Rating Report
Public Sector Pension Investment Board & PSP Capital Inc.

DBRS Morningstar
November 10, 2023

Contents

Clara Vargas
+1 416 597-7473
clara.vargas@dbrsmorningstar.com

Ranuj Kumar
+1 416 597-7597
ranuj.kumar@dbrsmorningstar.com

Tim O'Neil
+1 416 597-7477
tim.oneil@dbrsmorningstar.com

Credit Ratings

Debt	Credit Rating	Credit Rating Action	Trend
Public Sector Pension Investment Board			
Issuer Rating	AAA	Confirmed	Stable
PSP Capital Inc.			
Medium-Term Notes	AAA	Confirmed	Stable
Canadian Short-Term Promissory Notes	R-1 (high)	Confirmed	Stable
U.S. Commercial Paper Notes	R-1 (high)	Confirmed	Stable
Euro Commercial Paper Notes	R-1 (high)	Confirmed	Stable

Credit Rating Update

DBRS Limited (DBRS Morningstar) confirmed the Public Sector Pension Investment Board's (PSP Investments or the Fund) Issuer Rating at AAA. DBRS Morningstar also confirmed PSP Capital Inc.'s (PSP Capital) Medium-Term Notes (MTNs) rating at AAA along with its Canadian Short-Term Promissory Notes, U.S. Commercial Paper Notes, and Euro Commercial Paper Notes ratings at R-1 (high), based on the unconditional and irrevocable guarantee provided by PSP Investments. The trends on all credit ratings remain Stable. The credit ratings are supported by PSP Investments' exclusive mandate to manage the assets of four depository pension plans, the role of the Government of Canada (rated AAA with a Stable trend by DBRS Morningstar) as sponsor of the plans, the high level of assets available to meet obligations, the strong liquidity position, and a record of strong long-term investment returns.

The economic impact from factors such as high interest rates, sticky inflation, the economic slowdown in China, and the ongoing Russia-Ukraine war dominated most economies over the last year. This was further aggravated by other factors like negative returns in equity indexes and both nominal and real-return bonds, the UK's liability-driven investment funds crisis, and the failure of Silicon Valley Bank and Credit Suisse. Notwithstanding the challenges arising from these factors, PSP Investments achieved a positive one-year rate of return of 4.4% for the year ended March 31, 2023 (F2023), outperforming its benchmark (BM) return of -2.8%. The outperformance was mostly driven by foreign currency gains of 5.8% and the strong returns generated by private assets, notably 19.0% by infrastructure and 10.9% by natural resources, as well as by credit investments, which gained 13.1%. These gains offset the negative to moderately positive returns posted by public equities and bonds.

Net assets rose to $243.3 billion as of March 31, 2023, growing by 5.7% over the year. Although debt with recourse to the Fund from the capital market debt program increased by $1.3 billion to $24.0 billion as of March 31, 2023, its share of adjusted net assets as of March 31, 2023, remained unchanged at 9.0% as it was on March 31, 2022. Subsequent to the fiscal year-end, PSP Capital issued $1.25 billion of

4.150% Senior Notes due 2033, EUR 75.0 million of 3.679% Senior Notes due 2043, $1.0 billion of 4.400% Senior Notes due 2030 (Green Bonds), and reopened the 4.150% Senior Notes due 2033 by issuing an additional $500 million. PSP Investments has also launched a euro commercial paper (CP) program to diversify its investor base and capitalize on the natural hedge provided by currencies under the euro program. DBRS Morningstar expects PSP Capital to continue to issue term notes to refinance maturing debt, provide liquidity, and finance additional investment activities. PSP Investments' recourse debt remains low, providing considerable room for cyclical fluctuations in asset values.

The Fund has a prudent approach to liquidity management and has ample sources of funding to draw upon. DBRS Morningstar notes the Fund meets DBRS Morningstar's criteria for CP liquidity support, as outlined in the *Rating Canadian Public Pension Funds & Related Exclusive Asset Managers* methodology's appendix entitled "Self-Liquidity for Canadian Public Pension Funds and Related Exclusive Asset Managers' CP Programs" (Self-Liquidity Criteria). The Fund's liquidity position remains sound, with sufficient same-day available funds equal to at least five business days of upcoming liabilities and discounted assets equal to the remaining maximum authorized CP program limit; this is consistent with DBRS Morningstar's policy on backup liquidity support for pension plans and provides considerable short-term financial flexibility. The transfers from the Government of Canada have stayed positive in the last 20 years.

DBRS Morningstar notes F2023 was the second year of the board-approved five-year strategy (PSP Forward), which takes into consideration long-term trends, risks, and priorities. PSP Forward focuses on enhancing the total Fund performance and global operations by aligning systems, resources, and investment focus; generating valuable insights; and building a high-performing team. Some of the key elements of PSP Forward included increasing investment exposure to the Asia-Pacific markets, which will support diversification across geographies, asset classes, and investment strategies. Climate change is another area of focus. PSP Investments launched a firm-wide climate change strategy that includes six short-term targets to be met by 2026. By executing on its climate strategy, PSP Investments anticipates reducing the portfolio's greenhouse gas (GHG) emissions intensity by 20% to 25% by 2026, relative to its September 2021 baseline, and eventually transitioning to global net-zero GHG emissions by 2050. In addition, PSP Capital issued a second Green Bond ($1 billion) with proceeds earmarked for climate-related and environmental projects. PSP Investments continues to advance the integration of various aspects of environmental, social, and governance (ESG) factors, including diversity, equity, and inclusion, into its investment approach and company operations.

F2023 was also Deborah K. Orida's first year as chief executive officer (CEO), after the retirement of Neil Cunningham. Orida has 25 years of experience in the investments and finance industry and was most recently an executive at the Canada Pension Plan Investment Board, where she was the Global Head of Real Assets and Chief Sustainability Officer.

Financial Information

	For the year ended March 31				
(CAD millions)	**2023**	**2022**	**2021**	**2020**	**2019**
Net assets	243,315	230,273	204,299	169,682	167,853
Total recourse debt[1]	24,042	22,710	16,731	15,808	14,119
As a share of adjusted net assets (%)[2]	9.0	9.0	7.6	8.5	7.8
Total investment return (%)	4.4	10.9	18.4	(0.6)	7.1
BM return (%)	-2.8	9.4	16.5	(1.6)	7.2

1 Recourse debt from capital market debt financing reported at fair value.
2 For the purposes of the ratio calculation, net assets are adjusted by adding back recourse debt.

Issuer Description

PSP Investments

PSP Investments is a non-agent Crown corporation created to manage the net contributions received since April 1, 2000, for the pension plans of the federal Public Service (the Public Service), the Canadian Forces, and the Royal Canadian Mounted Police (RCMP); and, since March 1, 2007, for the pension plan of the Reserve Force. As at March 31, 2023, PSP Investments held net assets of $243.3 billion.

PSP Capital

PSP Capital is a wholly owned subsidiary of PSP Investments that was created in 2005 to raise financing for investment activities through short-term and long-term borrowing. The credit ratings on the debts issued by PSP Capital are predicated on the unconditional and irrevocable guarantee provided by PSP Investments.

Credit Rating Considerations

Strengths

1. High level of unencumbered assets and liquidity

The Fund had net assets of $243.3 billion as of March 31, 2023, and relatively low recourse debt, which provides the Fund with considerable flexibility in meeting its obligations. Recourse debt raised from capital market debt financing represented 9.0% of net adjusted assets as of the end of F2023.

2. Exclusive mandate to manage pension assets

PSP Investments was established for the sole purpose of managing some of the federal government's pension plan assets. The Public Service, Canadian Forces, and RCMP pension plans are required under their respective constituting acts to transfer all net pension contributions to PSP Investments for service costs following April 1, 2000. The Reserve Force Pension Plan is also required to transfer to PSP Investments all net contributions received on or after March 1, 2007. This makes depositors captive and adds certainty to cash flows and net assets.

3. Ongoing net contributions

PSP Investments manages the net contributions received in relation to pension plan benefits earned by employees since April 1, 2000, through the Public Service, Canadian Forces, and RCMP pension plans. PSP Investments also has the mandate to manage the net contributions received after March 1, 2007, from the Reserve Force Pension Plan. The most recent actuarial valuations project positive cash flows to PSP Investments for at least five years, which will provide strong support to liquidity and asset growth.

However, DBRS Morningstar notes as the Fund continues to gain scale, net pension contributions become less important to net asset growth. Since April 1, 2000, transfers received from the government represent about 37% of net assets; the remaining 63% is attributable to investment returns.

4. Strong plan sponsor in the Government of Canada
The Government of Canada is the sponsor of the four pension plans whose funds are managed by PSP Investments, which provides considerable stability and certainty of cash flows.

Challenges
1. Political risks that could weaken depositor relationships
The R-1 (high) and AAA credit ratings partly reflect the high level of net assets available to meet obligations; however, new legislation could conceivably be introduced, allowing plan depositors to seek alternative asset managers, which could adversely affect net assets and therefore reduce debt coverage. Given that the Fund was set up specifically to service the pension plans, DBRS Morningstar considers any wholesale change in PSP Investments' role as a manager of public pension assets a remote possibility.

2. Volatility inherent in investment activities
Asset valuation fluctuates over time. The current outlook of slower economic growth and uncertainty arising from increased geopolitical risk, high inflation resulting in higher interest rates, the slowdown in the Chinese economy, and maturing demographics can lead to an increased exposure to riskier assets. Riskier assets can offer potentially higher long-term results but may also add more volatility to the asset base's valuation in the short term.

3. Asset reallocation toward more illiquid assets
The Fund has been increasing the allocation toward illiquid assets in recent years. Although this strategy has contributed to generating higher returns and reducing volatility in the portfolio, it can also make the Fund more vulnerable to liquidity risk. This risk is mitigated by PSP Investments' sound liquidity management practices based on a total fund approach, which includes access to diversified sources of liquidity, sensitivity and stress testing analysis of liquidity coverage for different time horizons, and frequent monitoring and reporting. The Fund maintains sufficient same-day available funds equal to at least five business days of upcoming liabilities and discounted assets equal to the remaining maximum authorized CP program limit, consistent with DBRS Morningstar's Self-Liquidity Criteria, which further enhances financial flexibility and supports the short-term credit ratings. The Fund also receives semimonthly net contributions from the Government of Canada.

4. Establishing framework to meet growth requirements
The Fund has experienced rapid growth since its inception in 1999. It has grown to approximately 1,000 employees and continues to mature as an organization. PSP Investments continues to implement and refine its process, systems, and resources to meet growth and return expectations.

Investment Performance

PSP Investments achieved a return of 4.4% in the year ended March 31, 2023, outperforming its BM return of -2.8%. The strong return is attributable to positive returns across most asset classes, particularly in private asset classes. PSP Investments has achieved an average annual return of 7.9% over the last five years, which compares positively with the BM return of 5.5% over the same period.

Despite headwinds from the macroeconomic environment and global economic slowdown, PSP Investments achieved a healthy return in F2023. Real assets, known for outperformance during periods of rising interest rates, were the strong gainers, with infrastructure gaining 19.0% and natural resources delivering 10.9%. Along with real assets, another top-performing asset class was credit investments, which was well positioned for rising interest rates with a majority floating-rate exposure, delivering 13.1%. In absolute terms, other asset class returns were on the relatively lower side but performance was still resilient. For instance, private equities, despite valuation and rising interest rate pressures, delivered 3.3%. Notwithstanding the worldwide increase in interest rates negatively affecting the bond market in F2023, fixed income gained 1.4%. Public market equities faced challenges driven by rising interest rates, geopolitical issues like the Russia-Ukraine conflict, ongoing U.S.-China tensions, and shock waves from the failure of Silicon Valley Bank. This was the only asset class that delivered a negative return (0.5%), but compared with volatility in public equity markets across economies, this was still satisfactory.

PSP Investments' policy is to maintain most of its exposure to foreign currencies unhedged. Some currencies are risk additive, being even more pro-cyclical than the Canadian dollar, and are therefore strategically hedged, given the hedging cost is reasonable. Furthermore, exposures to certain currencies may from time to time be hedged based on market conditions and outlook. In F2023, major foreign currency exposures, notably the U.S. dollar, appreciated versus the Canadian dollar during the economic shocks and therefore acted as a diversifier. The euro and the British pound sterling also rebounded during the year from their shock after Russia's invasion of Ukraine. Foreign currency gains contributed 5.8% to PSP Investments' net return. Given that the majority of PSP Investments' assets are denominated in foreign currencies, currency fluctuations can have a significant short-term impact on investment returns. However, countercyclical currencies such as the U.S. dollar tend to move in the opposite direction of the stock market and therefore are expected to reduce losses in times of crisis. The Fund expects the unhedged currency positions to be natural diversifiers and volatility stabilizers in the long run.

The Complementary Portfolio returned (0.2%) in the year. The Complementary Portfolio continued investing in strategies that are uncorrelated to general economic conditions. The scope of investments within the Complementary Portfolio has been recently broadened to include more innovative strategies, with the focus on alternative risk premium, knowledge-driven strategies, with royalties being the latest addition to its investment strategy. Since its inception in January 2017, the Complementary Portfolio has generated an annualized 10.1% return compared with its BM return of 4.5%.

Investment Returns[1]

	Five-Year Average	10-Year Average	For the year ended March 31				
			2023	**2022**	**2021**	**2020**	**2019**
Total investment return (%)	7.9	9.2	4.4	10.9	18.4	(0.6)	7.1
BM return (%)[2]	5.5	7.4	-2.8	9.4	16.5	(1.6)	7.2

1 Net returns.
2 The Policy Portfolio BM is weighted using actual portfolio asset-class weightings.

Returns by Major Portfolio[1]

(For the year ended March 31)

	2023 Return	**2022 Return**	**2021 Return**	**2020 Return**	**2019 Return**
Government Fixed Income					
Cash and cash equivalents %)	3.0	0.1	1.4	1.7	1.9
Fixed income (%)	1.4	(1.7)	(2.3)	10.0	4.8
Credit					
Credit investments (%)	13.1	7.5	10.5	4.3	9.2
Equities					
Public market equities (%)	(0.5)	6.0	48.1	(11.2)	4.3
Private equity (%)	3.3	27.6	28.4	5.2	16.1
Real-Return Assets					
Real estate (%)	0.2	24.8	3.8	(4.4)	7.6
Infrastructure (%)	19.0	13.9	4.5	8.7	7.1
Natural resources (%)	10.9	15.9	10.6	(5.2)	11.1
Complementary Portfolio (%)	(0.2)	16.9	0.2	13.6	0.04
Net Return (%)	4.4	10.9	18.4	(0.6)	7.1

1 Net returns.

The investment approach includes a Reference Portfolio, a Policy Portfolio, and active management strategies. In F2021, the Government of Canada took over responsibility for the Reference Portfolio. The Treasury Board of Canada Secretariat now communicates a composition of the Reference Portfolio to PSP Investments on behalf of the president of the Treasury Board. The Reference Portfolio is a simple, passively managed portfolio of publicly traded securities that the government uses to communicate its funding risk tolerance to PSP Investments. It is currently composed of 59% equities and 41% fixed income. PSP Investments aims to outperform the Reference Portfolio over the long term within the Government's funding risk tolerance.

The Policy Portfolio represents the long-term target asset allocation and is reviewed at least annually by the board. PSP Investments has mostly finished the transition to the target asset mix identified in the Policy Portfolio. Over the years, the Fund has moved away from heavy allocation to public equities and toward private market asset classes, such as private credit investments, private equity, infrastructure, and natural resources, in search of higher returns. Post-2000 liabilities under the depository plans are expected to have minimal liquidity requirements from PSP Investments for pension payments for at least the next five years, excluding the impact from potential contribution holidays. The long-term, illiquid private market investments help the Fund to match the risk/return profile of the portfolio with the long-term, inflation-sensitive nature of the pension obligations. This fiscal annual review kept the Policy Portfolio unchanged as it remains aligned with the government risk tolerance while enhancing the risk-return profile.

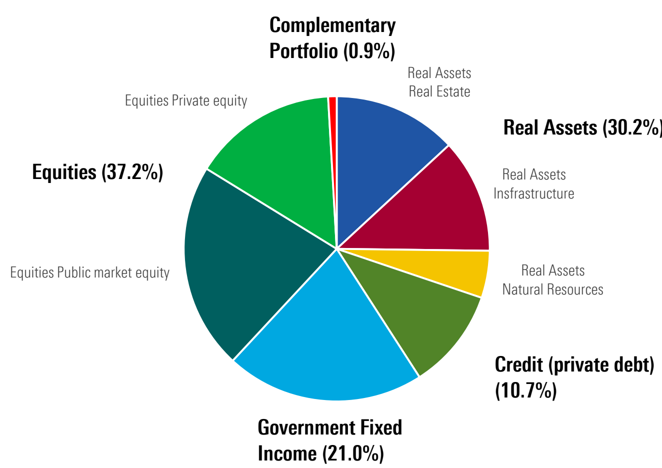
The final component of the investment mandate is active investment management implemented within set risk budgets to generate additional returns over and above the Policy Portfolio. Active management benefits from the Fund's proprietary research, in-house expert decision making, and analytic competence. In public market equities, for example, this may be achieved through over- and under-weighting specific securities relative to the portfolio equity BM.

The Complementary Portfolio was introduced in F2017 to make investments that do not necessarily fit within an existing asset class but support PSP Investments' total fund investment approach and improve the long-term risk/reward profile. The Complementary Portfolio (0.9% of net assets under management (AUM) in F2023) does not have a target allocation; however, it has an upper bound of 3.0% of the Fund's value as per board monitoring range. The Complementary Portfolio has returned 10.1% on an annual basis since its launch.

Over the last few years, the Fund has pursued a few strategies, such as greater allocations toward credit investments, real assets, and emerging market debt as a means of increasing the portfolio diversification. Overall, all of the Fund's asset classes are currently at or around their targeted allocation limits.

Investment Profile

Exhibit 1 Asset Mix as at March 31, 2023



Source: DBRS Morningstar.

Net Investments	Long-Term Target Asset Allocation		As at March 31				
	F2023	**F2022**	**2023**	**2022**	**2021**	**2020**	**2019**
Government fixed income (%)	21.0	21.0	21.0	20.2	21.0	19.7	20.5
Credit							
Credit investments (%)	9.0	9.0	10.7	9.5	7.1	7.8	6.2
Equities							
Public market equity (%)	27.0	27.0	21.9	25.7	29.4	28.5	30.4
Private equity (%)	12.0	12.0	15.3	15.3	15.5	14.2	14.0
Total Equities (%)	**39.0**	**39.0**	**37.2**	**41.0**	**44.9**	**42.7**	**44.4**
Real-Return Assets							
Real estate (%)	14.0	14.0	13.1	13.5	13.1	14.0	14.0
Infrastructure (%)	12.0	12.0	12.1	10.2	9.0	10.8	10.0
Natural resources (%)	5.0	5.0	5.0	5.0	4.7	4.5	4.0
Total Real-Return Assets (%)	**31.0**	**31.0**	**30.2**	**28.7**	**26.8**	**29.3**	**28.0**
Complementary Portfolio (%)	n/a	n/a	0.9	0.6	0.2	0.6	0.9
Total (%)[1]	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

1 Total does not add up because of rounding.

As part of PSP Forward, PSP Investments plans to further enhance the total fund performance and global operations, generate valuable insights, and continue to build a high-performing team. Some of the key priorities under PSP Forward included increasing exposure to the Asia-Pacific region, which will support greater diversification by geographies, asset classes, and investment types. Under the Asia-Pacific strategy, PSP Investments plans to leverage its existing presence in Hong Kong to invest across the region. Another priority is to further integrate climate investing into its asset classes and portfolio construction. PSP Investments established climate change commitments in F2022 that include the following:

- Increase investments in green assets to $70 billion by 2026 from the 2021 baseline of $40.3 billion.
- Grow exposure to transition assets to $7.5 billion by 2026 from the 2021 baseline of $5.1 billion.
- Undertake efforts to obtain Scope 1 and Scope 2 GHG data for 80% of the in-scope portfolio.
- Decrease exposure to carbon-intensive assets to $3.9 billion by 2026 from the 2021 baseline of $7.8 billion.
- Ensure that assets representing 50% of the portfolio carbon footprint have commitments to implement mature transition plans.
- Ensure 10% of capital market debt financing is steered toward sustainable bonds.

PSP Investments made progress toward those commitments in F2023; the Fund reached $48.9 billion in investments in green assets, $7.8 billion in transition assets, and obtained Scope 1 and Scope 2 GHG data for 54% of the in-scope portfolio.

PSP Investments continues to make advances on its data-driven approach to analyze and monitor risk and opportunities through the lens of ESG.

Net Asset Position

Change in Net Assets

	For the year ended March 31				
(CAD millions)	**2023**	**2022**	**2021**	**2020**	**2019**
Investment income	12,084	23,562	32,588	203	12,195
Investment-related expenses	(1,158)	(502)	(497)	(703)	(579)
Net investment income	10,926	23,060	32,091	(500)	11,616
Operating expenses	(744)	(588)	(510)	(551)	(503)
Fund transfers	2,860	3,502	3,036	2,871	3,749
Other comprehensive income (loss)	-	-	-	9	(3)
Increase in Net Assets	**13,042**	**25,974**	**34,617**	**1,829**	**14,859**
Net Assets	**243,315**	**230,273**	**204,299**	**169,682**	**167,853**

PSP Investments' net assets increased to $243.3 billion as of March 31, 2023, from $230.3 billion last year, growing by 5.7% year over year. Net investment income generated gains of $10.9 billion, while fund transfers added $2.9 billion. Operating costs reduced net assets by $744 million. The Fund's net asset position has been rapidly growing, fuelled by strong investment returns (63% of net AUM) and solid net contributions (37% of net AUM) stemming from the Fund's mandate to manage assets for post-2000 pension liabilities.

The Fund's investment-related liabilities and capital market debt increased by 19.2% ($6.4 billion) in the year ended March 31, 2023, mostly driven by higher usage of repos and higher issuance of MTNs. Derivative-related liabilities decreased to $1.6 billion in F2023 from $2.5 billion in F2022. The Fund uses derivatives to enhance returns or to replicate investments synthetically and to manage duration in the fixed income portfolio. DBRS Morningstar notes counterparty risk in derivative contracts has been mitigated through a quality selection of counterparties, the use of counterparty agreements, netting, and collateral exchanges; therefore, much of the remaining risk relates to underlying market risk.

The Fund has strict board-imposed internal limits on the amount of total leverage. Furthermore, the Fund has internal guidelines limiting the amount of leverage that can come from its capital market program. As at F2023, recourse debt raised from the capital market debt program rose to $24.0 billion, representing 9.0% of adjusted net assets. Subsequent to the fiscal year-end, PSP Capital issued $1.25 billion of 4.150% Senior Notes due 2033, EUR 75.0 million of 3.679% Senior Notes due 2043, $1.0 billion of 4.400% Senior Notes due 2030 (Green Bonds), and reopened the 4.150% Senior Notes due 2033 by issuing an additional $500 million. PSP Investments has also launched a euro CP program to diversify its investor base and capitalize on the natural hedge provided by currencies under the euro program. DBRS Morningstar expects PSP Capital to continue to issue term notes to refinance maturing debt, provide liquidity, and finance additional investment activities. PSP Investments' recourse debt remains low, providing considerable room for cyclical fluctuations in asset values.

PSP Investments maintains a prudent approach to liquidity management. The Fund's treasury department monitors liquidity needs daily and maintains its own accounts to ensure that liquidity is available to meet near-term cash needs. Liquidity levels are set by senior management, which seeks to ensure that the treasury department has access to sufficient liquidity to meet all cash commitments/requirements. The treasury department maintains liquidity in the form of cash, money market securities, floating-rate notes, and government bonds. PSP Investments also maintains a $2 billion committed line of credit and $1 billion of demand facilities (both undrawn as of March 31, 2023) as additional sources of liquidity. In managing liquidity, PSP Investments employs a total fund approach through a centralized platform, the Corporate Liquidity Fund (CLF). The primary objectives of the CLF are safety of capital and liquidity and collateral eligibility. The CLF is composed primarily of highly rated government or government-related fixed income securities to meet its collateral requirements.

The Fund's liquidity position remains sound, with sufficient same-day available funds equal to at least five business days of upcoming liabilities and discounted assets equal to the remaining maximum authorized CP program limit, which is consistent with DBRS Morningstar's policy on backup liquidity support for pension plans and further highlights the Fund's flexibility to meet short-term obligations through its diversified sources of liquidity for severe market disruptions.

PSP Investments employs an enterprise risk management framework covering a broad array of risks, including operational, strategic, investment, legal and regulatory, and reputational. Risk management is led by the Chief Financial and Risk Officer, who reports to the CEO, with oversight from the board. PSP Investments continues to enhance its risk management functions by working closely with the investment groups and providing strategic risk analysis and daily reports. PSP Investments' risk framework includes comprehensive sensitivities analysis and stress-testing scenarios, which are a centerpiece in the implementation of its liquidity framework.

Investment-Related Liabilities and Capital Market Debt

	For the year ended March 31				
(CAD millions)	**2023**	**2022**	**2021**	**2020**	**2019**
Investment-Related Liabilities[1]					
Accounts payable from pending trades	1,079	1,069	1,524	1,016	956
Interest payable	116	81	71	94	69
Securities sold short	2,495	2,347	2,774	3,890	6,298
Collateral payable	957	671	2,214	3,351	3,012
Securities sold under repurchase agreements	9,433	3,928	3,279	8,787	5,627
Derivative-related liabilities	1,635	2,538	1,463	4,535	962
Capital market debt[1]	24,042	22,710	16,731	15,808	14,119
Total	**39,757**	**33,344**	**28,056**	**37,481**	**31,043**

1 Fair-market-value basis.

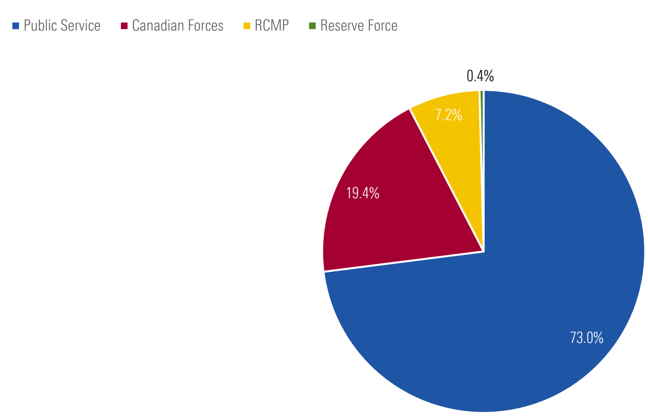
Capital Market Debt Outstanding[1]

(CAD millions)	Maturity	Interest Rate (%)	Amount[1]
Canadian Short-Term Promissory Notes[2]	30 days to 360 days	0.25 to 1.00	40
U.S. Commercial Paper Notes[2]	25 days to 365 days	0.15 to 1.15	7,158
Medium-Term Notes, Series 7	Apr. 2024	3.29	1,301
Medium-Term Notes, Series 9	Nov. 2023	2.09	1,395
Medium-Term Notes, Series 11	Nov. 2025	3.00	1,225
Medium-Term Notes, Series 12	Jan. 2030	2.05	1,127
Medium-Term Notes, Series 13	Jun. 2026	0.90	1,328
Medium-Term Notes, Series 14	Mar. 2028	1.50	911
Medium-Term USD Notes, Series G1	Jun. 2026	1.00	1,225
Medium-Term USD Notes, Series G2	Sep. 2024	0.50	1,597
Medium-Term USD Notes, Series G3	Oct. 2028	1.63	1,192
Medium-Term CAD Notes, Series G4 (Green Bonds)	Mar. 2032	2.60	920
Medium-Term USD Notes, Series G5	Mar. 2025	SOFR + 0.24%	1,348
Medium-Term USD Notes, Series G6	Jun. 2027	3.50	1,322
Medium-Term AUD Notes, Series G7	Aug. 2032	4.57	208
Medium-Term USD Notes, Series G8	Jun. 2029	3.75	1,410
Medium-Term AUD Notes, Series G9	Jan. 2033	4.82	184
Medium-Term EUR Notes, Series G10	Mar. 2038	3.68	151
Total			**24,042**

1 Fair value.
2 Maturity, principal, and the interest rate are Canadian dollar equivalent as of March 31, 2023.

About PSP Investments

Exhibit 2 Net Assets per Pension Plan (March 31, 2023)



Source: DBRS Morningstar.

PSP Investments is a Crown corporation created in 1999 under the Public Sector Pension Investment Board Act to manage the net contributions received in relation to pension plan benefits earned by employees since April 1, 2000, through the Public Service, Canadian Forces, and RCMP pension plans. PSP Investments also has the mandate to manage the net contributions received after March 1, 2007, from the Reserve Force Pension Plan. As at March 31, 2023, net investments under PSP Investments management and available to service pension benefits amounted to $243.3 billion. PSP Investments operates at arm's length from the Government of Canada. Its mandate is to manage the funds transferred in the best interests of the contributors and beneficiaries to maximize investment returns without undue risk of loss, considering the funding, policies, and requirements of the plans and the plans' abilities to meet their financial obligations.

Pension benefits accrued by plan members before April 1, 2000, under the Public Service, Canadian Forces, and RCMP pension plans are held separately in the accounts of the Government of Canada (Superannuation Accounts).

Actuarial valuations of the contributing pension plans are conducted in a staggered manner. The most recent actuarial valuation conducted as at March 31, 2020, for the Public Service; as at March 31, 2021, for the RCMP; and as at March 31, 2019, for Canadian Forces revealed a surplus position, while the latest valuations conducted as at March 31, 2019, for the Reserve Force showed a deficit position. The deficit positions in the pension funds are caused by a combination of factors, including demographic factors, investment losses, and revisions of actuarial assumptions over the intervaluation periods. As is required under the governing acts of each of these plans, the actuarial deficits will be amortized with equal annual payments over 15 years, with special payments being made by the plan sponsor.

PSP Investments is governed by a board of directors consisting of 11 directors, including a chairperson. Each director is appointed by the Governor in Council on the recommendation of the president of the Treasury Board for a term not exceeding four years and is eligible for reappointment for one or more additional terms. The president of the Treasury Board's recommendation is made from a list of qualified candidates proposed by an external nominating committee. The board reports to Parliament through the president of the Treasury Board and is responsible for, among other things, appointing the CEO, approving policies and procedures for investment activities, remuneration, leverage, liquidity, and risk management. The board has one vacancy that was created as a result of Timothy Hodgson’s resignation from the board effective September 1, 2022, and a search for his replacement is ongoing.

Ranking and Legal Issues

In contrast to pension funds, PSP Investments, as an exclusive asset manager, has no direct responsibility for the obligations faced by the depositors in relation to the benefits owed to their members. This greatly reduces the volatility of PSP Investments' net asset position. An updated legal opinion provided by PSP Investments’ external legal counsel states that the obligation resulting from the guarantee ranks senior to amounts that become due to the pension plans compared with the pari passu opinion originally obtained when the credit ratings were first assigned. While this is a positive development, DBRS Morningstar generally puts limited emphasis on such legal opinions in its credit rating assessments for public pension funds, given the absence of legal certainty pertaining to this issue.

Under their respective constituting acts, the Public Service, Canadian Forces, and RCMP pension plans are required to deposit net contributions exclusively with PSP Investments. The Reserve Force Pension Plan also has similar requirements under its constituting regulations. This results in a fairly captive client base and solid cash inflows, given the favourable demographics of the plans. In theory, depositors could seek legislative changes enabling them to deposit new pension contributions or transfer existing funds elsewhere. Should this happen, PSP Investments could see net assets fall considerably, potentially affecting its credit ratings; however, DBRS Morningstar perceives this scenario to be very remote because PSP Investments was created specifically to service those pension plans.

PSP Investments operates at arm's length from the federal government, which reduces the possibility of political intervention. Nonetheless, its constituting act permits the Governor in Council to make regulations in respect of the percentage of assets that must be allocated to Government of Canada bonds. As a result, the government could conceivably use the Fund as a lender of last resort in times of heavy financial stress. Given the Government of Canada's very robust credit profile and its moral obligation to protect the financial integrity of the pension plans, DBRS Morningstar views this scenario as very remote.

Structure of Guarantees from PSP Investments to PSP Capital

PSP Investments unconditionally and irrevocably guarantees the full payment of principal and interest in respect of the MTNs, Canadian Short-Term Promissory Notes, U.S. Commercial Paper Notes, and Euro Commercial Paper Notes issued by PSP Capital. Should PSP Capital fail to make required payments, investors can demand payment from PSP Investments under the guarantee without first exhausting recourse to PSP Capital. DBRS Morningstar has reviewed a legal opinion obtained by PSP Investments from its legal counsel stating that, subject to certain assumptions and qualifications, the guarantee is a legal, valid, and binding obligation of PSP Investments; enforceable against PSP Investments in accordance with its terms; and that PSP Investments has the necessary corporate power to guarantee the principal and interest of PSP Capital's MTNs, Canadian Short-Term Promissory Notes, U.S. Commercial Paper Notes, and Euro Commercial Paper Notes.

Credit Rating History

	Current	2022	2021	2020	2019
Public Sector Pension Investment Board					
Issuer Rating	AAA	AAA	AAA	AAA	AAA
PSP Capital Inc.					
Medium-Term Notes	AAA	AAA	AAA	AAA	AAA
Canadian Short-Term Promissory Notes	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
U.S. Commercial Paper Notes	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
Euro Commercial Paper Notes	R-1 (high)	NR	NR	NR	NR

NR = not rated.

Previous Action

- Confirmed, December 2, 2022.

CP Limit

- PSP Capital Inc.: $12.0 billion for Canadian Short-Term Promissory Notes, U.S. Commercial Paper Notes, and Euro Commercial Paper Notes combined.

Related Research

- *Rating Canadian Public Pension Funds & Related Exclusive Asset Managers*, April 27, 2023.
- *North American Structured Finance Flow-Through Ratings*, November 22, 2022.

Previous Report

- Public Sector Pension Investment Board & PSP Capital Inc.: Rating Report, December 2, 2022.

Appendix 1: ESG Considerations

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
	Climate and Weather Risks	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N
		In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	N	N
		Climate and Weather Risks	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	N	N
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	N	N
	Bribery, Corruption, and Political Risks	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could affect the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	N	N
		Corporate / Transaction Governance	N	N
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

There were no Environmental factors that had a relevant or significant effect on the credit analysis. For more details about which Environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no Social factors that had a relevant or significant effect on the credit analysis. For more details about which Social factors could have an effect on the credit analysis, please refer to the checklist above.

Governance

There were no Governance factors that had a relevant or significant effect on the credit analysis. For more details about which Governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could affect the issuer's credit profile and, therefore, the credit ratings on the issuer, the Medium-Term Notes, and the Commercial Paper Notes. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/416784.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

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