

# ONTARIO TEACHERS'

MID-YEAR REPORT 2018

# UNCOVERING GLOBAL OPPORTUNITY

New Deals

**Stem, Inc. –  
Applying A.I.  
in Sustainable  
Energy**

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**\$193.9B**

Net assets up \$4.4B  
from December 31, 2017

**3.2%**

Six-month total-fund  
net return

**2.6%**

Six-month total-fund  
local return

## MID-YEAR HIGHLIGHTS



At Ontario Teachers', we define success by our ability to pay pensions for generations to come, and we are continuously advancing and innovating on that mission. Even in these uncertain markets, our balanced portfolio approach is delivering solid returns, and our investment teams continue to find opportunities for long-term growth.

Ron Mock,  
President and  
Chief Executive Officer



### INVESTOR RELATIONS

The newly launched Investor Relations section of our website ([www.otpp.com/investor-relations](http://www.otpp.com/investor-relations)) shares information with the investment community about Ontario Teachers' investment funding strategy and Ontario Teachers' Finance Trust (OTFT), whose commercial paper and term debt issuances are fully guaranteed by Ontario Teachers'.

## TOTAL-FUND RETURN

Net assets reached \$193.9 billion as of June 30, 2018, a \$4.4 billion increase from December 31, 2017. The total-fund net return was 3.2% for the first six months of the year.

# \$193.9B

Net assets

# 3.2%

Six-month total-fund net return

## A HISTORY OF SUCCESSFUL RETURNS

INVESTMENT PERFORMANCE

NET RETURNS<sup>1</sup>

3.2%

2018 YTD

As of  
June 30, 2018

9.7%

1-Year

As of

December 31, 2017

9.6%

5-Year

7.6%

10-Year

# 9.9%

Return since inception  
to December 31, 2017

<sup>1</sup> Net returns include Ontario Teachers' investment administrative expenses.

## CURRENCY IMPACT ON TOTAL-FUND RETURN

In the first half of 2018, currency had a +0.7% impact on the total fund, resulting in a gain of \$1.4 billion that was mainly driven by the appreciation of the U.S. dollar.

# 2.6%

Six-month total-fund  
local return

## DETAILED ASSET MIX



At Ontario Teachers', we are intentional in our balanced portfolio design, which is focused on managing risk while achieving a consistent 4% real rate of return over the long term. The benefits of diversification are clear, managing risk while delivering solid returns in what has been a volatile market in the year to date.

Ziad Hindo,  
Chief Investment Officer

	As at June 30, 2018		As at December 31, 2017	
	(Canadian \$ billions)	(percent)	(Canadian \$ billions)	(percent)
<b>Equity</b>				
Publicly traded	35.1	18	35.2	19
Non-publicly traded	32.1	17	31.9	17
	67.2		67.1	
<b>Fixed income</b>				
Bonds	46.8	24	41.4	22
Real-rate products	20.4	11	20.0	11
	67.2		61.4	
<b>Inflation sensitive</b>				
Commodities	13.5	7	11.1	6
Natural resources	7.3	4	6.6	3
Inflation hedge	9.2	5	8.9	5
	30.0		26.6	
<b>Real assets</b>				
Real estate	26.7	14	25.5	14
Infrastructure	17.2	9	18.7	10
Real-rate products	4.2	2	1.5	1
	48.1		45.7	
<b>Credit</b>	14.4	7	13.6	7
Absolute return strategies	13.5	7	10.7	6
Overlay	(0.4)	–	(0.3)	–
Money market	(48.7)	(25)	(39.4)	(21)
<b>Net investments<sup>1</sup></b>	<b>191.3</b>	<b>100</b>	<b>185.4</b>	<b>100</b>

<sup>1</sup> Net investments, which comprise investments less investment-related liabilities per the June 30, 2018 Condensed Interim Consolidated Statement of Financial Position, exclude all other assets and liabilities.

## HELLY HANSEN – A CASE OF VALUE CREATION

At Ontario Teachers', our investment strategy is to partner with the companies that we acquire to improve governance, support growth and contribute to our goal of delivering returns through long term value creation. A case in point was our partnership with Helly Hansen, the iconic, high performance outdoor and workwear apparel business that we sold in July to Canadian Tire Corporation, Ltd., ending a six year journey that saw us revamp management, focus and reposition the brand on its core values, enhance direct to consumer distribution and boost its global presence and profitability.



# INVESTING IN RELATIONSHIPS

## HIGHLIGHTS OF THE FIRST SIX MONTHS



### European Camping Group

Ontario Teachers' agreed to acquire a 40% minority stake in France-based European Camping Group, joining with management and other investors as the provider of mobile-homes holiday rentals targets further global growth.



### GCT Global Container Terminals

We embraced new partnerships with an agreement to sell partial stakes in GCT, a leading container operator in North America, to IFM Investors and British Columbia Investment Management Corporation.



### GFL Environmental Inc.

Ontario Teachers' participated with a group of investors, led by BC Partners, in the recapitalization of Toronto-based GFL Environmental Inc., one of the largest environmental services providers in North America.

### Helly Hansen

Ontario Teachers' agreed to sell its majority stake in Helly Hansen Group AS, the iconic Norwegian designer and marketer of high-performance outdoor and workwear apparel.



### Heartland Dental

Ontario Teachers' and other existing shareholders agreed to sell a majority stake in U.S.-based Heartland Dental, the largest dental support organization in the United States, to KKR. Ontario Teachers' will retain sizeable ownership and will continue as a significant partner to the company.



### Stem, Inc.

Ontario Teachers' extended its commitment to the transition to a low-carbon economy with a \$200 million commitment to finance systems developed by Stem, the San Francisco-based global leader in artificial intelligence (A.I.)-powered energy storage, as it moves into the Ontario market.

### Techem GmbH

Ontario Teachers' joined Partners Group and Caisse de dépôt et placement du Québec to acquire Techem GmbH, a global market leader in the provision of heat and water sub-metering services to real estate operators and private homeowners in more than 20 countries.

### Ubisoft

Ontario Teachers' partnered with Tencent, the founders and management of Ubisoft, and other investors in a negotiated purchase of Vivendi's stake in the France-based publicly listed company, which is a leading creator, publisher and distributor of interactive entertainment and services, with a rich portfolio of world-renowned brands.



At Ontario Teachers', portfolio globalization remains key to supporting our mission. In a world of high-priced assets, we continue to uncover active investment opportunities, as well as identifying the right time to divest particular assets.

Jo Taylor,  
Executive Managing Director,  
Global Development

# A LEADER IN RESPONSIBLE INVESTING



## LEADING G7 INVESTORS IN SUPPORT OF GLOBAL DEVELOPMENT

Ontario Teachers', alongside Caisse de dépôt et placement du Québec, the Government of Canada and other leading investors, launched an ambitious project to advance key G7 development initiatives. These initiatives were designed to provide tangible benefits to

the participant institutions while helping tackle some of the most serious issues facing the global community. Partner institutions representing more than \$6 trillion in assets under management have pledged to commit resources, expertise and networks to:



Enhance expertise in infrastructure financing and development in emerging economies



Open opportunities for women in finance and investment worldwide



Speed up the implementation of uniform and comparable climate-related disclosures

## GOOD GOVERNANCE MEANS GOOD BUSINESS

As a global leader in corporate governance, we believe in engaging with and pushing boards and companies to improve their effectiveness. Our approach to responsible investing includes exercising our right to vote at every meeting of every public company that we own. We have developed a comprehensive set of corporate governance principles to guide our proxy voting and to encourage companies to take actions that we believe are in shareholders' best interest.

PROPOSALS VOTED\*  
**20,358**

MEETINGS VOTED\*  
**1,571**

ENGAGEMENTS LED OR PARTICIPATED IN\* **31**

\* Six months ended June 30, 2018



## DEVELOPING ENVIRONMENTAL AND SOCIAL GUIDELINES FOR BOARDS

Ontario Teachers' Responsible Investing department was instrumental in the Canadian Coalition for Good Governance's (CCGG) development of a practical guide (*The Directors' E&S Guidebook*) for corporate directors to assess and oversee environmental and social issues. The initiative was a response

to a growing emphasis on environmental and social factors by both corporations and investors. Ontario Teachers' was also a founding member of the CCGG in 2003, and continues to contribute to the organization and its mission of promoting good governance practices in public companies.

# NEW EXECUTIVE APPOINTMENTS

THE TALENT TO LEAD US INTO THE FUTURE

**Our global strategy has been evolving since we opened our first international office in London in 2007. As the external environment continues to change with the forces of globalization, we continuously evolve our thinking at Ontario Teachers', moving the right people into the right slots to face the future head on.**



**ZIAD HINDO**, a veteran investment professional who joined Ontario Teachers' in 2000, was named Chief Investment Officer (CIO) in June. Ziad, who most recently led the Capital Markets department at Ontario Teachers', is responsible for overseeing the Investment Division and overall investment portfolio as we calibrate our total-fund approach with an increasingly diversified, global mindset.

**JO TAYLOR** was appointed in June to the newly created position of Executive Managing Director, Global Development, where he will work closely with our CIO to design and execute on our international investment strategy. A 30-year veteran of private equity and venture capital, most recently Jo ran Ontario Teachers' international investment operations out of London and Hong Kong.

**DALE BURGESS** was appointed head of Infrastructure & Natural Resources (INR) in May, after a career helping the asset class grow at Ontario Teachers' from one focused on developed markets to one that has broadened its horizons to emerging and developing geographies. In his new role, Dale will oversee INR acquisitions and asset management globally.

**DATUK BEN CHAN** joined Ontario Teachers' in June as Regional Managing Director, Asia-Pacific, charged with leading our investments in the region and supporting our portfolio of international companies looking to expand there. Based out of Hong Kong, Ben brings decades of Asia-based experience to the role, as well as a track record of impactful investing in the region.

**MISSION:** Outstanding service and retirement security for our members – today and tomorrow.

## CONTACT US

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