

PSP Investments

June 2019

PSP

Highlights

Invests funds for the pensions plans of the Public Service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force



A diversified portfolio of investments in Public Markets, Real Estate, Private Equity, Infrastructure, Natural Resources and Private Debt



One of Canada's largest pension investment managers with C\$168.0B in net assets*



A global institutional investor with offices in Ottawa, Montréal, New York, London and Hong Kong



A diverse team of more than 800 professionals

Credit Fundamentals

- Non-agent Crown entity **100% owned by the Canadian Government** operating at arm's length
- Mandated by the Federal Government to be the exclusive asset manager for four government-sponsored pension plans
- No pension liabilities at PSP as it is an Investment Board
- No possibility of insolvency without an Act of Parliament
- Government obligation to fund pensions in case of actuarial shortfall (Superannuation Acts)
- **AAA ratings** based on strong financial pillars, sponsorship and governance
- **Positive projected annual cash inflows** for the near future



A Non-Agent Crown Entity

— Crown entities that are expressly declared by, or pursuant to, an Act of Parliament to be agents of the Crown (Financial Administration Act – s. 83(1))

— Enjoy the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown and can bind the Crown by their acts.



Government of Canada

Agent Crown entities

Non-agent Crown entities

Entities that are wholly owned directly by the Crown (Financial Administration Act – s. 83(1))



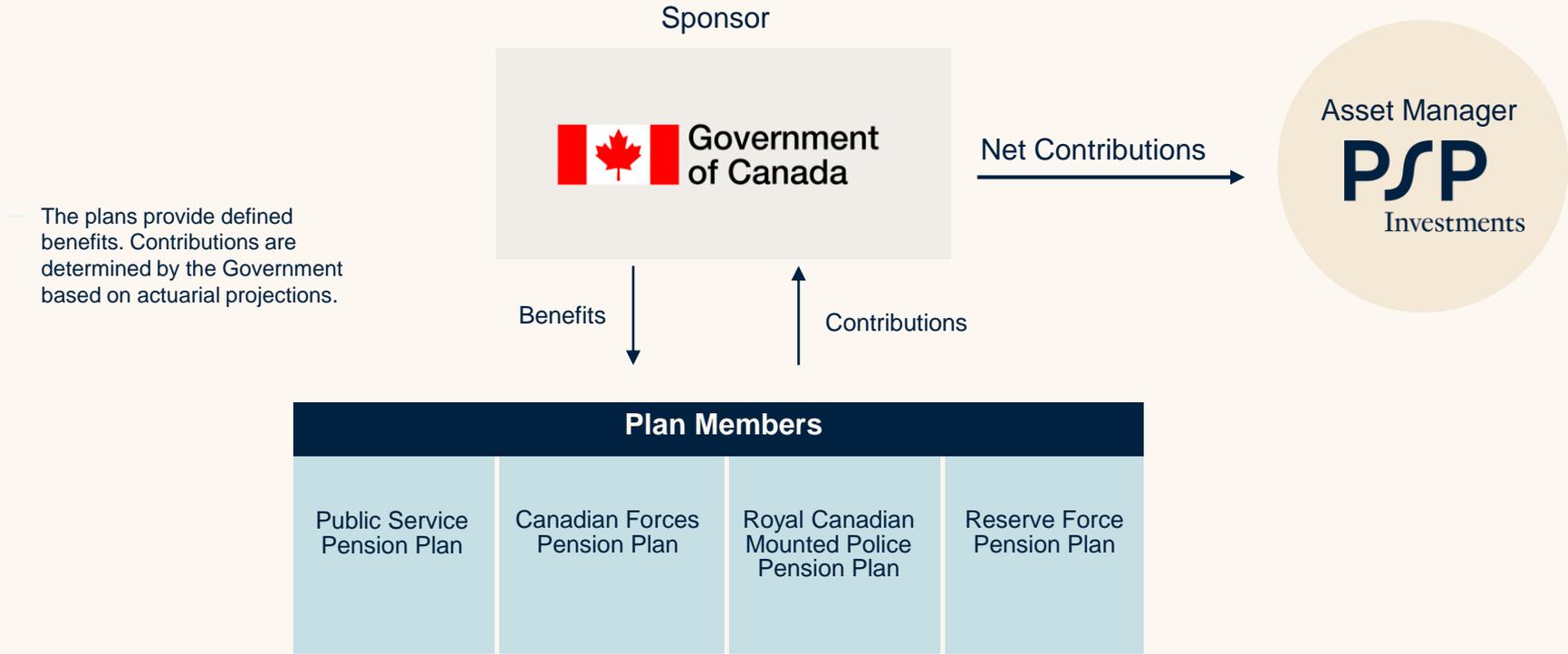
CANADA HOUSING TRUST

PSP

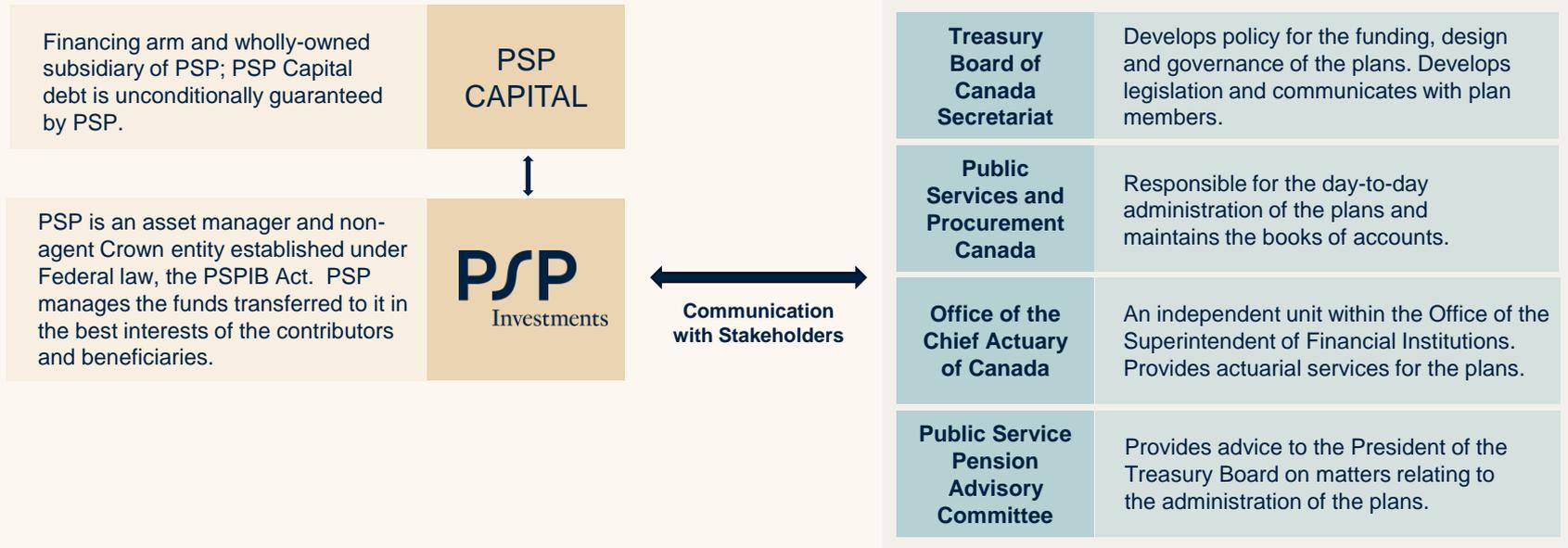


CPP INVESTMENT BOARD

PSP is a Government-Sponsored Asset Manager



Relationship with the Government of Canada



An Independent Board of Directors

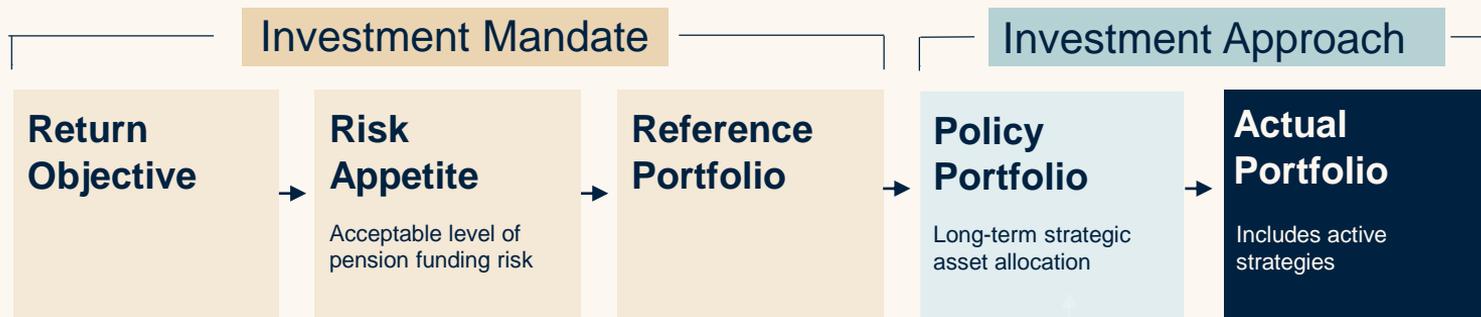
— The Board members are:

Appointed by the Governor in Council, on the recommendation of the President of the Treasury Board from a list of qualified candidates proposed by an independent nominating committee

Board of Directors (11 members, including Chairperson)

- **One Chairperson**
- **Ten directors**, who serve a term of four years
- Fiduciary duties and responsibilities generally consistent with the board of a publicly-traded entity
- Provides that PSP Investments operates at arm's length from the Government of Canada
- Establishes the audit, investment & risk, governance, and human resources & compensation committees

Investment Framework



Geographic Diversification

United States	44%
Canada	20%
Developed Europe	16%
Emerging Markets	14%
Developed Asia/Pacific	6%

Asset Mix

Equity	44.8%	Public Market Equities
		Private Equity
Real Assets	28.0%	Real Estate
		Infrastructure
		Natural Resources
Government Fixed Income	20.5%	Fixed Income
		Cash and Cash Equivalents
Credit	6.7%	Private Debt

Asset Class Overview

PSP Investments C\$ 168.0 Billion Net AUM

Public Markets*

Public Markets is composed of public equity, absolute return strategies and fixed income. Investments are managed by both internal and external managers using a combination of traditional active, absolute return and passive strategies.

C\$ 80.8
Billion
Net AUM
48.1%

Real Estate

Real Estate focuses on building a world-class portfolio of assets in major international cities, based on global themes such as technology, lifestyle, urbanization and demographics. We prefer to own assets directly with first class partners that have local expertise.

C\$ 23.5
Billion
Net AUM
14.0%

Private Equity

Private Equity strategically builds relationships with external fund managers and investment partners, leveraging their networks and sector and geographic expertise to source long-term direct investment and co-investment opportunities.

C\$ 23.5
Billion
Net AUM
14.0%

Infrastructure

Infrastructure invests globally on a long-term basis, primarily in the transportation, telecommunications and public utilities sectors. The group is focused on direct investments, including platforms and co-investments.

C\$ 16.8
Billion
Net AUM
10.0%

Private Debt

Credit Investments focuses on direct non-investment grade primary and secondary credit investments in North America and Europe, in both private and public markets. Our global team in New York, Montréal and London commits to large positions across the debt capital structure.

C\$ 10.5
Billion
Net AUM
6.2%

Natural Resources

Natural Resources focuses on direct investments in real assets in timber, agriculture, and other related opportunities, which are well suited to the liability profile of the pension plans that PSP invests for.

C\$ 6.8
Billion
Net AUM
4.0%

Complementary Portfolio

The Complementary Portfolio focuses on investments that are not within the mandate of an existing asset class but are deemed beneficial for the total fund. It provides PSP Investments with additional flexibility by making it possible to capture investment opportunities that would not otherwise be pursued.

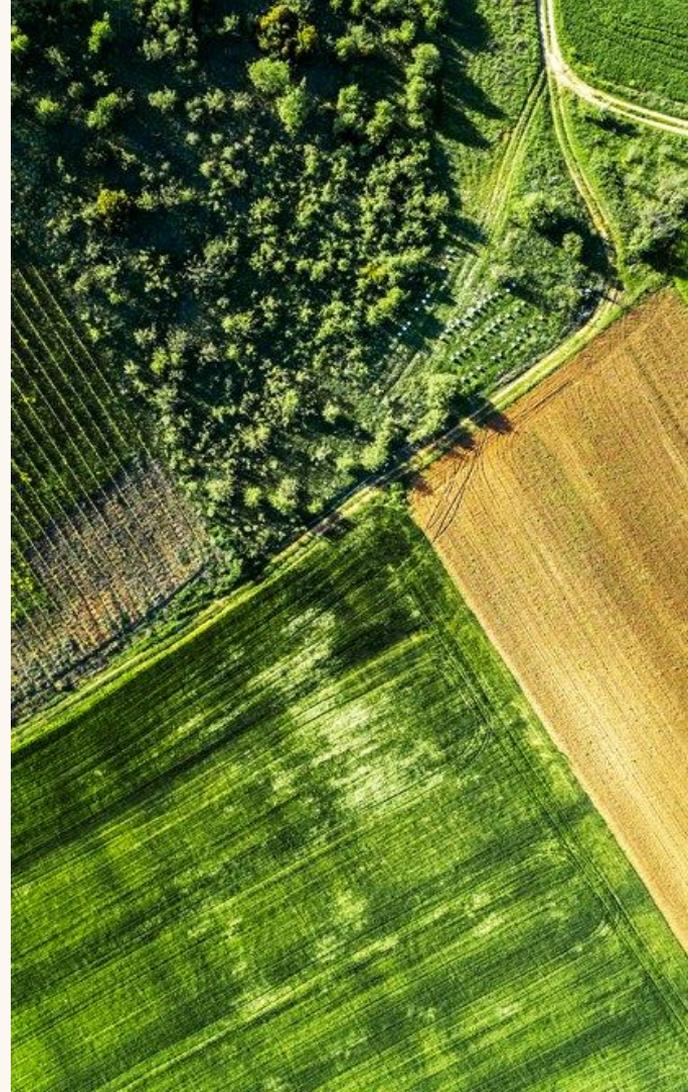
C\$ 1.4
Billion
Net AUM
0.8%

All figures are as at March 31, 2019
*Excludes Cash & Cash Equivalents

Responsible Investment

Investing Responsibly

- As a long-term investor, PSP believes that well-run companies who effectively manage social and environmental issues are more likely to prosper over time
- A dedicated Responsible Investment Group supports each asset class with ESG integration activities and provides advice and guidance on ESG themes
- Our [Responsible Investment Policy](#) and [Proxy Voting Guidelines](#) highlight PSP's approach to ESG integration and active ownership
- Published 3rd annual [Responsible Investment Report](#) in June 2019
- Ranked among the world's 25 most responsible asset allocators¹



Integrating ESG factors throughout the investment process

	Investment Opportunity	Investment Decision	Investment Monitoring	Investment Review
Internally managed investments	Identify key ESG factors and determine due diligence scope	In-depth assessment of material ESG risks and opportunities	Monitoring of ESG risk and performance, shareholder engagement and <i>proxy voting</i> *	Re-assessment of material ESG risks and opportunities
Externally managed investments	Define due diligence scope based on investment strategy	In-depth assessment of ESG integration practices	Engagement on ESG best practices	Re-assessment of ESG practices

* Applicable to public market investments

Collaborating on issues that matter to capital markets

- PSP works with a number of organizations to support initiatives that enhance the quality of ESG practices and disclosure
- Provide feedback on key issues to support robust and vibrant financial markets
- Work collaboratively with peers on key issues

Signatory of:



Financial Performance

Financial Highlights – FY19

7.1%

1-YEAR
NET PORTFOLIO
RETURN

8.8%

5-YEAR
NET ANNUALIZED
RETURN

10.7%

10-YEAR
NET ANNUALIZED
RETURN

C\$ **48.8** Billion

Cumulative net investment
gains above return objective
over 10 years

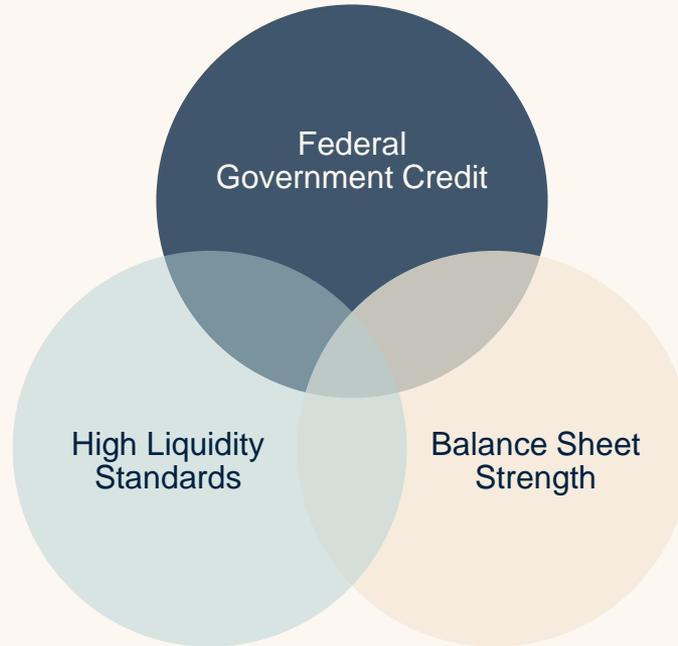
C\$ **90.1** Billion

Cumulative
10-year net
performance income

Credit & Liquidity

The Three Pillars of PSP's Credit Profile

- **Stress testing and contingency funding:** Stringent processes in place to manage liquidities
- Positive net contributions expected over the next five years
- C\$80.8B in public equities and marketable fixed income securities
- C\$3.0B line of credit



- **Clear, exclusive government mandate:** “Sovereign” credit
- 100% owned by the Government of Canada
- No possibility of insolvency without Act of Parliament
- **Conservative approach to leverage:** Self-imposed and strictly enforced leverage limits
- A pension investment manager, with no pension benefit administration liabilities
- Recourse debt is limited to 10% of AUM

Credit Ratings

Rated AAA on a stand-alone basis

- Strong government sponsorship
- Likelihood of government support
- Strong liquidity and investment returns

Debt issued by PSP Capital
unconditionally guaranteed by PSPIB

Debt ranks senior to amounts due to
pension plans

Agency	Rating	Outlook	Strength - Liquidity
	AAA	Stable	“The Fund has a prudent approach to liquidity management and has ample sources of funding to draw upon”
	AAA	Stable	“The fund has strong liquidity owing to its positive contribution cash flows, lack of redemption risk, large pool of liquid assets, and low-to-moderate level of debt”
	AAA	Stable	“PSPIB's fundamental liquidity position is particularly strong as a result of the actuarial profile of the Plans for which it invests”

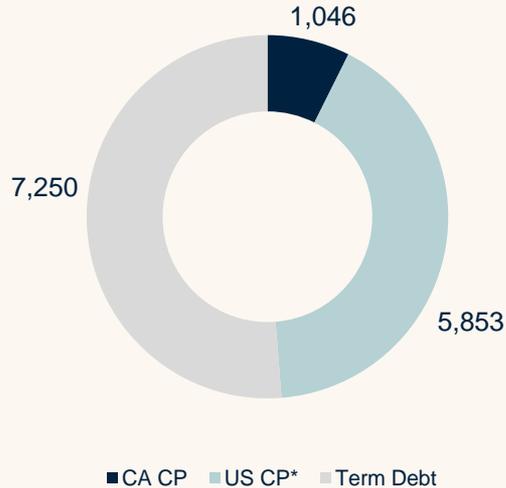
Debt Programs

Term Debt Program

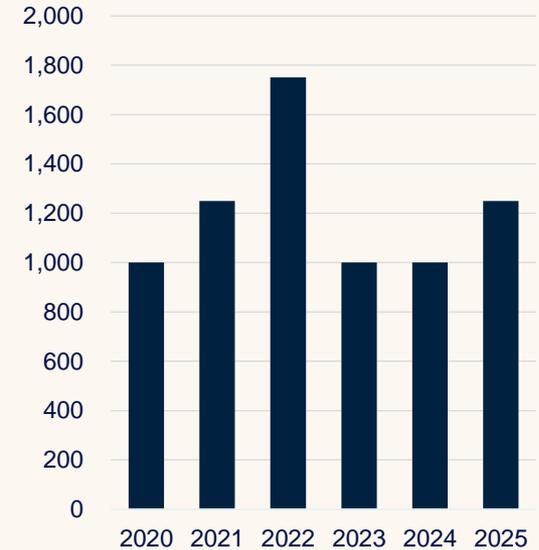
- Current Profile

- Benchmark size issuance
- Laddered maturity profile with limited refinancing risk
- Most recent issuance: **C\$1.25bln PSP Capital 3.00% Nov 5, 2025**
- Maximum limit on recourse debt is 10% of AUM

Debt Outstanding (C\$M)



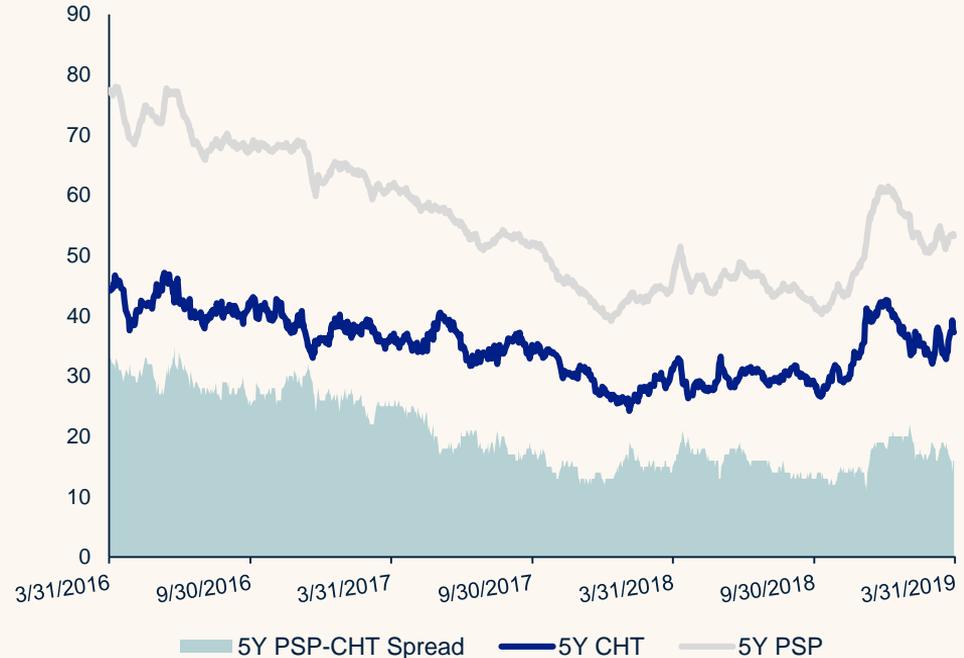
Maturity Profile (C\$M)



Term Debt Program

— Spread Performance vs Govt. of Canada and Canada Housing Trust

- PSP Capital spreads are performing well
- Spreads versus Canada Housing Trust have declined over time
- Attractive spread to GoC for a crown entity
- Liquidity is increasing with outstandings, larger deal size, and increased participation from foreign investors

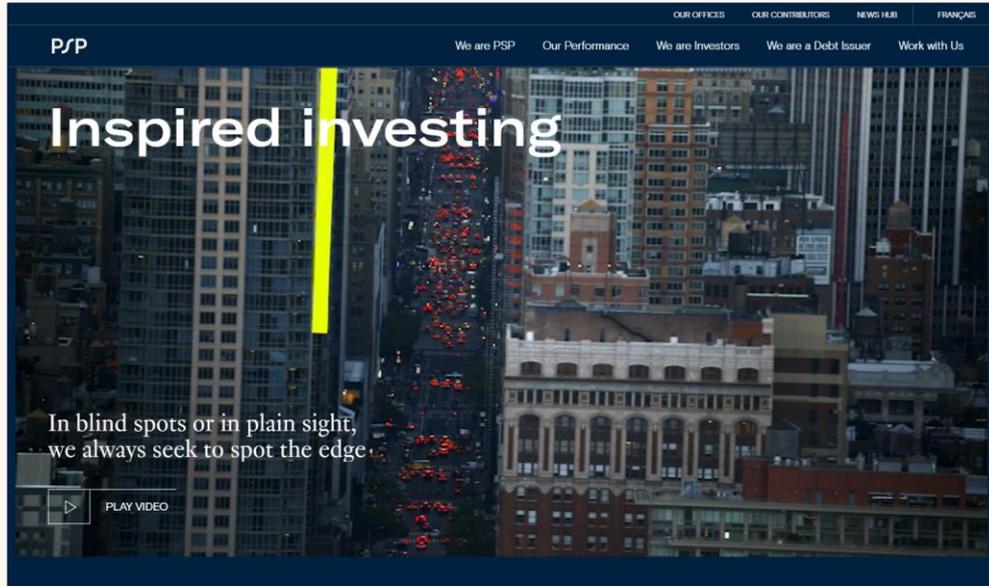


PSP Capital on Bloomberg: PSPCAP Govt

Name	Ticker	Coupon	Maturity	Currency	Outstanding Amount	Series	ISIN
PSP Capital Inc	PSPCAP	3.03	10/22/2020	CAD	1,000,000,000	5	CA69363TAF99
PSP Capital Inc	PSPCAP	1.34	8/18/2021	CAD	1,250,000,000	8	CA69363TAJ12
PSP Capital Inc	PSPCAP	1.73	6/21/2022	CAD	1,750,000,000	10	CA69363TAL67
PSP Capital Inc	PSPCAP	2.09	11/22/2023	CAD	1,000,000,000	9	CA69363TAK84
PSP Capital Inc	PSPCAP	3.29	4/4/2024	CAD	1,000,000,000	7	CA69363TAH55
PSP Capital Inc	PSPCAP	3.00	11/5/2025	CAD	1,250,000,000	11	CA69363TAM41

25) Bond Description	26) Issuer Description
Pages	Issuer Information
11) Bond Info	Name PSP CAPITAL INC
12) Addtl Info	Industry Government Agencies
13) Reg/Tax	Security Information
14) Covenants	Mkt Iss Canadian
15) Guarantors	Country CA
16) Bond Ratings	Currency CAD
17) Identifiers	Rank Sr Unsecured
18) Exchanges	Series 11
19) Inv Parties	Coupon 3.000000
20) Fees, Restrict	Type Fixed
21) Schedules	Cpn Freq S/A
22) Coupons	Day Cnt ACT/ACT
Quick Links	Iss Price 99.84300
32) ALLQ Pricing	Maturity 11/05/2025
33) QRD Qt Recap	BULLET
34) TDH Trade Hist	Iss Sprd +57.00bp vs CAN 2 ¼ 06/01/25
35) CACS Corp Action	Calc Type (48)CANADA:COMPND METH
36) CF Prospectus	Pricing Date 11/01/2018
37) CN Sec News	Interest Accrual Date 11/05/2018
38) HDS Holders	1st Settle Date 11/05/2018
	1st Coupon Date 05/05/2019
66) Send Bond	Identifiers
	ID Number AV4037124
	CUSIP 69363TAM4
	ISIN CA69363TAM41
	Bond Ratings
	S&P AAA
	Moody's Aaa
	DBRS AAA
	Issuance & Trading
	Amt Issued/Outstanding
	CAD 1,250,000.00 (M) /
	CAD 1,250,000.00 (M)
	Min Piece/Increment
	150,000.00 / 1,000.00
	Par Amount 1,000.00
	Book Runner JOINT LEADS
	Exchange NOT LISTED

New PSP Investments Website



Visit: <https://www.investpsp.com/en/we-are-debt-issuer/>

Our revamped website includes details on our borrowing programs:

Our debt programs

Debt programs

We manage our debt programs conservatively. We limit PSP's outstanding debt to 10% of AUM, ranking senior to pension plan liabilities.

We currently offer the following debt programs:

- Canadian Promissory Notes
- US Commercial Paper
- Domestic Term Debt

Debt outstanding (C\$M)
As at December 31, 2018



7,250 Term Debt
865 Canadian Promissory Notes
5,471 US Commercial Paper

Peer Comparison

Government of Canada & Related Issuers

					
Issuer	Government of Canada	Export Development Canada	Canada Housing Trust	CPPIB Capital	PSP Capital
Ownership	100% Owned by the Government of Canada	100% Owned by the Government of Canada	100% Owned by the Government of Canada	100% Owned by the Government of Canada	100% Owned by the Government of Canada
Legal Status	Sovereign	Agent of the Crown	Agent of the Crown	Non-Agent Crown	Non-Agent Crown
Support	Sovereign Risk	Irrevocable, full faith and credit obligation of the sovereign	Irrevocable, full faith and credit obligation of the sovereign	No sovereign risk; transfers from CPPIB are not permitted unless asset values exceed liabilities	No sovereign risk; Government of Canada is responsible for pension liabilities
Credit Rating (Moody's/S&P/DBRS)	Aaa / AAA / AAA	Aaa / AAA / AAA	Aaa / AAA / AAA	Aaa / AAA / AAA	Aaa / AAA / AAA

Summary

Key Highlights

Exclusive Statutory
Mandate

Crown entity
with AAA
credit rating

Investment manager
with no pension liability
responsibility

Robust governance,
liquidity and risk
management
frameworks

Strong historical
financial performance

C\$168.0B*
in net assets with
significant projected
future growth

Contact

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