

# OMERS Mid-year Investment Update 2022

August 18, 2022

San Diego's Sorrento Mesa and Sorrento Valley (USA)

OMERS

## OMERS investments steady in a difficult market environment

OMERS generated a net investment return of -0.4%, or a loss of \$0.5 billion, during the six-month period from January 1 to June 30, 2022. Over the twelve months ended June 30, 2022, the Plan earned a net investment return of 6.0%, or a gain of \$6.7 billion, after reporting a net investment return of 15.7% or \$16.4 billion for the 2021 calendar year. Net assets as at June 30, 2022 were \$119.5 billion.

“As everyone has witnessed, the first half of the year was extraordinarily difficult for investors in an environment characterized by ongoing geopolitical challenges, supply chain issues, recessionary threats, and soaring increases to both inflation and interest rates - more rapid than we have seen in decades. These influences combined to create acute stress in the global economic environment, pushing the returns for leading global investment market indices to decline well into the double digits,” said Blake Hutcheson, OMERS President and CEO. “Against this backdrop, our investment teams and strategy have been extremely effective in protecting the value of our members’ portfolio, by any objective measure.”

“Our significant allocations to private investments, the strategic decisions to favour quality over growth stocks, and short-term credit over long-term bonds, protected OMERS from the worst six month period of market losses incurred by investors in more than 50 years,” said Jonathan Simmons, OMERS Chief Financial and Strategy Officer. “Infrastructure, real estate, and private equity all generated positive investment returns that largely offset the negative performance of public equities and credit investments.”

“OMERS is a long-term investor and over the last 10 years our active investment and asset management strategies have produced \$62 billion in value for our members and a 7.5% annualized return. As we look to the future, we remain well-positioned with a portfolio of high-quality investments and ample liquidity to pursue the right growth opportunities for our Plan,” said Mr. Hutcheson. “Across OMERS, our entire team is proud to work in service of over half a million hard-working OMERS members. We remain relentlessly focused on delivering to them a sustainable, affordable and meaningful plan for the generations to come.”



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OMERS remains highly rated by four credit rating agencies, including two 'AAA' ratings.

OMERS is a jointly sponsored, defined benefit pension plan, with 1,000 participating employers ranging from large cities to local agencies, and over half a million active, deferred and retired members. Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers, and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

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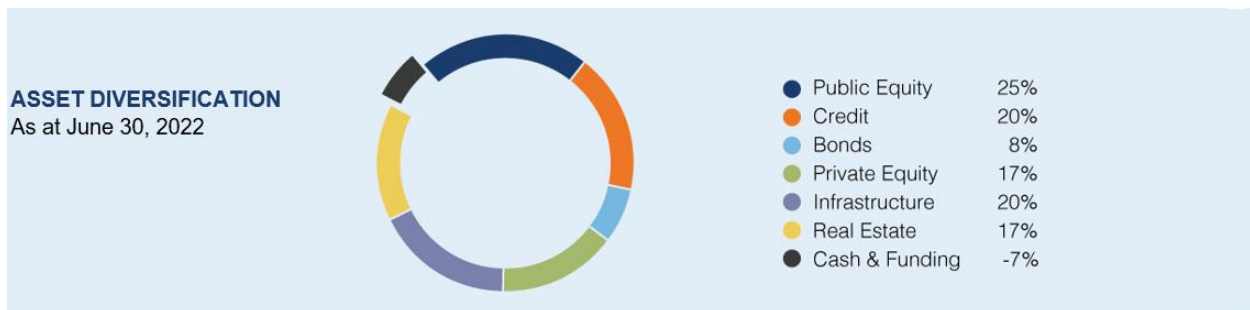


## Net Assets \$ Billions

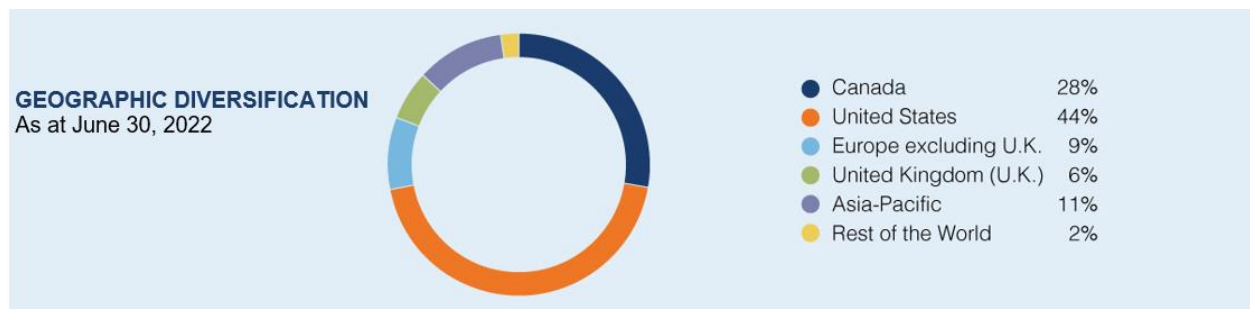


## Diversified by Asset Class and Geography

OMERS invests in high-quality assets that are well-diversified by geography and asset type.



On March 1, 2022, OMERS updated asset class definitions in connection with our updated Statement of Investment Policies & Procedures; the asset mix above reflects these updated definitions.



## Asset Class Investment Performance

	Net Returns
	Six months ended June 30, 2022
Bonds	-2.5%
Credit	-1.8%
Public Equity	-13.2%
Private Equity	7.7%
Infrastructure	4.8%
Real Estate	9.9%
<b>Total Plan</b>	<b>-0.4%</b>

## Investment Performance highlights

Over the first six months, ended June 30, 2022:

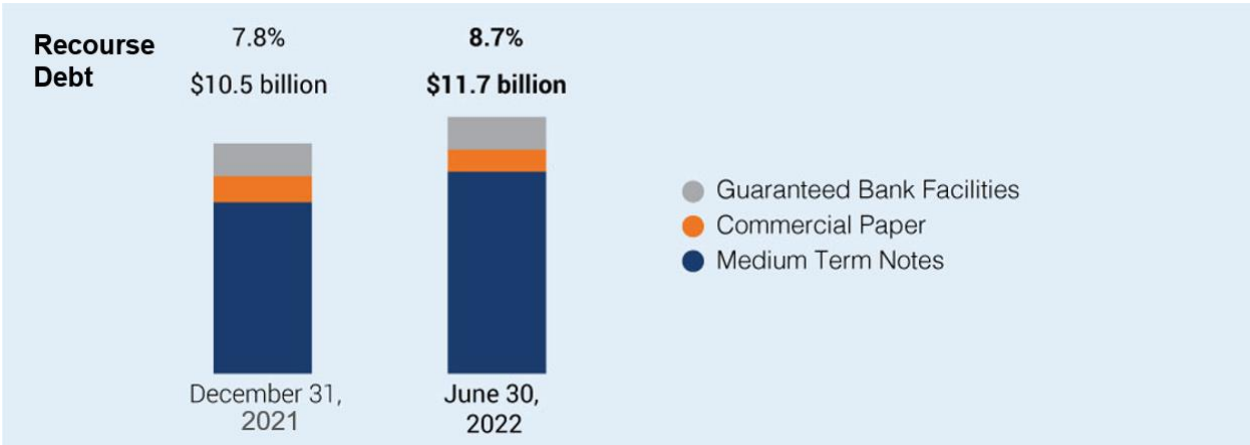
- Our **bond** and **credit** portfolios generated narrow losses despite a sharp rise in bond yields and credit spreads. The short-term duration of our portfolio sheltered it from more significant declines following the rise in rates.
- Our **public equities** portfolio was heavily impacted by the widespread and significant drawdowns in global stock markets. Our strategic focus on high-quality investments; exposure to Canadian equities; and lower exposure to growth stocks, including consumer discretionary and information technology; all helped to dampen the impact of market losses.
- Our **private equity** return was driven by strong operational performance as businesses in our portfolio grew their earnings organically and through acquisitions.
- Our **infrastructure** investments continued their long track record of steady performance with stable operating income, and higher valuations from accretive refinancing and transaction activity.
- Our **real estate** assets outperformed expectations, as a result of higher valuations and development profits from our North American industrial portfolio, and operating income.
- Our portfolio's investment returns have also broadly benefited from locking in fixed-rate, fixed-term financing in prior years, when borrowing rates were lower than in the current environment.



## Recourse Debt

We continue to use debt prudently to enhance our investment returns. At June 30, 2022, we had \$11.7 billion of recourse debt outstanding, equating to a recourse debt ratio of 8.7% of net assets, up from 7.8% at December 31, 2021. This change was driven by the issuance of our first sustainable bonds, for 10- and 30-year terms, totaling US\$1.1 billion.

In addition to this low leverage, we continue to maintain ample liquidity. At June 30, 2022, OMERS had \$25.4 billion of liquid assets to pay pension benefits, to fund investment opportunities, to satisfy potential collateral demands related to our use of derivatives, and to fund expenses.



## Long-Term Issuer Credit Ratings

<b>AAA</b> DBRS	<b>AAA</b> Fitch	<b>Aa1</b> Moody's	<b>AA+</b> S&P
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This Investment Update presents certain non-GAAP measures. These measures are calculated on the same basis as those calculated and presented in our 2021 Annual Report. This Investment Update and the Condensed Interim Consolidated Financial Statements (the "[Interim Financial Statements](#)") are unaudited. OMERS Administration Corporation's financial performance set out in this Investment Update is only for the period ended June 30, 2022. Past performance may not indicate future performance because a broad range of uncertainties (including without limitation the future course of the global pandemic) could have an impact on the performance of various asset classes. The financial information included in this Investment Update should be read in conjunction with the Interim Financial Statements.

## Transaction Overview

### INVESTING FOR TOMORROW

To create value for our members over the long term, OMERS remains focused on strengthening our portfolio and deploying capital towards our target asset mix. We remain disciplined as we invest in diverse, high-quality assets that meet the Plan's risk and return requirements.

### HEALTHCARE AND LIFE SCIENCES

We believe that investments centred around life sciences and health care make a meaningful difference today, as they support and advance innovative solutions for tomorrow's medical needs. In this space, we:

- Announced a series of life sciences opportunities, including: a partnership with [Novaxia](#) to invest in and develop life sciences properties in France; our selection as the preferred development partner of [Snowfields Quarter](#) in central London, UK, a life sciences hub with world-class lab facilities in a prime health innovation cluster; a strategic partnership for the [Navy Yard in Philadelphia \(US\)](#) which will, over time, own and develop up to 3 million square feet of life science properties; and the acquisition of a nine-asset, 13-building life sciences portfolio in [San Diego's Sorrento Mesa and Sorrento Valley \(US\)](#).
- Took a minority stake in US-based [Medical Knowledge Group](#), a leading commercialization services platform serving pharmaceutical and biotechnology companies.
- Announced a funding round to help [Aledade](#) continue scaling its practice management solutions, serving more than 11,000 physicians in 36 US states and the District of Columbia.
- Invested in [Birdie](#), a UK-based home healthcare technology that aims to reinvent care at home and radically improve the lives of millions of older adults.

*In the weeks since June 30, 2022, we:*

- Announced an investment in Ultragenyx Pharmaceutical Inc., which will earn royalties from the future sales of [Crysvita®](#), a drug that is improving the lives of pediatric and adult patients with two rare diseases.
- Completed the conversion of the [Boren Labs](#) office building to a fully dedicated life sciences facility in downtown Seattle, Washington (US).
- Announced our investment in [Caraway](#), a hybrid 24-hour healthcare platform focused on women's health.



*Rendering of life sciences development at Navy Yard, Philadelphia (US)*

## LOGISTICS AND TRANSPORTATION

We expect the global growth of e-commerce and demand for expedited supply chains to result in strong long-term demand for logistics and transportation assets. In the first half of 2022, we:

- Partnered to acquire [Direct ChassisLink](#), Inc., one of the largest chassis lessors in the US, with over 151,000 marine and 100,000 domestic chassis in its fleet.
- Announced that existing portfolio investment [IndInfravit](#), which owns a series of toll highways in India, would add additional roads across four states in the country.
- Grew our investment in global logistics, including the purchase of a portfolio of seven high quality [UK logistics assets](#).

## SUSTAINABLE INVESTING AND RENEWABLES

We have made several investments in assets that address key sustainability issues and which reflect the growing investor confidence in renewables, while supporting our commitment to achieve our goal of net-zero greenhouse gas emissions by 2050. In the first six months of 2022, these include:

- A partnership to purchase [Groendus](#), a Dutch energy transition firm active in rooftop solar, metering and energy services.
- Joining other institutional investors in funding [Group14 Technologies](#), an innovative electric battery materials manufacturer.
- Leading a funding round for [99 Counties](#), a US-based platform that supports regenerative farming that brings sustainable products to market and offers healthy, nutrient-dense foods to consumers.

*In the weeks since June 30, 2022, we:*

- Announced a minority investment in [NovaSource Power Services](#), the world's largest independent solar operations and maintenance provider for utility-scale, commercial, industrial, and residential solar assets.

## TECH-FORWARD INNOVATION

We are investing in businesses doing interesting work to innovate, harnessing the power of technology to do so. From January to June of this year, we:

- Partnered to provide a term loan to [AGP](#), a highly specialized glass manufacturer with advanced technology for autonomous vehicles and producer of specialty automotive glazing components, to support its global expansion plans.
- Made a convertible preferred investment in [Precisely](#), a data management firm, providing accuracy, consistency, and context in data for customers in more than 100 countries.
- Made a minority investment in US-based real-time analytics company [Imply](#).
- Led the funding rounds in exciting businesses including [Moves](#), an all-in-one banking app for gig workers; and [Next Matter](#), an automation platform that centralizes and automates operational processes.

*In the weeks since June 30, 2022, we:*

- Acquired [Bionic](#) a UK-based tech-enabled platform that matches SME business owners with energy, insurance, connectivity, telecoms and commercial finance solutions.

## COMMUNICATIONS INFRASTRUCTURE AND BUSINESS SERVICES

We invest in companies that deliver services and support to communities, individuals and businesses, providing communications infrastructure that keeps people connected, and helping to ensure that utilities and related services are available when needed.

- In the first months of 2022, we announced agreements to purchase [TPG Telecom's](#) mobile towers and rooftop portfolio, located across Australia; and [Stilmark](#), an independent developer, owner and operator of Australian mobile tower assets.

*In the weeks since June 30, 2022, we:*

- Acquired [Network Plus](#), a leading utility and infrastructure repair and maintenance service provider in the UK, that maintains and delivers essential services – including water, electricity, gas and telecoms – to homes, businesses, and industry; and announced the acquisition of [Pueblo Mechanical & Controls](#), a leading mechanical services company providing HVAC and plumbing installation, retrofit and repair services to commercial clients, based in Arizona (US).

## DEPLOYING INTO PRIVATE CREDIT

For a number of years, we have been steadily building out our private credit investing expertise, platform and relationships. During the first six months of 2022, we deployed strategically into these private credit assets, pleased to see that the risk-adjusted returns on high-quality, short-term loans have made this space even more compelling.

## REALIZATIONS

We rotate capital out of assets with the same level of discipline with which we invest. At the half year mark, our total realizations exceed our acquisitions so far in the year. This activity generated capital, which we plan to deploy into future investment opportunities.

During the first six months of 2022 we agreed to sell interests in several investments, including:

- [Straight Crossing Development Inc.](#), which operates the Confederation Bridge, a Canadian landmark connecting the provinces of New Brunswick and Prince Edward Island;
- [GNL Quintero S.A.](#), a liquid natural gas terminal in Chile;
- [Forefront Dermatology](#), a consolidated dermatology clinic business;
- A 50% interest in the [Sony Centre](#), an office-led mixed-use landmark property in Berlin; and
- Royal Bank Plaza in Toronto's financial district and [St. John's Terminal](#) in Manhattan; each representing one of the largest office transactions of the year in their respective markets.

*In the weeks since June 30, 2022:*

- We announced an agreement to sell the Plan's interest in the holding company that controls the Michigan-based [Midland Cogeneration Venture](#) (MCV), a gas-fired cogeneration facility.