

# PSP Investments

—Investor Presentation

January 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\$158.9B in net assets\*



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



A diverse team of more than 800 professionals

\*As at September 30, 2018

# 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 extremely strong financial pillars, sponsorship and governance
- **Positive projected annual cash inflows** for the near future (~C\$3B/year)



# A Non-Agent Crown Entity

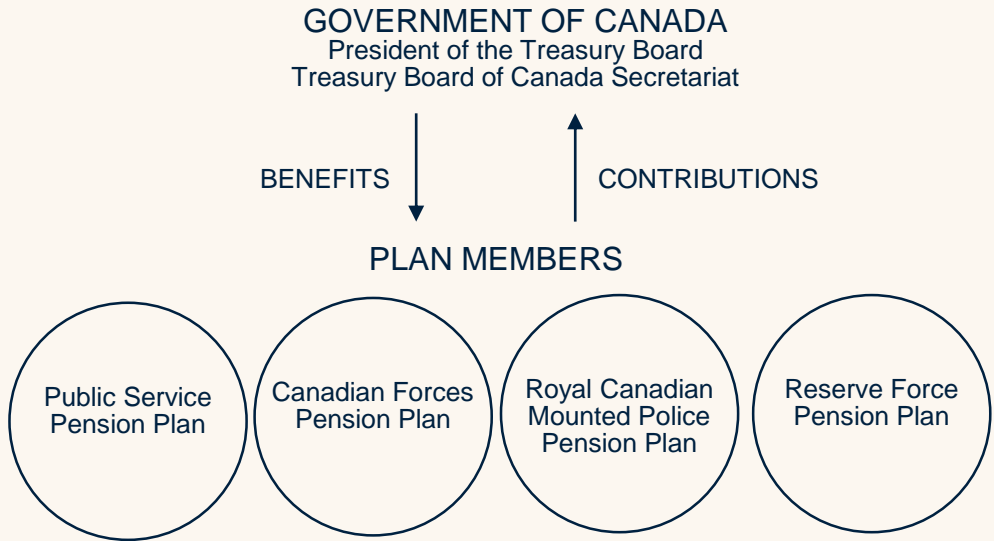
- Crown entities that are expressly declared by, or pursuant to, an Act of Parliament to be agents of the Crown (Financial Administration Act – s. 83(1))
- Enjoy the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown and can bind the Crown by their acts.



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



# Relationship with the Government of Canada



← Arm's Length →

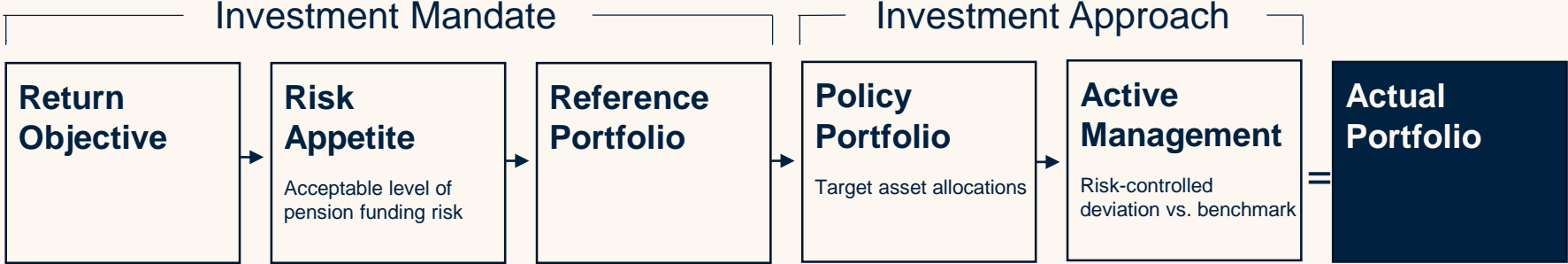
NET CONTRIBUTIONS

→



- The plans provide defined benefits, contributions are determined by the Government based on actuarial projections
- **The Government of Canada is solely responsible for deficits under the pension plans**

# Investment Approach



### Geographic Diversification

United States	41%
Canada	22%
Developed Europe	17%
Emerging Markets	13%
Developed Asia/Pacific	7%

<b>Equity</b>	<b>43%</b>	Public Market Equities
		Private Equity
<b>Real Assets</b>	<b>30%</b>	Real Estate
		Infrastructure
		Natural Resources
<b>Government Fixed Income</b>	<b>20%</b>	Fixed income
		Cash and cash equivalents
<b>Credit</b>	<b>7%</b>	Private Debt

# Asset Class Overview

PSP Investments C\$ 153.0 Billion Net assets

## Public Markets

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

**\$76.7**  
Billion  
Net AUM  
50.1%\*

## 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.

**\$23.2**  
Billion  
Net AUM  
15.2%\*

## 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.

**\$19.4**  
Billion  
Net AUM  
12.7%\*

## 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.

**\$15.0**  
Billion  
Net AUM  
9.8%\*

## Private Debt

Private Debt 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.

**\$8.9**  
Billion  
Net AUM  
5.8%\*

## 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.

**\$4.8**  
Billion  
Net AUM  
3.2%\*

## 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.

**\$2.2**  
Billion  
Net AUM  
1.4%\*

7 All figures are as at March 31, 2018. Total net assets exclude cash and cash equivalents.  
Net AUM denotes assets under management  
\* Of total net assets

# Investing Responsibly

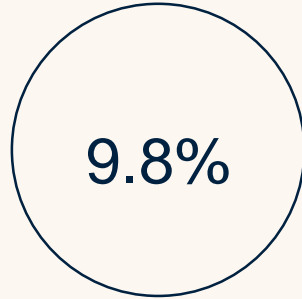
- As a long-term investor, PSP believes well-run companies that effectively manage social and environmental issues are more likely to prosper over time.
- Environmental, social and governance (ESG) considerations are integrated into investment analysis and decision-making across all asset classes.
- Promoting good governance practices by exercising proxy voting rights and actively engaging with companies to encourage sustainable business practices.
- Signatory of Principles for Responsible Investment and supports various ESG organizations and initiatives.
- Published 2<sup>nd</sup> annual Responsible Investment Report in June 2018.





# Financial Performance

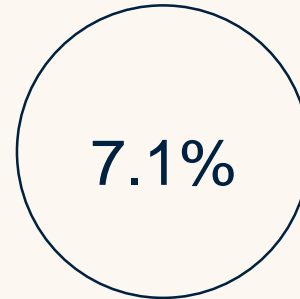
# Financial Highlights – FY18



FY18 TOTAL FUND  
NET PORTFOLIO  
RETURN



FIVE-YEAR NET  
ANNUALIZED  
RETURN



10-YEAR NET  
ANNUALIZED  
RETURN

\$ **23.8** Billion

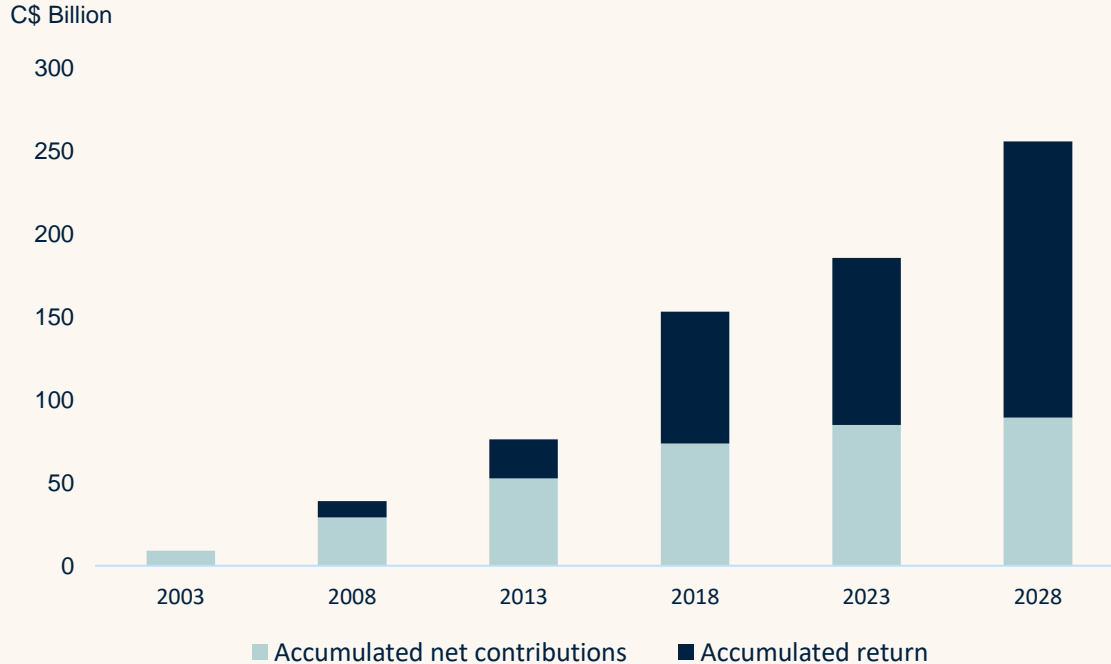
Cumulative net investment  
gains above return objective  
over 10 years

\$ **71.6** Billion

Cumulative  
10-year net  
investment income

# Financial Highlights – FY18

## — Historical and Projected Net AUM

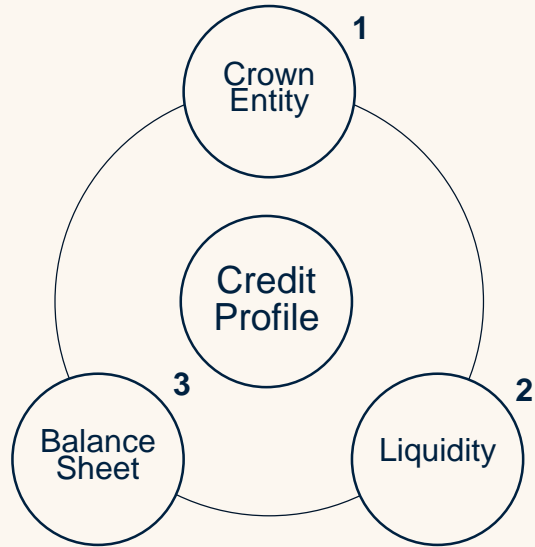


PSP Investments has significant amount of capital to deploy in coming years

Cumulative amounts are based on historical contributions (net of benefit payments) and PSP Investments' assets up to March 31, 2018, and are projected using the latest actuarial valuations of the Pension Plans afterwards.

# Credit & Liquidity

# The Three Pillars of PSP's Unique Credit Profile



All figures are as at March 31, 2018

## Government related entity <sup>1</sup>

- **Clear exclusive government mandate:** “sovereign” credit
- No possibility of insolvency without Act of Parliament

## High liquidity standards <sup>2</sup>

- C\$3.0B of net contributions on average over the next five years
- C\$75.9B in public equities and marketable fixed income securities
- Stringent **stress testing and contingency funding** processes in place to manage liquidities
- C\$3.0B line of credit

## Balance sheet strength <sup>3</sup>

- **No pension benefit administration liabilities:** C\$165.4B of assets to support debt of C\$12.3B
- **Conservative approach:** self-imposed and strictly enforced limits on leverage, recourse debt is limited to 10% of AUM




# Credit Ratings

## Rated AAA on a stand-alone basis

- Strong government sponsorship
- High 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

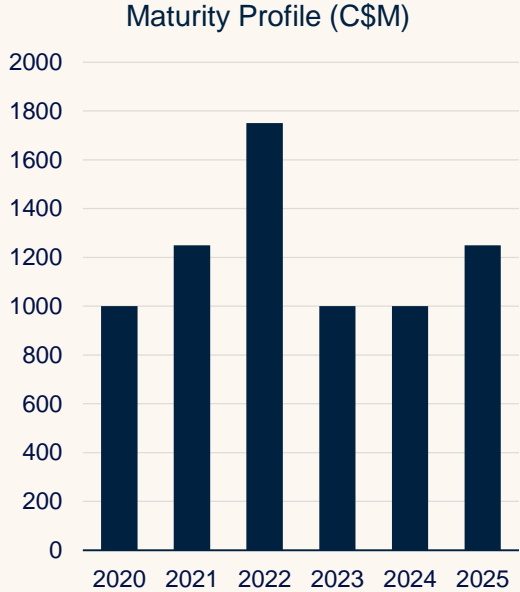
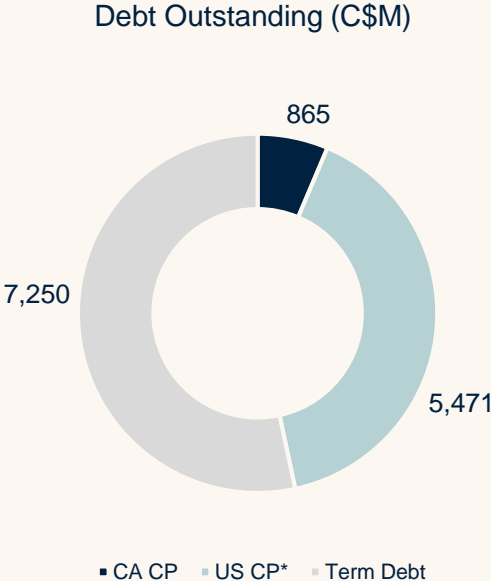
Agency	Rating	Outlook	Strength - Liquidity
	AAA	Stable	“The Fund has a prudent approach to liquidity management and has ample sources of funding to draw upon”
	AAA	Stable	“The fund has strong liquidity owing to its positive contribution cash flows, lack of redemption risk, large pool of liquid assets, 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: **\$1.25B PSP Capital 3.00% Nov 5, 2025**
- Expected launch of Global Debt program in 2019 with an inaugural USD transaction
- Maximum limit on recourse debt is 10% of AUM



\* CAD equivalent of US\$ 4,006M. All numbers are as of December 31, 2018

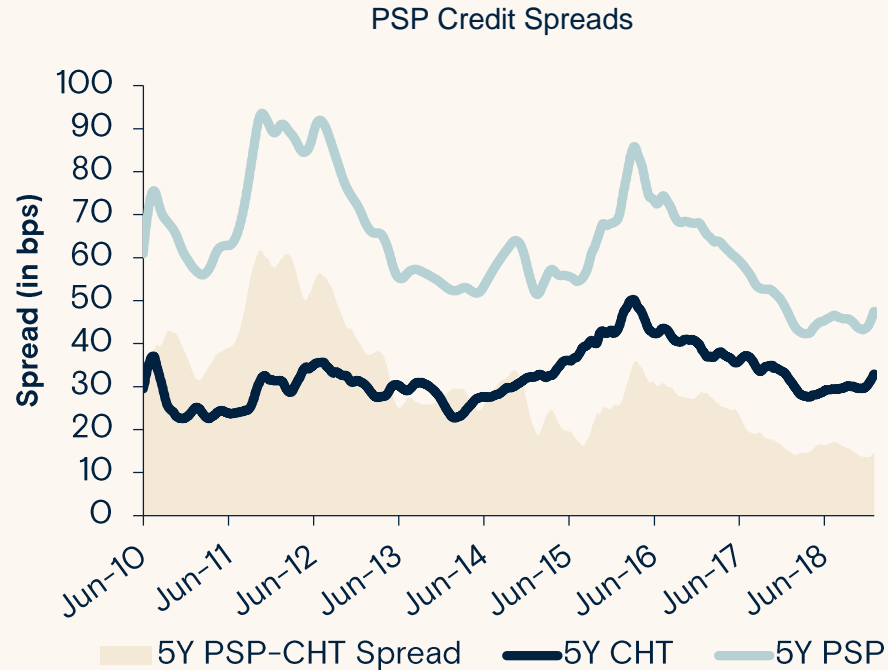




# Term Debt Program

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

# Peer Comparison

# Government of Canada & Related Issuers

	 Canada	 EDC	 CANADA HOUSING TRUST	 CPP INVESTMENT BOARD	 PSP
<b>Issuer</b>	Government of Canada	Export Development Canada	Canada Housing Trust	CPPIB Capital	<b>PSP Capital</b>
<b>Ownership</b>	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	<b>100% Owned by the Government of Canada</b>
<b>Legal Status</b>	Sovereign	Agent of the Crown	Agent of the Crown	Non-Agent Crown	<b>Non-Agent Crown</b>
<b>Support</b>	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	<b>No sovereign risk; Government of Canada is responsible for pension liabilities</b>
<b>Credit Rating (Moody's/S&amp;P/DBRS)</b>	Aaa / AAA / AAA	Aaa / AAA / AAA	Aaa / AAA / AAA	Aaa / AAA / AAA	<b>Aaa / AAA / AAA</b>

# Summary

# Key Highlights

Exclusive Statutory  
Mandate

Crown entity  
with AAA  
credit rating

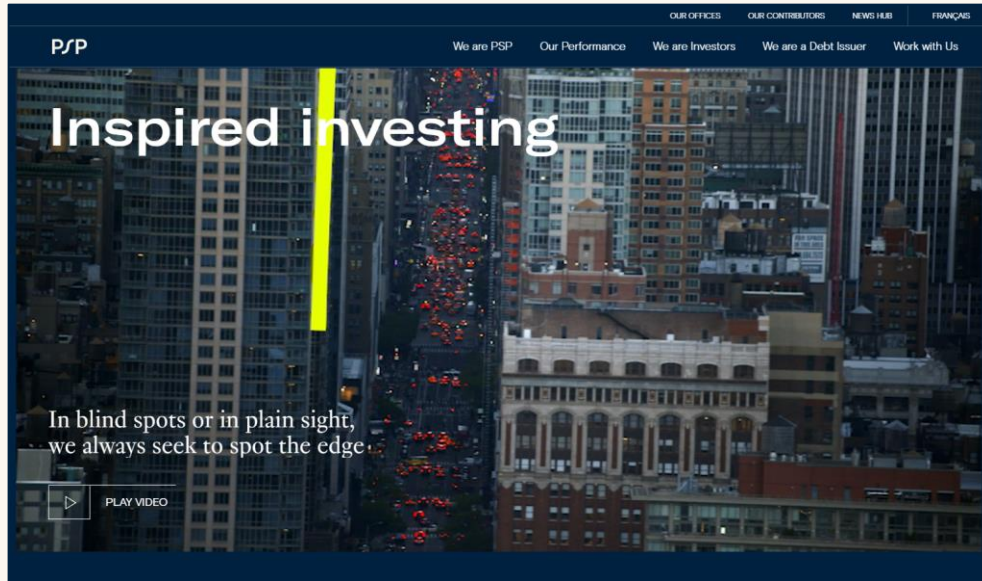
Investment manager  
with no pension  
liability responsibility

Robust governance,  
liquidity and risk  
management  
frameworks

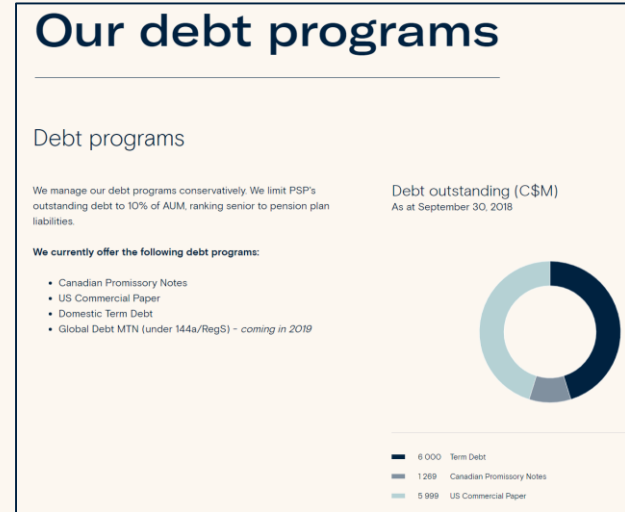
Strong historical  
financial performance

C\$158.9B  
in net assets with  
significant projected  
future growth

# New PSP Investments Website



Our revamped website includes details on our borrowing programs:



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

# Contact

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