



# Delivering 7-11% net annual average investment returns

## To meet the long-term costs of providing pension benefits.

### KEY HIGHLIGHTS:

In 2016, OMERS achieved a net investment return of 10.3%, and a five-year annualized net investment return of 8.5%, consistent with our objectives. We continued to execute on our Strategy of building a diversified portfolio of high-quality investments, which will target net average annual investment returns in the range of 7-11%.

As set out in our 2020 Strategy, a new Asset Mix Study was conducted for the Plan in 2016 with two objectives: 1) maximize our ability to return to full funding by 2025, and 2) minimize the need for unexpected Plan design changes. As a result of the study, OMERS increased target allocations to infrastructure, private equity and real estate, and added explicit allocation to the credit asset class where we see good opportunities.

In 2016, our Capital Markets team continued to invest in equities of companies with strong balance sheets and resilient business models. These investments generate income and produce a consistent capital return with lower volatility than the broad markets. A key to our success has been partnering with best-in-class investors to access credit opportunities on a global basis. Net returns in Capital Markets were 9.5%, compared to 0.7% in 2015.

During 2016, OMERS infrastructure portfolio grew with acquisitions of port, airport, toll road and pipeline assets. Our focus remains on assets with contractually protected, inflation-resilient cash flows, which are an excellent

match for pension payments. Net returns on infrastructure were 11.0%, compared to 17.3% the previous year.

In private equity markets, there were high valuations in 2016, and we used this opportunity to sell select assets to crystallize significant capital gains. Overall, Private Equity, including externally managed funds and an innovation-based program, provided a net return of 12.6% in 2016, compared to 10.0% in 2015.

OMERS real estate portfolio continued to be well-leased and diversified across income-producing properties in major global cities, with returns augmented through real estate development. With sell downs of mature assets, we typically retain a position that will generate management-fee income. By selling down our positions we are able to rotate capital to new investments and diversify risk. Our real estate portfolio net return in 2016 was 12.4%, compared to 15.3% the previous year.

OMERS continued to diversify across industries and geographies in 2016, including our first direct investment in Australia where we have built expertise with deep, local knowledge of the market.