment of borrowings		**(2,058)**	(1,951)
Fund transfers received	9.2	**179**	297
Net cash flows provided by financing activities		**383**	378
Net change in cash and cash equivalents		**(249)**	(100)
Effect of exchange rate changes on cash and cash equivalents		**1**	10
Cash and cash equivalents at the beginning of the year		**507**	597
Cash and cash equivalents at the end of the year[1]		**259**	507
Supplementary disclosure of cash flow information			
Interest paid		**(94)**	(50)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $255 million (March 31, 2023 – $505 million) included in investments (see Note 4.1), as well as $4 million (March 31, 2023 – $2 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $42 million (March 31, 2023 – $42 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the *"Superannuation Acts"*), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan (the "Plan"), and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Royal Canadian Mounted Police Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Royal Canadian Mounted Police Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**201**	323
Foreign equity	**3,018**	2,545
Private markets		
Real estate	**2,673**	2,967
Private equity	**2,846**	2,589
Infrastructure	**2,932**	2,593
Natural resources	**1,563**	1,346
Fixed income		
Cash and cash equivalents[1]	**255**	505
Money market securities[1]	**608**	601
Government and corporate bonds	**1,937**	1,674
Inflation-linked bonds	**1,291**	825
Private debt securities	**2,142**	2,190
Alternative investments	**1,858**	1,795
	21,324	19,953
Investment-related assets		
Amounts receivable from pending trades	**92**	183
Interest receivable	**45**	36
Dividends receivable	**19**	15
Securities purchased under reverse repurchase agreements	**165**	92
Derivative-related assets	**97**	159
	418	485
Investments representing financial assets at FVTPL[2]	**21,742**	20,438
Investment-related liabilities		
Amounts payable from pending trades	**(38)**	(78)
Interest payable	**(12)**	(8)
Securities sold short	**(231)**	(180)
Collateral payable	**(48)**	(69)
Securities sold under repurchase agreements	**(377)**	(680)
Derivative-related liabilities	**(70)**	(118)
Investment-related liabilities representing financial liabilities at FVTPL	**(776)**	(1,133)
Borrowings		
Capital market debt financing	**(1,940)**	(1,734)
Borrowings representing financial liabilities designated at FVTPL	**(1,940)**	(1,734)
Net investments	**19,026**	17,571

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $729 million out of $21,742 million were investments pledged as described in Note 5 (March 31, 2023 – $988 million out of $20,438 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	403	–	–	266	–	–
Options: Purchased	11	–	–	66	2	–
Written	–	–	–	86	–	(1)
OTC						
Swaps	1,601	35	(15)	1,492	47	(16)
Options: Purchased	–	–	–	6	–	–
Currency derivatives						
Listed						
Futures	27	–	–	17	–	–
OTC						
Forwards	4,210	16	(26)	7,748	52	(61)
Swaps	89	–	(2)	257	6	(2)
Options: Purchased	66	–	–	149	1	–
Written	76	–	–	192	–	(1)
Interest rate derivatives						
Listed						
Futures	782	–	–	159	–	–
Options: Purchased	2,989	1	–	3,498	1	–
Written	3,106	–	(1)	3,205	–	–
OTC						
Forwards	58	–	–	102	1	–
Swaps	176	–	(2)	251	2	(1)
Options: Purchased	3,855	44	–	4,733	46	–
Written	5,006	–	(23)	5,524	–	(35)
OTC-cleared						
Swaps	4,736	–	–	5,833	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	45	–	(1)	41	–	(1)
Written[1]	144	1	–	87	1	–
OTC-cleared						
Credit default swaps: Purchased	213	–	–	146	–	–
Total		97	(70)		159	(118)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**7,318**	**1**	**(1)**	7,297	3	(1)
OTC derivatives	**15,326**	**96**	**(69)**	20,582	156	(117)
OTC-cleared derivatives	**4,949**	**–**	**–**	5,979	–	–
Total		**97**	**(70)**		159	(118)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**12,390**	16,563
3 to 12 months	**8,110**	10,743
Over 1 year	**7,093**	6,552

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	69	132	–	201
Foreign equity	2,813	37	168	3,018
Private markets				
Real estate	–	–	2,673	2,673
Private equity	–	–	2,846	2,846
Infrastructure	–	–	2,932	2,932
Natural resources	–	–	1,563	1,563
Fixed income				
Cash and cash equivalents	96	159	–	255
Money market securities	559	49	–	608
Government and corporate bonds	500	1,437	–	1,937
Inflation-linked bonds	1,283	8	–	1,291
Private debt securities	–	–	2,142	2,142
Alternative investments	–	1,140	718	1,858
	5,320	2,962	13,042	21,324
Investment-related assets				
Amounts receivable from pending trades	–	92	–	92
Interest receivable	–	45	–	45
Dividends receivable	–	19	–	19
Securities purchased under reverse repurchase agreements	–	165	–	165
Derivative-related assets	1	96	–	97
	1	417	–	418
Investments representing financial assets at FVTPL	5,321	3,379	13,042	21,742
Investment-related liabilities				
Amounts payable from pending trades	–	(38)	–	(38)
Interest payable	–	(12)	–	(12)
Securities sold short	(231)	–	–	(231)
Collateral payable	–	(48)	–	(48)
Securities sold under repurchase agreements	–	(377)	–	(377)
Derivative-related liabilities	(1)	(69)	–	(70)
Investment-related liabilities representing financial liabilities at FVTPL	(232)	(544)	–	(776)
Borrowings				
Capital market debt financing	–	(1,940)	–	(1,940)
Borrowings representing financial liabilities designated at FVTPL	–	(1,940)	–	(1,940)
Net investments	5,089	895	13,042	19,026

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	198	125	–	323
Foreign equity	2,401	74	70	2,545
Private markets				
Real estate	–	–	2,967	2,967
Private equity	–	–	2,589	2,589
Infrastructure	–	–	2,593	2,593
Natural resources	–	–	1,346	1,346
Fixed income				
Cash and cash equivalents[1]	238	267	–	505
Money market securities[1]	547	54	–	601
Government and corporate bonds	586	1,088	–	1,674
Inflation-linked bonds	825	–	–	825
Private debt securities	–	–	2,190	2,190
Alternative investments	–	1,110	685	1,795
	4,795	2,718	12,440	19,953
Investment-related assets				
Amounts receivable from pending trades	–	183	–	183
Interest receivable	–	36	–	36
Dividends receivable	–	15	–	15
Securities purchased under reverse repurchase agreements	–	92	–	92
Derivative-related assets	3	156	–	159
	3	482	–	485
Investments representing financial assets at FVTPL	4,798	3,200	12,440	20,438
Investment-related liabilities				
Amounts payable from pending trades	–	(78)	–	(78)
Interest payable	–	(8)	–	(8)
Securities sold short	(168)	(12)	–	(180)
Collateral payable	–	(69)	–	(69)
Securities sold under repurchase agreements	–	(680)	–	(680)
Derivative-related liabilities	(1)	(117)	–	(118)
Investment-related liabilities representing financial liabilities at FVTPL	(169)	(964)	–	(1,133)
Borrowings				
Capital market debt financing	–	(1,734)	–	(1,734)
Borrowings representing financial liabilities designated at FVTPL	–	(1,734)	–	(1,734)
Net investments	4,629	502	12,440	17,571

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $2 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee (“VC”). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund’s general partner. For interim reporting periods, fair value is obtained from information provided by the fund’s administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**168**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**2,422**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% – 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% – 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% – 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**251**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**5,389**	DCF	Discount rate[2]	5.19% – 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**1,952**	NAV[1]	N/A	N/A
Fixed income					
Private debt securities	Direct and co-investments	**1,622**	DCF	Discount rate[2]	7.02% – 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**520**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**718**	NAV[1]	N/A	N/A
Total		**13,042**			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	70	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	2,717	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	250	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	4,697	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	1,831	NAV[1]	N/A	N/A
Fixed income					
Private debt securities	Direct and co-investments	1,656	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	534	NAV[1]	N/A	N/A
Alternative investments	Fund investments	685	NAV[1]	N/A	N/A
Total		12,440			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains[1]	Transfer Into Level 3	Closing Balance
Public markets	**70**	**33**	**(10)**	**–**	**6**	**69**	**–**	**168**
Private markets	**9,495**	**1,013**	**(669)**	**–**	**159**	**11**	**5**	**10,014**
Fixed income	**2,190**	**437**	**(528)**	**–**	**21**	**22**	**–**	**2,142**
Alternative investments	**685**	**40**	**(79)**	**–**	**18**	**54**	**–**	**718**
Total	**12,440**	**1,523**	**(1,286)**	**–**	**204**	**156**	**5**	**13,042**

As at March 31, 2023, listed foreign equity securities with a fair value of $5 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	97	3	(11)	–	2	(18)	(3)	70
Private markets	8,459	1,315	(730)	–	249	217	(15)	9,495
Fixed income	1,837	572	(313)	–	26	68	–	2,190
Alternative investments	606	50	(42)	–	8	63	–	685
Total	10,999	1,940	(1,096)	–	285	330	(18)	12,440

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $3 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $15 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**296**	316
Collateral held[1]	**307**	331
Securities borrowed	**189**	139
Collateral pledged[2, 3]	**194**	148
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**377**	688
Collateral pledged[3]	**377**	684
Securities purchased under reverse repurchase agreements	**165**	93
Collateral held[4]	**165**	93
Derivative contracts		
Collateral pledged[3]	**158**	156
Collateral held[5]	**144**	134

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $39 million and $267 million, respectively (March 31, 2023 – $61 million and $270 million, respectively). All cash amounts are reinvested.

2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.

3 The total of $729 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $988 million).

4 The collateral received is in the form of securities of which $42 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $41 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $22 million).

5 As part of collateral held, cash amounted to $9 million as at March 31, 2024 (March 31, 2023 – $8 million) and securities amounted to $135 million as at March 31, 2024 (March 31, 2023 – $126 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	255[1]	255
Money market securities	–	–	–	–	608[1]	608
Government and corporate bonds	33	728	687	472	17[2]	1,937
Inflation-linked bonds	–	659	368	264	–	1,291
Private debt securities	3	801	521	281	536[3]	2,142
Total fixed income	**36**	**2,188**	**1,576**	**1,017**	**1,416**	**6,233**

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	505[1, 4]	505
Money market securities	–	–	–	–	601[1, 4]	601
Government and corporate bonds	49	735	480	386	24[2]	1,674
Inflation-linked bonds	–	352	286	187	–	825
Private debt securities	75	483	821	299	512[3]	2,190
Total fixed income	124	1,570	1,587	872	1,642	5,795

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $13,233 million as at March 31, 2024 ($12,363 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $1,858 million as at March 31, 2024 ($1,795 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	26
Derivatives notional	54

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

	March 31, 2024	
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	**12,279**	**67.2**
Euro	**1,932**	**10.6**
Japanese Yen	**712**	**3.9**
British Pound	**680**	**3.7**
Indian Rupee	**413**	**2.3**
Australian Dollar	**313**	**1.7**
Mexican Peso	**298**	**1.6**
Brazilian Real	**225**	**1.2**
Swiss Franc	**174**	**1.0**
Singapore Dollar	**126**	**0.7**
Hong Kong Dollar	**120**	**0.7**
New Taiwan Dollar	**113**	**0.6**
Others	**880**	**4.8**
Total	**18,265**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $2,095 million for the Plan Account (US $1,257 million, €222 million, £30 million, 80 million Mexican pesos, 10 million Australian dollars, 74 million Indian rupees and 226 million Japanese yen) which were not included in the foreign currency exposure table above.

	March 31, 2023	
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	11,131	66.0
Euro	2,035	12.1
Hong Kong Dollar	761	4.5
British Pound	622	3.7
Japanese Yen	409	2.4
Indian Rupee	272	1.6
Mexican Peso	265	1.6
New Taiwan Dollar	151	0.9
Singapore Dollar	146	0.9
Swiss Franc	136	0.8
South African Rand	122	0.7
Others	808	4.8
Total	16,858	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $2,355 million for the Plan Account (US $1,481 million, €184 million, £30 million, 2 million South African rands, 130 million Mexican pesos, 17 million Australian dollars, 159 million Indian rupees and 307 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $6 billion (March 31, 2023 – $6 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1]	Money Market Securities[1]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	1,248	1,286	182	559	75	3	–	3,353
A	558	–	35	10	76	93	–	772
BBB	91	8	–	–	14	–	5	118
BB or below	52	–	–	–	–	–	2,156	2,208
No rating[3]	6	–	–	–	–	–	5	11
Total	1,955	1,294	217	569	165	96	2,166	6,462

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	1,092	827	367	560	12	5	–	2,863
A	486	–	99	3	76	151	–	815
BBB	48	–	–	–	4	–	25	77
BB or below	54	–	–	–	–	–	2,165	2,219
No rating[3]	7	–	–	–	–	–	20	27
Total	1,687	827	466	563	92	156	2,210	6,001

1 Includes interest receivable.
2 As disclosed in Note 4.1.12.
3 Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**165**	**–**	**165**[1]	**56**	**109**	**–**
OTC derivatives	**96**	**–**	**96**[2]	**63**	**32**	**1**
Total	**261**	**–**	**261**	**119**	**141**	**1**
March 31, 2023						
Reverse repurchase agreements	92	–	92[1]	88	4	–
OTC derivatives	156	–	156[2]	111	33	12
Total	248	–	248	199	37	12

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**377**	**–**	**377**[1]	**56**	**321**	**–**
OTC derivatives	**69**	**–**	**69**[2]	**55**	**12**	**2**
Collateral payable	**9**	**–**	**9**[3]	**8**	**–**	**1**
Total	**455**	**–**	**455**	**119**	**333**	**3**
March 31, 2023						
Repurchase agreements	680	–	680[1]	88	592	–
OTC derivatives	117	–	117[2]	104	13	–
Collateral payable	8	–	8[3]	7	–	1
Total	805	–	805	199	605	1

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	**(38)**	**–**	**–**	**(38)**
Interest payable	**(10)**	**(2)**	**–**	**(12)**
Securities sold short	**(231)**	**–**	**–**	**(231)**
Collateral payable	**(48)**	**–**	**–**	**(48)**
Securities sold under repurchase agreements	**(353)**	**(24)**	**–**	**(377)**
Capital market debt financing[2]	**(452)**	**(337)**	**(1,151)**	**(1,940)**
Trade payable and other liabilities	**(26)**	**–**	**(10)**	**(36)**
Total	**(1,158)**	**(363)**	**(1,161)**	**(2,682)**

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	**43**	**21**	**33**	**97**
Derivative-related liabilities[1]	**(36)**	**(17)**	**(17)**	**(70)**
Total	**7**	**4**	**16**	**27**

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $2,215 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(78)	–	–	(78)
Interest payable	(7)	(1)	–	(8)
Securities sold short	(180)	–	–	(180)
Collateral payable	(69)	–	–	(69)
Securities sold under repurchase agreements	(632)	(48)	–	(680)
Capital market debt financing[2]	(270)	(350)	(1,114)	(1,734)
Trade payable and other liabilities	(27)	–	(11)	(38)
Total	(1,263)	(399)	(1,125)	(2,787)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	87	45	27	159
Derivative-related liabilities[1]	(66)	(37)	(15)	(118)
Total	21	8	12	41

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $1,937 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together "the Credit Facilities").

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments' capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments' capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	Term at Issuance	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	–	–	–	4.41–4.44	3	3
USD	365 days or less	4.73–5.49	395	391	2.40–5.56	521	516
EUR	215 days or less	3.85–3.93	51	51	–	–	–
GBP	245 days or less	5.18–5.24	38	37	–	–	–
AUD	79 days or less	4.28	10	9	–	–	–
Total short-term notes			494	488		524	519

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	Series	Currency	Interest Rate	Capital Amounts Payable at Maturity	Fair Value	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	–	–	102	101
April 2024	7	CAD	3.29%	85	85	95	94
September 2024	G2	USD	0.50%	122	119	122	116
March 2025	G5	USD	SOFR[1]+24 bps	97	97	98	97
November 2025	11	CAD	3.00%	83	82	90	88
June 2026	13	CAD	0.90%	102	95	104	96
June 2026	G1	USD	1.00%	97	89	98	88
June 2027	G6	USD	3.50%	97	94	98	95
March 2028	14	CAD	1.50%	70	64	72	66
October 2028	G3	USD	1.63%	97	86	98	86
February 2029	A1	AUD	4.63%	95	96	–	–
June 2029	G8	CAD	3.75%	101	100	100	102
January 2030	12	CAD	2.05%	90	81	89	81
December 2030	G13[2]	CAD	4.40%	72	74	–	–
March 2032	G4[2]	CAD	2.60%	72	65	72	66
August 2032	G7	AUD	4.57%	15	14	15	15
January 2033	G9	AUD	4.82%	13	13	13	13
June 2033	G11	CAD	4.15%	179	179	–	–
March 2038	G10	EUR	3.68%	10	11	11	11
July 2043	G12	EUR	3.68%	8	8	–	–
Total medium-term notes				1,505	1,452	1,277	1,215
Total capital market debt financing				1,999	1,940	1,801	1,734

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $3 million for the year ended March 31, 2024 (unrealized losses of $18 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**26**	16
Medium-term notes	**37**	24
Total	**63**	40

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**1,734**	**2,262**	**(2,058)**	**(7)**	**9**	**1,940**
Borrowings	**1,734**	**2,262**	**(2,058)**	**(7)**	**9**	**1,940**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	1,629	2,032	(1,951)	43	(19)	1,734
Borrowings	1,629	2,032	(1,951)	43	(19)	1,734

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $179 million for the year ended March 31, 2024 ($297 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**3,996**	3,856
Private Equity	**2,902**	2,685
Fixed Income	**4,040**	3,247
Credit Investments	**1,884**	1,883
Real Estate	**1,956**	2,310
Infrastructure	**2,480**	2,117
Natural Resources	**1,092**	885
Complementary Portfolio	**169**	157
Other[1]	**507**	431
Total	**19,026**	17,571

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**620**	**(46)**	**574**	(30)	(31)	(61)
Private Equity	**323**	**(8)**	**315**	87	(10)	77
Fixed Income	**108**	**(15)**	**93**	46	(11)	35
Credit Investments	**251**	**(9)**	**242**	222	(8)	214
Real Estate	**(321)**	**(32)**	**(353)**	39	(25)	14
Infrastructure	**345**	**(23)**	**322**	362	(26)	336
Natural Resources	**76**	**(19)**	**57**	116	(14)	102
Complementary Portfolio	**31**	**(1)**	**30**	(6)	–	(6)
Other[5]	**23**	**(24)**	**(1)**	37	(12)	25
Total	**1,456**	**(177)**	**1,279**	873	(137)	736

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Interest expense	**97**	58
Transaction costs	**11**	10
External investment management fees[1]	**4**	5
Other (net)	**14**	11
Total	**126**	84

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $23 million for the year ended March 31, 2024 ($14 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% and of the total invested and/or committed amount, totaled $42 million for the year ended March 31, 2024 ($43 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ thousands)	**2024**	2023
Salaries and employee benefits	**33,785**	32,886
Professional and consulting fees	**8,624**	9,843
Premises and equipment	**1,372**	1,330
Market data and business applications	**5,014**	4,336
Depreciation of property and equipment	**1,727**	1,826
Custodial fees	**340**	358
Other operating expenses	**1,782**	2,862
Total	**52,644**	53,441

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**1,335**	1,170
Long-term compensation and other benefits	**629**	671
Total	**1,964**	1,841

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $195 million has been allocated to the Plan Account (March 31, 2023 - $191 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which nil has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Real estate	**277**	331
Private equity	**816**	947
Infrastructure	**287**	426
Natural resources	**35**	49
Private debt securities	**621**	502
Alternative investments	**112**	148
Total	**2,148**	2,403

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Reserve Force Pension Plan Account

Independent Auditors’ Report

To the Minister of National Defence

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account (the Reserve Force Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Reserve Force Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Reserve Force Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Reserve Force Pension Plan Account’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Reserve Force Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Reserve Force Pension Plan Account’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reserve Force Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reserve Force Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Reserve Force Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Reserve Force Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Reserve Force Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ thousands)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**1,233,276**	1,170,828
Other assets		**792**	762
Total assets		**1,234,068**	1,171,590
Liabilities			
Trade payable and other liabilities		**2,041**	2,160
Investment-related liabilities	4.1	**44,036**	64,921
Borrowings	4.1, 8.2	**110,053**	99,322
Total liabilities		**156,130**	166,403
Net assets		**1,077,938**	1,005,187
Equity	9	**1,077,938**	1,005,187
Total liabilities and equity		**1,234,068**	1,171,590

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ thousands)	Notes	2024	2023
Investment income		**82,831**	50,073
Investment-related expenses	2.1, 11, 14.2	**(7,193)**	(4,812)
Net investment income		**75,638**	45,261
Operating expenses	2.1, 12, 14.2	**(3,009)**	(3,102)
Recoveries of costs	2.1, 14.2	**122**	–
Net income		**72,751**	42,159

Statements of Changes in Equity

For the years ended March 31

(Canadian $ thousands)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**329,631**	329,631
Fund transfers received during the year	9.2	**–**	–
Balance at end of year		**329,631**	329,631
Retained earnings			
Balance at beginning of year		**675,556**	633,397
Net income		**72,751**	42,159
Balance at end of year		**748,307**	675,556
Total equity		**1,077,938**	1,005,187

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ thousands)	Notes	**2024**	2023
Cash flows from operating activities			
Net income		**72,751**	42,159
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**99**	107
Effect of exchange rate changes on cash and cash equivalents		**(60)**	(588)
Unrealized losses on borrowings		**166**	1,075
		72,956	42,753
Net changes in operating assets and liabilities			
Increase in investments		**(76,908)**	(73,247)
(Increase) decrease in other assets		**(60)**	8
(Decrease) increase in trade payables and other liabilities		**(119)**	375
(Decrease) increase in investment-related liabilities		**(20,897)**	20,848
Net cash flows used in operating activities		**(25,028)**	(9,263)
Cash flows from financing activities			
Proceeds from borrowings		**129,047**	117,211
Repayment of borrowings		**(118,442)**	(114,274)
Net cash flows provided by financing activities		**10,605**	2,937
Cash flows from investing activities			
Acquisitions of equipment		**(7)**	(22)
Net cash flows used in investing activities		**(7)**	(22)
Net change in cash and cash equivalents		**(14,430)**	(6,348)
Effect of exchange rate changes on cash and cash equivalents		**60**	588
Cash and cash equivalents at the beginning of the year		**29,072**	34,832
Cash and cash equivalents at the end of the year[1]		**14,702**	29,072
Supplementary disclosure of cash flow information			
Interest paid		**(5,374)**	(2,859)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $14,451 thousand (March 31, 2023 – $28,911 thousand) included in investments (see Note 4.1), as well as $251 thousand (March 31, 2023 – $161 thousand) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $2,398 thousand (March 31, 2023 – $2,425 thousand).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan (the "Plan"). The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after March 1, 2007 ("Post-2007 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the CFSA Regulations. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the CFSA and the CFSA Regulations, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2007 Service.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2007 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2007 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**11,416**	18,520
Foreign equity	**171,189**	145,785
Private markets		
Real estate	**151,627**	169,971
Private equity	**161,419**	148,336
Infrastructure	**166,314**	148,525
Natural resources	**88,629**	77,095
Fixed income		
Cash and cash equivalents[1]	**14,451**	28,911
Money market securities[1]	**34,505**	34,442
Government and corporate bonds	**109,882**	95,915
Inflation-linked bonds	**73,216**	47,251
Private debt securities	**121,498**	125,433
Alternative investments	**105,413**	102,847
	1,209,559	1,143,031
Investment-related assets		
Amounts receivable from pending trades	**5,189**	10,497
Interest receivable	**2,571**	2,073
Dividends receivable	**1,101**	860
Securities purchased under reverse repurchase agreements	**9,333**	5,282
Derivative-related assets	**5,523**	9,085
	23,717	27,797
Investments representing financial assets at FVTPL[2]	**1,233,276**	1,170,828
Investment-related liabilities		
Amounts payable from pending trades	**(2,203)**	(4,455)
Interest payable	**(673)**	(481)
Securities sold short	**(13,087)**	(10,308)
Collateral payable	**(2,725)**	(3,954)
Securities sold under repurchase agreements	**(21,361)**	(38,970)
Derivative-related liabilities	**(3,987)**	(6,753)
Investment-related liabilities representing financial liabilities at FVTPL	**(44,036)**	(64,921)
Borrowings		
Capital market debt financing	**(110,053)**	(99,322)
Borrowings representing financial liabilities designated at FVTPL	**(110,053)**	(99,322)
Net investments	**1,079,187**	1,006,585

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $41,376 thousand out of $1,233,276 thousand were investments pledged as described in Note 5 (March 31, 2023 – $56,609 thousand out of $1,170,828 thousand).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ thousands)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	**22,860**	**–**	**–**	15,242	–	–
Warrants and rights	**–**	**4**	**–**	4	9	–
Options: Purchased	**648**	**–**	**–**	3,762	120	–
Written	**–**	**–**	**–**	4,933	–	(49)
OTC						
Swaps	**90,816**	**2,013**	**(865)**	85,461	2,720	(941)
Options: Purchased	**–**	**–**	**–**	349	–	–
Currency derivatives						
Listed						
Futures	**1,542**	**–**	**–**	948	–	–
OTC						
Forwards	**238,805**	**888**	**(1,398)**	443,932	2,906	(3,465)
Swaps	**5,032**	**–**	**(138)**	14,724	366	(136)
Options: Purchased	**3,721**	**22**	**–**	8,512	38	–
Written	**4,315**	**–**	**(17)**	11,001	–	(34)
Interest rate derivatives						
Listed						
Futures	**44,384**	**–**	**–**	9,089	–	–
Options: Purchased	**169,516**	**73**	**–**	200,451	31	–
Written	**176,129**	**–**	**(67)**	183,600	–	(29)
OTC						
Forwards	**3,264**	**–**	**(15)**	5,851	51	(17)
Swaps	**9,966**	**22**	**(88)**	14,379	135	(55)
Options: Purchased	**218,645**	**2,435**	**–**	271,117	2,649	–
Written	**284,094**	**–**	**(1,330)**	316,470	–	(1,983)
OTC-cleared						
Swaps	**268,651**	**–**	**–**	334,165	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	**2,539**	**–**	**(69)**	2,320	–	(44)
Written[1]	**8,154**	**66**	**–**	4,982	60	–
OTC-cleared						
Credit default swaps: Purchased	**12,063**	**–**	**–**	8,349	–	–
Total		**5,523**	**(3,987)**		9,085	(6,753)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ thousands)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Listed derivatives	**415,079**	**77**	**(67)**	418,029	160	(78)
OTC derivatives	**869,351**	**5,446**	**(3,920)**	1,179,098	8,925	(6,675)
OTC-cleared derivatives	**280,714**	**–**	**–**	342,514	–	–
Total		**5,523**	**(3,987)**		9,085	(6,753)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ thousands)	March 31, 2024	March 31, 2023
Less than 3 months	**702,791**	948,859
3 to 12 months	**460,007**	615,459
Over 1 year	**402,346**	375,323

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - (i) Quoted prices for similar assets or liabilities in active markets.
  - (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - (iii) Inputs other than quoted prices that are observable for the asset or liability.
  - (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	3,941	7,475	–	11,416
Foreign equity	159,567	2,084	9,538	171,189
Private markets				
Real estate	–	–	151,627	151,627
Private equity	–	–	161,419	161,419
Infrastructure	–	–	166,314	166,314
Natural resources	–	–	88,629	88,629
Fixed income				
Cash and cash equivalents	5,471	8,980	–	14,451
Money market securities	31,729	2,776	–	34,505
Government and corporate bonds	28,354	81,517	11	109,882
Inflation-linked bonds	72,771	445	–	73,216
Private debt securities	–	–	121,498	121,498
Alternative investments	–	64,660	40,753	105,413
	301,833	167,937	739,789	1,209,559
Investment-related assets				
Amounts receivable from pending trades	–	5,189	–	5,189
Interest receivable	–	2,571	–	2,571
Dividends receivable	–	1,101	–	1,101
Securities purchased under reverse repurchase agreements	–	9,333	–	9,333
Derivative-related assets	77	5,446	–	5,523
	77	23,640	–	23,717
Investments representing financial assets at FVTPL	301,910	191,577	739,789	1,233,276
Investment-related liabilities				
Amounts payable from pending trades	–	(2,203)	–	(2,203)
Interest payable	–	(673)	–	(673)
Securities sold short	(13,087)	–	–	(13,087)
Collateral payable	–	(2,725)	–	(2,725)
Securities sold under repurchase agreements	–	(21,361)	–	(21,361)
Derivative-related liabilities	(67)	(3,920)	–	(3,987)
Investment-related liabilities representing financial liabilities at FVTPL	(13,154)	(30,882)	–	(44,036)
Borrowings				
Capital market debt financing	–	(110,053)	–	(110,053)
Borrowings representing financial liabilities designated at FVTPL	–	(110,053)	–	(110,053)
Net investments	288,756	50,642	739,789	1,079,187

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	11,375	7,145	–	18,520
Foreign equity	137,468	4,265	4,052	145,785
Private markets				
Real estate	–	–	169,971	169,971
Private equity	–	–	148,336	148,336
Infrastructure	–	–	148,525	148,525
Natural resources	–	–	77,095	77,095
Fixed income				
Cash and cash equivalents[1]	13,638	15,273	–	28,911
Money market securities[1]	31,325	3,117	–	34,442
Government and corporate bonds	33,573	62,331	11	95,915
Inflation-linked bonds	47,250	1	–	47,251
Private debt securities	–	–	125,433	125,433
Alternative investments	–	63,630	39,217	102,847
	274,629	155,762	712,640	1,143,031
Investment-related assets				
Amounts receivable from pending trades	–	10,497	–	10,497
Interest receivable	–	2,073	–	2,073
Dividends receivable	–	860	–	860
Securities purchased under reverse repurchase agreements	–	5,282	–	5,282
Derivative-related assets	160	8,925	–	9,085
	160	27,637	–	27,797
Investments representing financial assets at FVTPL	274,789	183,399	712,640	1,170,828
Investment-related liabilities				
Amounts payable from pending trades	–	(4,455)	–	(4,455)
Interest payable	–	(481)	–	(481)
Securities sold short	(9,638)	(670)	–	(10,308)
Collateral payable	–	(3,954)	–	(3,954)
Securities sold under repurchase agreements	–	(38,970)	–	(38,970)
Derivative-related liabilities	(78)	(6,675)	–	(6,753)
Investment-related liabilities representing financial liabilities at FVTPL	(9,716)	(55,205)	–	(64,921)
Borrowings				
Capital market debt financing	–	(99,322)	–	(99,322)
Borrowings representing financial liabilities designated at FVTPL	–	(99,322)	–	(99,322)
Net investments	265,073	28,872	712,640	1,006,585

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $138 thousand were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ thousands)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**9,538**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**137,404**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% – 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% – 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% – 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**14,223**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**305,654**	DCF	Discount rate[2]	5.19% – 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**110,708**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**11**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**91,976**	DCF	Discount rate[2]	7.02% – 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**29,522**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**40,753**	NAV[1]	N/A	N/A
Total		**739,789**			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ thousands)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	4,052	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	155,644	Discounted cash flow (DCF)	Discount rate[2,3]	3.30% – 19.00% (7.40%)
				Terminal capitalization rate[2,3]	3.56% – 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2,4]	2.35% – 10.00% (4.62%)
				Stabilized occupancy rate[4,5]	98.00% – 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4,5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	14,327	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	269,062	DCF	Discount rate[2]	5.50% – 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	104,894	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	11	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	94,843	DCF	Discount rate[2]	4.25% – 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	30,590	NAV[1]	N/A	N/A
Alternative investments	Fund investments	39,217	NAV[1]	N/A	N/A
Total		712,640			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ thousands)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Into Level 3	Closing Balance
Public markets	**4,052**	**1,862**	**(550)**	**–**	**326**	**3,848**	**–**	**9,538**
Private markets	**543,927**	**57,763**	**(38,021)**	**–**	**9,039**	**(4,977)**	**258**	**567,989**
Fixed income	**125,444**	**24,918**	**(30,048)**	**–**	**1,186**	**9**	**–**	**121,509**
Alternative investments	**39,217**	**2,288**	**(4,491)**	**–**	**1,043**	**2,696**	**–**	**40,753**
Total	**712,640**	**86,831**	**(73,110)**	**–**	**11,594**	**1,576**	**258**	**739,789**

As at March 31, 2023, listed foreign equity securities with a fair value of $258 thousand were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ thousands)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	5,649	153	(529)	–	112	(1,139)	(194)	4,052
Private markets	493,270	75,805	(41,994)	–	14,328	3,417	(899)	543,927
Fixed income	107,140	32,960	(18,026)	–	1,494	1,876	–	125,444
Alternative investments	35,362	2,870	(2,416)	–	445	2,956	–	39,217
Total	641,421	111,788	(62,965)	–	16,379	7,110	(1,093)	712,640

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $194 thousand in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $899 thousand was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**16,775**	18,087
Collateral held[1]	**17,391**	18,935
Securities borrowed	**10,697**	7,969
Collateral pledged[2, 3]	**11,002**	8,466
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**21,392**	39,435
Collateral pledged[3]	**21,404**	39,189
Securities purchased under reverse repurchase agreements	**9,355**	5,354
Collateral held[4]	**9,337**	5,337
Derivative contracts		
Collateral pledged[3]	**8,970**	8,954
Collateral held[5]	**8,192**	7,701

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $2,233 thousand and $15,158 thousand, respectively (March 31, 2023 –$3,495 thousand and $15,440 thousand, respectively). All cash amounts are reinvested.
2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
3 The total of $41,376 thousand of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $56,609 thousand).
4 The collateral received is in the form of securities of which $2,391 thousand has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $2,339 thousand) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $1,267 thousand).
5 As part of collateral held, cash amounted to $495 thousand as at March 31, 2024 (March 31, 2023 – $468 thousand) and securities amounted to $7,697 thousand as at March 31, 2024 (March 31, 2023 – $7,233 thousand). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ thousands)	**Less than 1 Year**	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**	**Other**	**Total**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**14,451[1]**	**14,451**
Money market securities	**–**	**–**	**–**	**–**	**34,505[1]**	**34,505**
Government and corporate bonds	**1,873**	**41,288**	**38,968**	**26,761**	**992[2]**	**109,882**
Inflation-linked bonds	**–**	**37,340**	**20,891**	**14,985**	**–**	**73,216**
Private debt securities	**153**	**45,444**	**29,566**	**15,927**	**30,408[3]**	**121,498**
Total fixed income	**2,026**	**124,072**	**89,425**	**57,673**	**80,356**	**353,552**

						March 31, 2023
(Canadian $ thousands)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	28,911[1, 4]	28,911
Money market securities	–	–	–	–	34,442[1, 4]	34,442
Government and corporate bonds	2,805	42,147	27,491	22,097	1,375[2]	95,915
Inflation-linked bonds	–	20,129	16,386	10,736	–	47,251
Private debt securities	4,289	27,665	47,036	17,138	29,305[3]	125,433
Total fixed income	7,094	89,941	90,913	49,971	94,033	331,952

[1] Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
[2] Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
[3] Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $750,594 thousand as at March 31, 2024 ($708,232 thousand as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $105,413 thousand as at March 31, 2024 ($102,847 thousand as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ thousands)	**CDOR**
Non-derivative financial assets fair value	**1,497**
Derivatives notional	**3,058**

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

	March 31, 2024	
Currency	Fair Value (Canadian $ thousands)	% of Total
US Dollar	**696,488**	**67.2**
Euro	**109,593**	**10.6**
Japanese Yen	**40,403**	**3.9**
British Pound	**38,568**	**3.7**
Indian Rupee	**23,399**	**2.3**
Australian Dollar	**17,753**	**1.7**
Mexican Peso	**16,906**	**1.6**
Brazilian Real	**12,772**	**1.2**
Swiss Franc	**9,877**	**1.0**
Singapore Dollar	**7,148**	**0.7**
Hong Kong Dollar	**6,833**	**0.7**
New Taiwan Dollar	**6,386**	**0.6**
Others	**49,918**	**4.8**
Total	**1,036,044**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $118,805 thousand for the Plan Account (US $71,312 thousand, €12,569 thousand, £1,693 thousand, 4,525 thousand Mexican pesos, 553 thousand Australian dollars, 4,190 thousand Indian rupees and 12,820 thousand Japanese yen) which were not included in the foreign currency exposure table above.

	March 31, 2023	
Currency	Fair Value (Canadian $ thousands)	% of Total
US Dollar	637,667	66.0
Euro	116,572	12.1
Hong Kong Dollar	43,571	4.5
British Pound	35,653	3.7
Japanese Yen	23,421	2.4
Indian Rupee	15,563	1.6
Mexican Peso	15,199	1.6
New Taiwan Dollar	8,630	0.9
Singapore Dollar	8,366	0.9
Swiss Franc	7,763	0.8
South African Rand	6,995	0.7
Others	46,273	4.8
Total	965,673	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $134,938 thousand for the Plan Account (US $84,828 thousand, €10,532 thousand, £1,717 thousand, 91 thousand South African rands, 7,466 thousand Mexican pesos, 974 thousand Australian dollars, 9,101 thousand Indian rupees and 17,572 thousand Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $367 million (March 31, 2023 – $344 million). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ thousands)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**70,769**	**72,973**	**10,317**	**31,729**	**4,253**	**154**	**–**	**190,195**
A	**31,669**	**–**	**1,987**	**551**	**4,260**	**5,292**	**–**	**43,759**
BBB	**5,136**	**448**	**–**	**–**	**820**	**–**	**309**	**6,713**
BB or below	**2,965**	**–**	**–**	**–**	**–**	**–**	**122,298**	**125,263**
No rating[3]	**331**	**–**	**–**	**–**	**–**	**–**	**270**	**601**
Total	**110,870**	**73,421**	**12,304**	**32,280**	**9,333**	**5,446**	**122,877**	**366,531**

								March 31, 2023
(Canadian $ thousands)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	62,550	47,355	20,936	32,118	660	308	–	163,927
A	27,840	–	5,710	162	4,387	8,617	–	46,716
BBB	2,739	–	–	–	235	–	1,441	4,415
BB or below	3,111	–	–	–	–	–	124,039	127,150
No rating[3]	429	–	–	–	–	–	1,138	1,567
Total	96,669	47,355	26,646	32,280	5,282	8,925	126,618	343,775

[1] Includes interest receivable.
[2] As disclosed in Note 4.1.12.
[3] Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ thousands)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**9,333**	**–**	**9,333**[1]	**3,184**	**6,147**	**2**
OTC derivatives	**5,446**	**–**	**5,446**[2]	**3,579**	**1,789**	**78**
Total	**14,779**	**–**	**14,779**	**6,763**	**7,936**	**80**
March 31, 2023						
Reverse repurchase agreements	5,282	–	5,282[1]	5,045	237	–
OTC derivatives	8,925	–	8,925[2]	6,366	1,898	661
Total	14,207	–	14,207	11,411	2,135	661

Financial Liabilities

(Canadian $ thousands)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**21,361**	**–**	**21,361**[1]	**3,184**	**18,177**	**–**
OTC derivatives	**3,920**	**–**	**3,920**[2]	**3,133**	**685**	**102**
Collateral payable	**495**	**–**	**495**[3]	**446**	**–**	**49**
Total	**25,776**	**–**	**25,776**	**6,763**	**18,862**	**151**
March 31, 2023						
Repurchase agreements	38,970	–	38,970[1]	5,045	33,925	–
OTC derivatives	6,675	–	6,675[2]	5,937	713	25
Collateral payable	468	–	468[3]	429	–	39
Total	46,113	–	46,113	11,411	34,638	64

1 As described in Note 4.1.10.
2 As described in Note 4.1.12.
3 As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(2,203)	–	–	(2,203)
Interest payable	(577)	(96)	–	(673)
Securities sold short	(13,087)	–	–	(13,087)
Collateral payable	(2,725)	–	–	(2,725)
Securities sold under repurchase agreements	(19,982)	(1,379)	–	(21,361)
Capital market debt financing[2]	(25,647)	(19,114)	(65,292)	(110,053)
Trade payable and other liabilities	(1,440)	(22)	(579)	(2,041)
Total	(65,661)	(20,611)	(65,871)	(152,143)

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	2,450	1,187	1,886	5,523
Derivative-related liabilities[1]	(2,079)	(964)	(944)	(3,987)
Total	371	223	942	1,536

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $125,628 thousand as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(4,455)	–	–	(4,455)
Interest payable	(433)	(48)	–	(481)
Securities sold short	(10,308)	–	–	(10,308)
Collateral payable	(3,954)	–	–	(3,954)
Securities sold under repurchase agreements	(36,239)	(2,731)	–	(38,970)
Capital market debt financing[2]	(15,450)	(20,049)	(63,823)	(99,322)
Trade payable and other liabilities	(1,540)	(18)	(602)	(2,160)
Total	(72,379)	(22,846)	(64,425)	(159,650)

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	4,987	2,570	1,528	9,085
Derivative-related liabilities[1]	(3,803)	(2,115)	(835)	(6,753)
Total	1,184	455	693	2,332

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $110,973 thousand as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ thousands)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	–	–	–	4.41–4.44	165	165
USD	365 days or less	**4.73–5.49**	**22,421**	**22,117**	2.40–5.56	29,895	29,571
EUR	215 days or less	**3.85–3.93**	**2,917**	**2,893**	–	–	–
GBP	245 days or less	**5.18–5.24**	**2,138**	**2,123**	–	–	–
AUD	79 days or less	**4.28**	**540**	**537**	–	–	–
Total short-term notes			**28,016**	**27,670**		30,060	29,736

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ thousands)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	–	–	5,850	5,763
April 2024	7	CAD	3.29%	**4,835**	**4,835**	5,430	5,374
September 2024	G2	USD	0.50%	**6,892**	**6,742**	6,989	6,595
March 2025	G5	USD	SOFR[1]+24 bps	**5,514**	**5,514**	5,591	5,571
November 2025	11	CAD	3.00%	**4,727**	**4,623**	5,164	5,063
June 2026	13	CAD	0.90%	**5,798**	**5,395**	5,970	5,484
June 2026	G1	USD	1.00%	**5,514**	**5,076**	5,591	5,061
June 2027	G6	USD	3.50%	**5,514**	**5,332**	5,591	5,461
March 2028	14	CAD	1.50%	**3,973**	**3,625**	4,131	3,764
October 2028	G3	USD	1.63%	**5,514**	**4,866**	5,591	4,925
February 2029	A1	AUD	4.63%	**5,396**	**5,441**	–	–
June 2029	G8	CAD	3.75%	**5,704**	**5,669**	5,742	5,824
January 2030	12	CAD	2.05%	**5,093**	**4,605**	5,106	4,657
December 2030	G13[2]	CAD	4.40%	**4,075**	**4,178**	–	–
March 2032	G4[2]	CAD	2.60%	**4,075**	**3,660**	4,131	3,802
August 2032	G7	AUD	4.57%	**827**	**815**	861	859
January 2033	G9	AUD	4.82%	**719**	**719**	749	759
June 2033	G11	CAD	4.15%	**10,186**	**10,187**	–	–
March 2038	G10	EUR	3.68%	**596**	**626**	607	624
July 2043	G12	EUR	3.68%	**447**	**475**	–	–
Total medium-term notes				**85,399**	**82,383**	73,094	69,586
Total capital market debt financing				**113,415**	**110,053**	103,154	99,322

1 Secured Overnight Financing Rate
2 Green bonds

Unrealized losses in connection with borrowings amounted to $166 thousand for the year ended March 31, 2024 (unrealized losses of $1,075 thousand for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term promissory notes	**1,484**	919
Medium-term notes	**2,097**	1,375
Total	**3,581**	2,294

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ thousands)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**99,322**	**129,047**	**(118,442)**	**(403)**	**529**	**110,053**
Borrowings	**99,322**	**129,047**	**(118,442)**	**(403)**	**529**	**110,053**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ thousands)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	94,976	117,211	(114,274)	2,482	(1,073)	99,322
Borrowings	94,976	117,211	(114,274)	2,482	(1,073)	99,322

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9 Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments did not receive any fund transfers from the Government of Canada for the year ended March 31, 2024 (no transfers for the year ended March 31, 2023) for the Fund.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Public Equity	**226,708**	220,772
Private Equity	**164,580**	153,837
Fixed Income	**229,181**	186,052
Credit Investments	**106,843**	107,878
Real Estate	**110,946**	132,355
Infrastructure	**140,647**	121,304
Natural Resources	**61,918**	50,717
Complementary Portfolio	**9,579**	8,978
Other[1]	**28,785**	24,692
Total	**1,079,187**	1,006,585

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ thousands)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**35,307**	**(2,627)**	**32,680**	(1,707)	(1,788)	(3,495)
Private Equity	**18,373**	**(466)**	**17,907**	4,988	(579)	4,409
Fixed Income	**6,166**	**(872)**	**5,294**	2,639	(665)	1,974
Credit Investments	**14,270**	**(498)**	**13,772**	12,730	(483)	12,247
Real Estate	**(18,247)**	**(1,830)**	**(20,077)**	2,235	(1,469)	766
Infrastructure	**19,656**	**(1,322)**	**18,334**	20,775	(1,425)	19,350
Natural Resources	**4,301**	**(1,074)**	**3,227**	6,603	(780)	5,823
Complementary Portfolio	**1,750**	**(43)**	**1,707**	(335)	(11)	(346)
Other[5]	**1,255**	**(1,348)**	**(93)**	2,145	(714)	1,431
Total	**82,831**	**(10,080)**	**72,751**	50,073	(7,914)	42,159

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ thousands)	2024	2023
Interest expense	**5,527**	3,338
Transaction costs	**652**	577
External investment management fees[1]	**223**	272
Other (net)	**791**	625
Total	**7,193**	4,812

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $1,315 thousand for the year ended March 31, 2024 ($802 thousand for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $2,391 thousand for the year ended March 31, 2024 ($2,436 thousand for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ thousands)	2024	2023
Salaries and employee benefits	**1,936**	1,917
Professional and consulting fees	**494**	574
Premises and equipment	**79**	78
Market data and business applications	**287**	253
Depreciation of property and equipment	**99**	107
Custodial fees	**19**	21
Other operating expenses	**95**	152
Total	**3,009**	3,102

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	2024	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**77**	68
Long-term compensation and other benefits	**36**	39
Total	**113**	107

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $11,069 thousand has been allocated to the Plan Account (March 31, 2023 - $10,920 thousand) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which $4 thousand has been allocated to the Plan Account (March 31, 2023 – $3 thousand) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Foreign equity	**12**	12
Real estate	**15,716**	18,936
Private equity	**46,344**	54,323
Infrastructure	**16,256**	24,389
Natural resources	**1,957**	2,781
Private debt securities	**35,221**	28,764
Alternative investments	**6,345**	8,456
Total	**121,851**	137,661

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

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