

TD Securities

A Confidential Presentation

Finding Alternative Investments in a Low GSE Supply Environment

TD, State of Oregon, and CPPIB

March 2022

Presented By



Speakers

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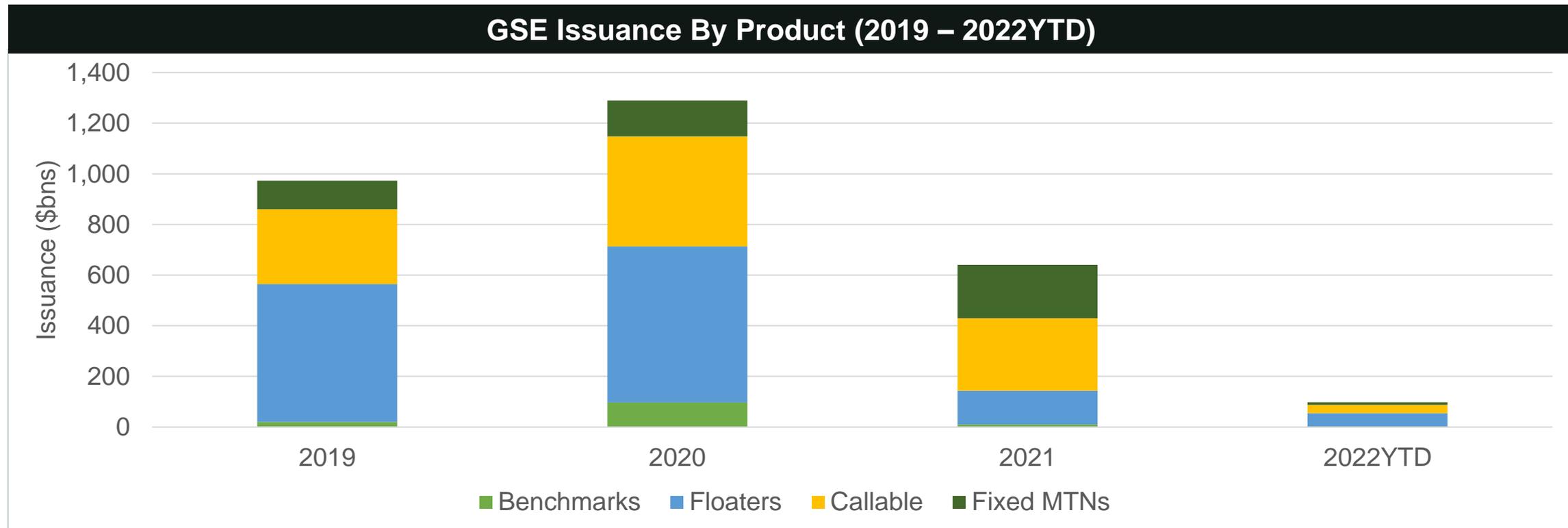
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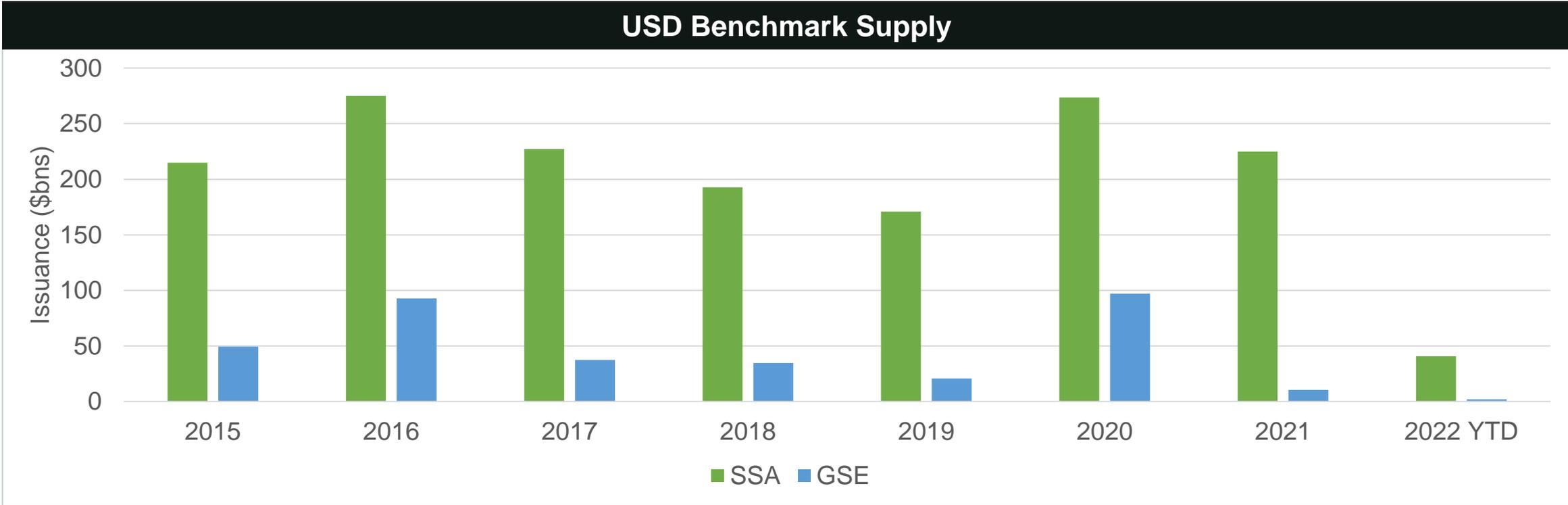
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GSE Issuance and Outlook



- The GSEs issued a historic amount in 2020 following the outbreak of Covid-19
- On the contrary, total 2021 GSE issuance decreased **50%** from 2020
- Going forward, we expect GSE issuance to rebound from 2021, but remain low overall.
 - Fannie and Freddie are expected to remain quiet until there is more clarity from the FHFA
 - FHLB advances should start to climb, but still remain at historically low levels
 - Farm Credit and Farmer Mac continue to see solid and stable growth in their loan portfolio, which will help keep their issuance growing YoY

SSA USD Issuance



- The SSA market issues more USD benchmark supply than GSEs consistently.
- SSA funding programs are elevated in response to Covid-19, which has led to increased supply in 2020 (\$273bn) and 2021 (\$224bn)
- We expect SSA borrowing programs to remain elevated in 2022. Many issuers looked to the EUR/GBP markets in the beginning of this year where there were pricing advantages, but the USD pipeline is active



Source: Bloomberg, TD Securities
 Benchmarks considered >=\$500mm deal size
 Data as of Feb 25, 2022

What is an SSA? Sovereigns, Supranationals, and Agencies

Issuer	Characteristics	Example(s)
Sovereign	<ul style="list-style-type: none"> Individual countries that raise money in international capital markets for their foreign reserves portfolio 	<ul style="list-style-type: none"> Government of Canada (CANADA)
Sub-Sovereign	<ul style="list-style-type: none"> Regions or provinces that raise money independently of the sovereign in international capital markets 	<ul style="list-style-type: none"> Province of Ontario (ONT) Province of Quebec (Q)
Supranational	<ul style="list-style-type: none"> Owned or established by governments of two or more countries, also known as multilateral development banks Usually established by international treaties to pursue specified policy objectives 	<ul style="list-style-type: none"> World Bank (IBRD) Inter-American Development Bank (IADB) Asian Infrastructure Investment Bank (AIIB)
US Agency	<ul style="list-style-type: none"> Also known as Government Sponsored Entities (“GSEs”) US Agencies are financial services corporations created by Congress to enhance the flow of credit to targeted sectors of the economy such as agriculture, education and mortgages 	<ul style="list-style-type: none"> Fannie Mae (FNMA) Freddie Mac (FHLMC) Home Loan Bank (FHLB) Farm Credit (FFCB) Farmer Mac (FAMCA) Tennessee Valley Authority (TVA)
Non-US Agency	<ul style="list-style-type: none"> Debt issued by these entities usually receives a form of guarantee ranging from explicit to implicit from a sovereign government 	<ul style="list-style-type: none"> KfW (KfW) Export Development Canada (EDC) CPP Investments (CPPIBC) PSP Capital (PSPCAP) CDP Financial (CADEPO)

How do SSAs Issue USD bonds?

Comparison of U.S. Documentation Options



	SEC Exempt	SEC Registered	144a / RegS
Distribution	US: Institutional and retail	US: Institutional and retail	US: Qualified Institutional Buyers ("QIBs")
Denominations	Minimum of U.S \$1,000 and additional increments of \$1,000	Minimum of U.S \$5,000 and additional increments of \$5,000	Minimum of U.S \$250,000 and additional increments of \$1,000
Recent Example	Nov 2020 – FNMA \$3.5bn 3yr at T+7bps	May 2021 – CANADA \$3.5bn 5yr at T+6	Sept 2021 – CPPIBC \$2.5bn 5yr at ~T+14

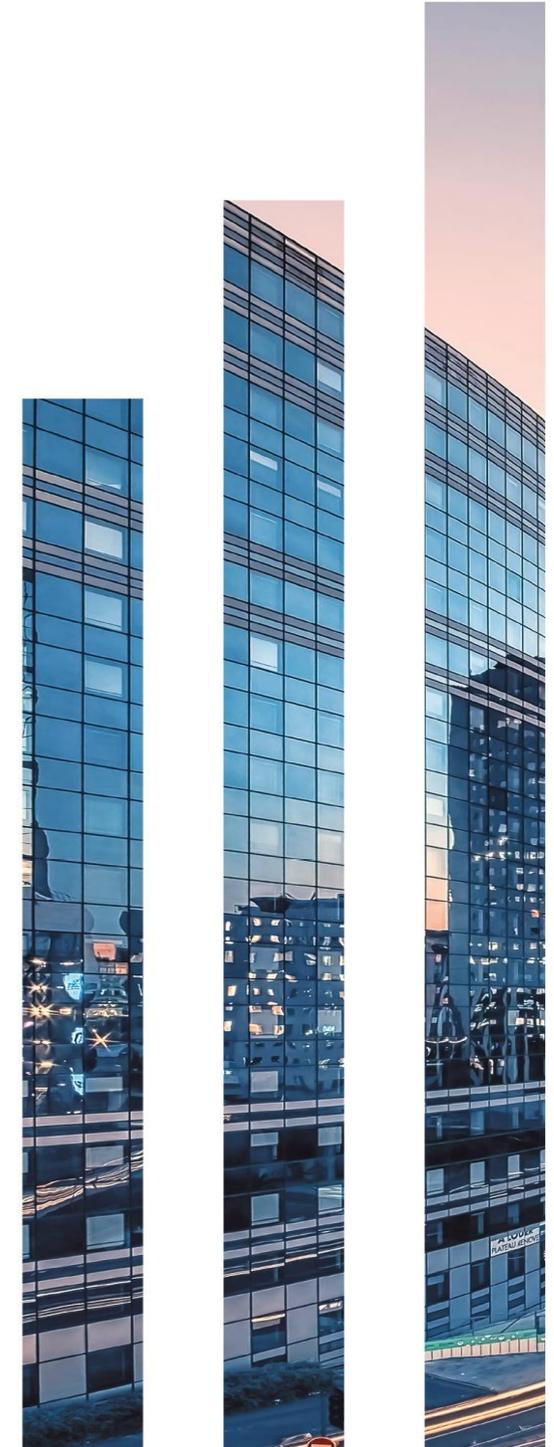
State and Locals Participation in SSAs

Rule 144a Change

144A Rule Change – Impact on State and Locals

- In December 2020, the SEC officially amended Rule 144A. It expands on the definition of a QIB (Qualified Institutional Buyer). There are a few details, but the most important impact from our perspective is **the expansion to allow State and Local funds to purchase 144A deals**, many of whom were prevented from doing so previously
- Given that State and Local funds typically buy highly rated (A and above) and typically 5yrs and under securities, we expect this could expand the investor base for 144A issuers (i.e. CPPIB) who issue in this format
- We don't expect this will immediately result in each and every State & Local fund being able to buy 144A securities, as many of these investors will need to amend state legislation, amend fund mandates, or face other restrictions that prevent them buying certain deals.
- With that said, we have seen several State and Local funds (including Oregon) go through the approval process and purchase securities (such as CPPIB) in the 144A format.
- It is an exciting development for both issuers and investors.
 - Issuers (CPPIB) have an opportunity to unlock an entirely new classification of investors to their program
 - Investors (Oregon) expand their investments menu and can purchase AAA names at attractive spreads

CPP Investments at a Glance



Overview

- Canada Pension Plan Investment Board (CPP Investments) is the Canadian Federal Crown Corporation whose legislated mandate is to invest the net contributions of the Canada Pension Plan (CPP).
- All Canadian employers, employees, and self-employed persons, except those in the Province of Quebec, make mandatory contributions to the CPP.
- The funds of the CPP invested by CPP Investments are fully segregated from all government accounts.
- Current assets of C\$550.4 billion¹ are projected to grow to C\$3 trillion² by 2050.

 **AAA**

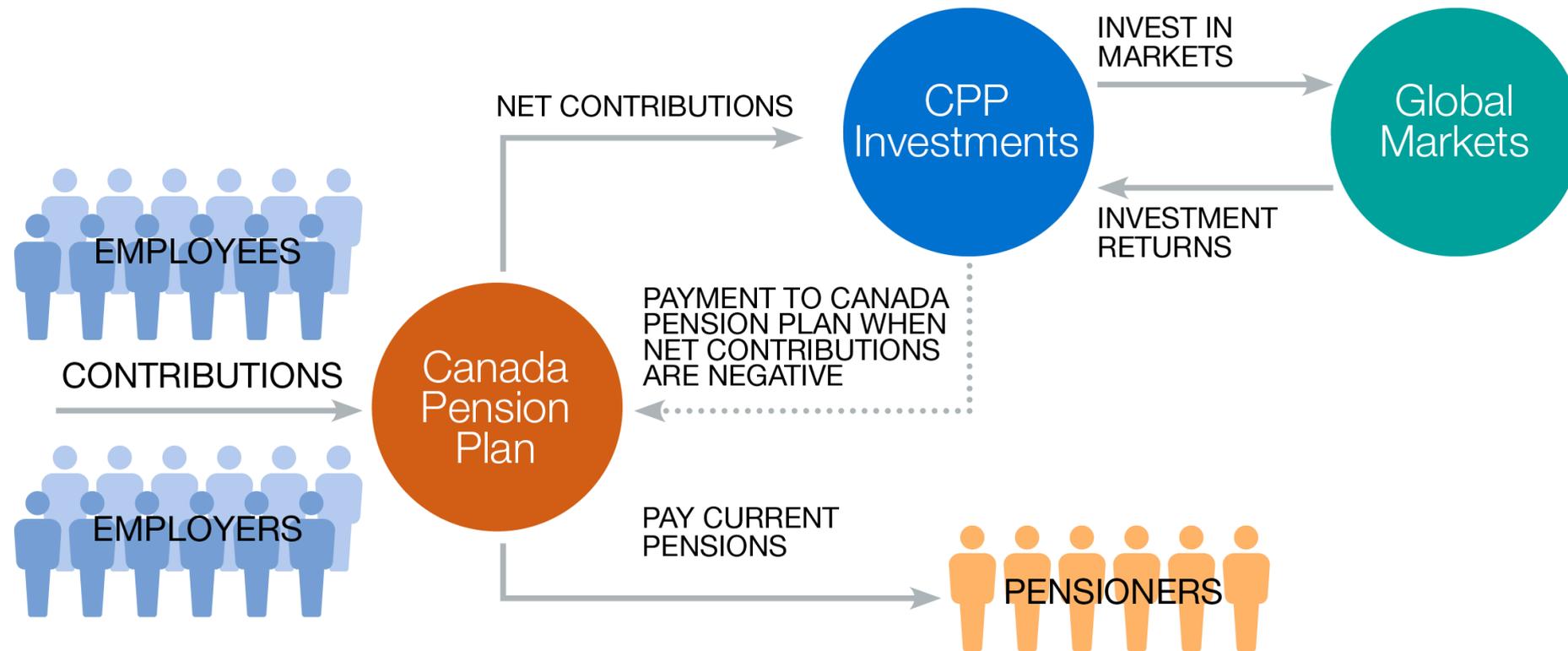
 **Aaa**

 **AAA**

¹ C\$550.4 billion represents actual total Fund assets as at December 31, 2021, CPP Investments Q3 Fiscal 2022 Results.

² C\$3 trillion represents projected total Fund assets from the 30th Actuarial Report of the Canada Pension Plan.

Relationship between Canada Pension Plan and CPP Investments



Net contributions are projected to be positive through 2046 (30th Actuarial Report on the Canada Pension Plan)
Note that the above graphic is a simplified representation of the relationship between CPP and CPP Investments

Minimum Assets Held

Under the statutory framework:

“Any amounts standing to the credit of the Canada Pension Plan Account that exceed the immediate obligations of that Account shall be transferred to the Investment Board” (CPP Act, s.108.1(1)), ensuring CPP contributions are legally mandated to go to CPP Investments

Additionally

“No payment shall be made out of the Consolidated Revenue Fund under Section 108(4) of the CPP Act, in excess of the total of:

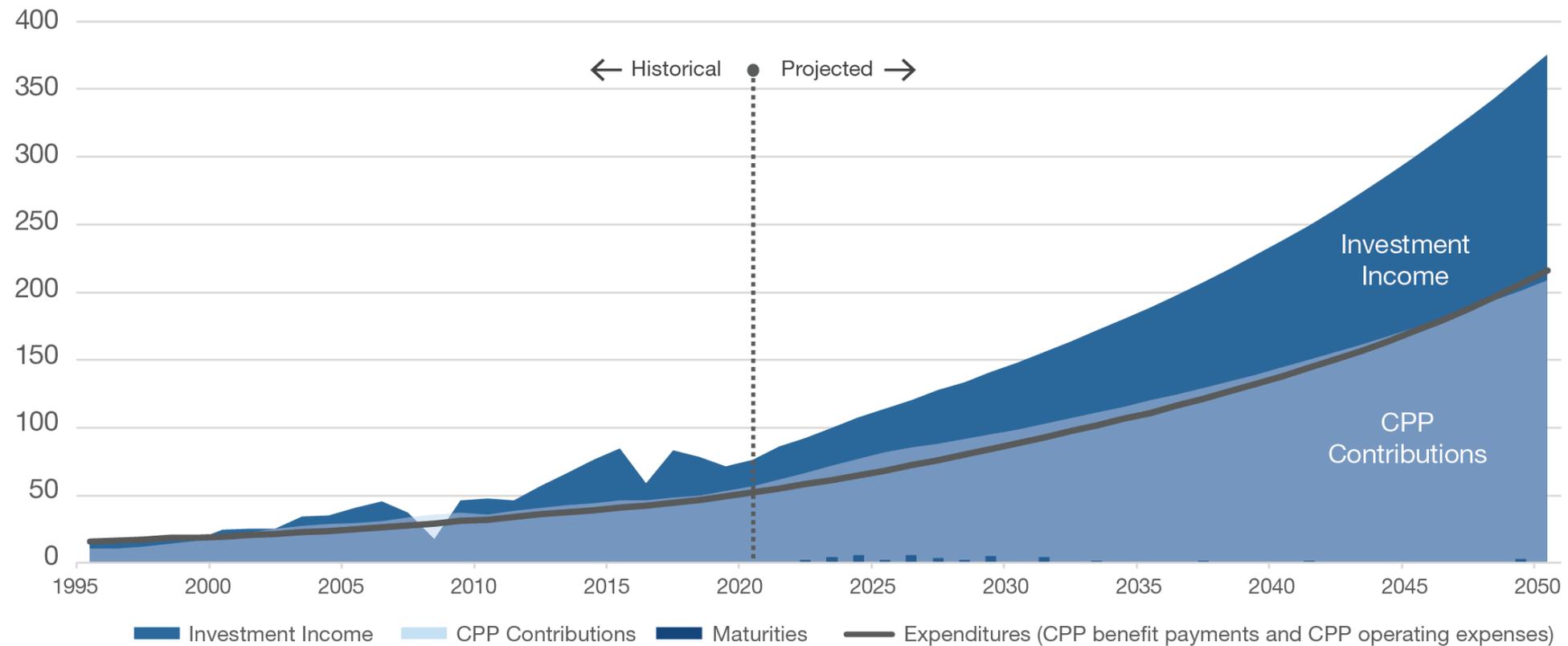
- a) The amount of the balance to the credit of the Canada Pension Plan Account, and*
- b) The fair market value of the assets of the Investment Board less its liabilities”* (CPP Act, s.108(4))

Accordingly, Noteholders have the assurance that CPP Investments cannot be required to transfer amounts to fund CPP benefits if, after any such transfer, CPP Investments would not be in a position to meet all of its obligations including under the Notes.

Revenues & Expenditures of the Fund

- Net contributions and projected investment returns are projected to continue to materially exceed expenditures

CPP Investments' Revenues and Expenditures vs. Bond Maturities (C\$ Billions)



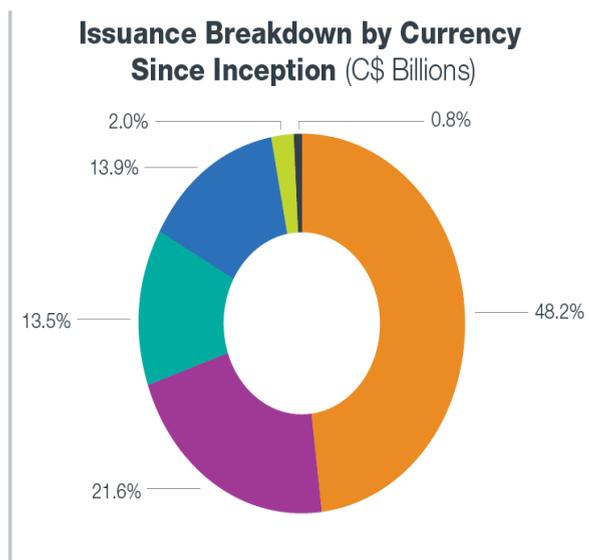
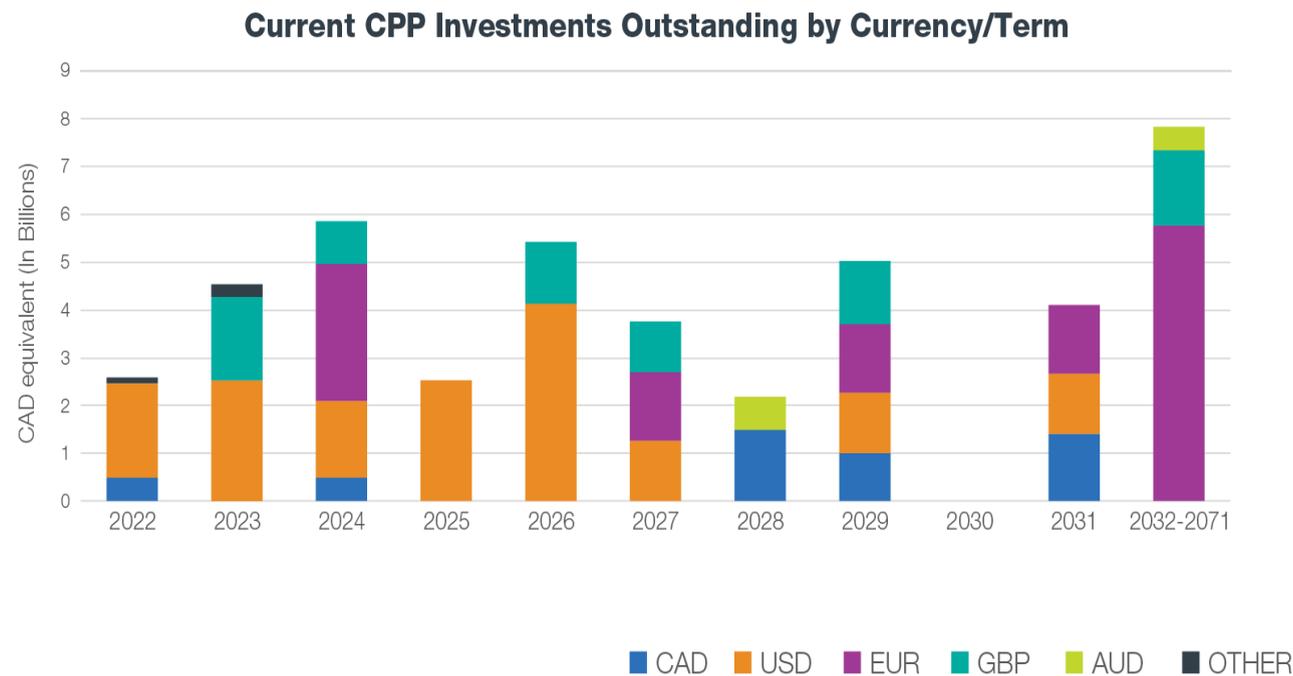
Projected Investment Income & Projected CPP Contributions from 30th Actuarial Report on the Canada Pension Plan. Maturities between 2049 and 2071 are summed and represented as a single data point in 2049.

Debt Issuance

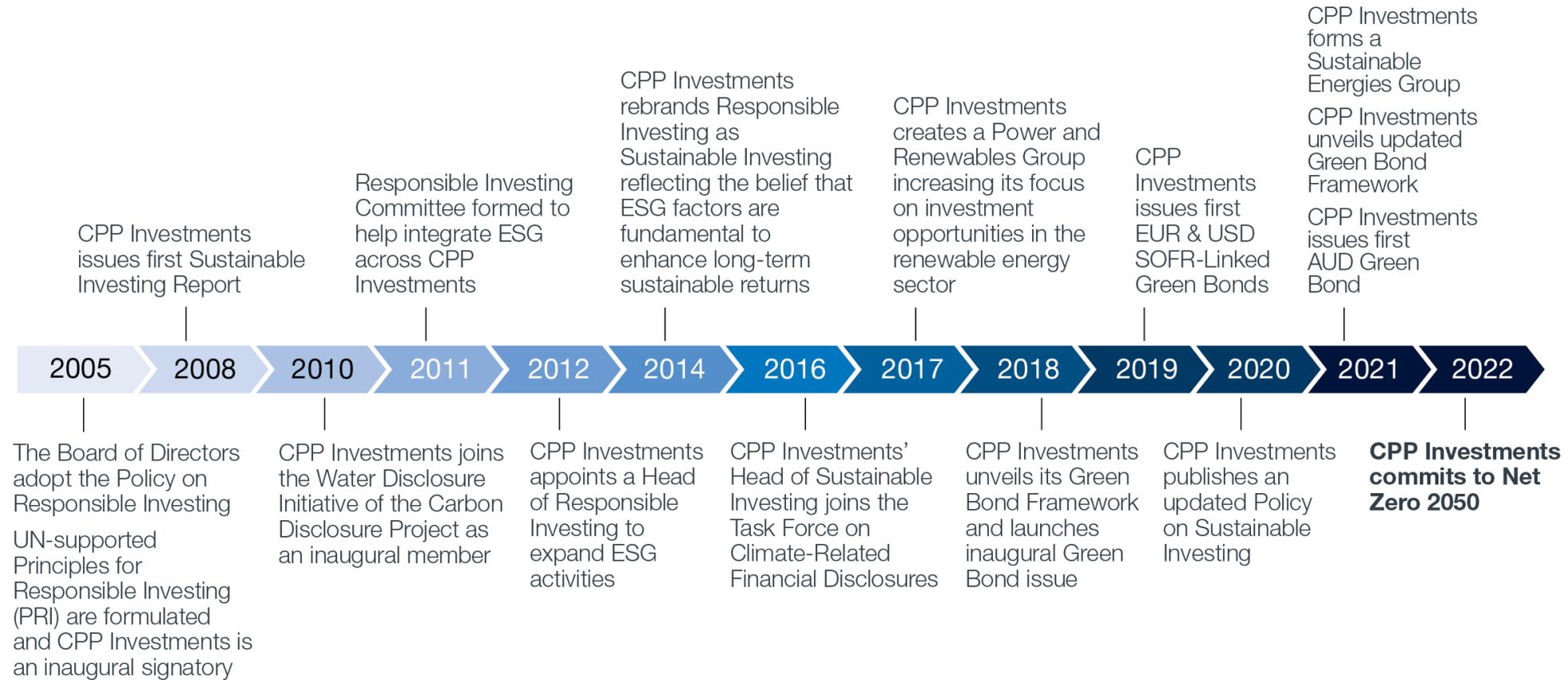


Global Debt Issuance Programme

- CPP Investments has been an issuer in the debt markets since 2015, issuing 49 bonds totaling ~C\$60 billion (based on FX rate on issue date)
- CPP Investments offers a C\$50 billion multi-currency programme that includes USD, EUR, GBP, CAD and AUD, as well as several other alternative currencies



Evolution of Sustainable Investing at CPP Investments



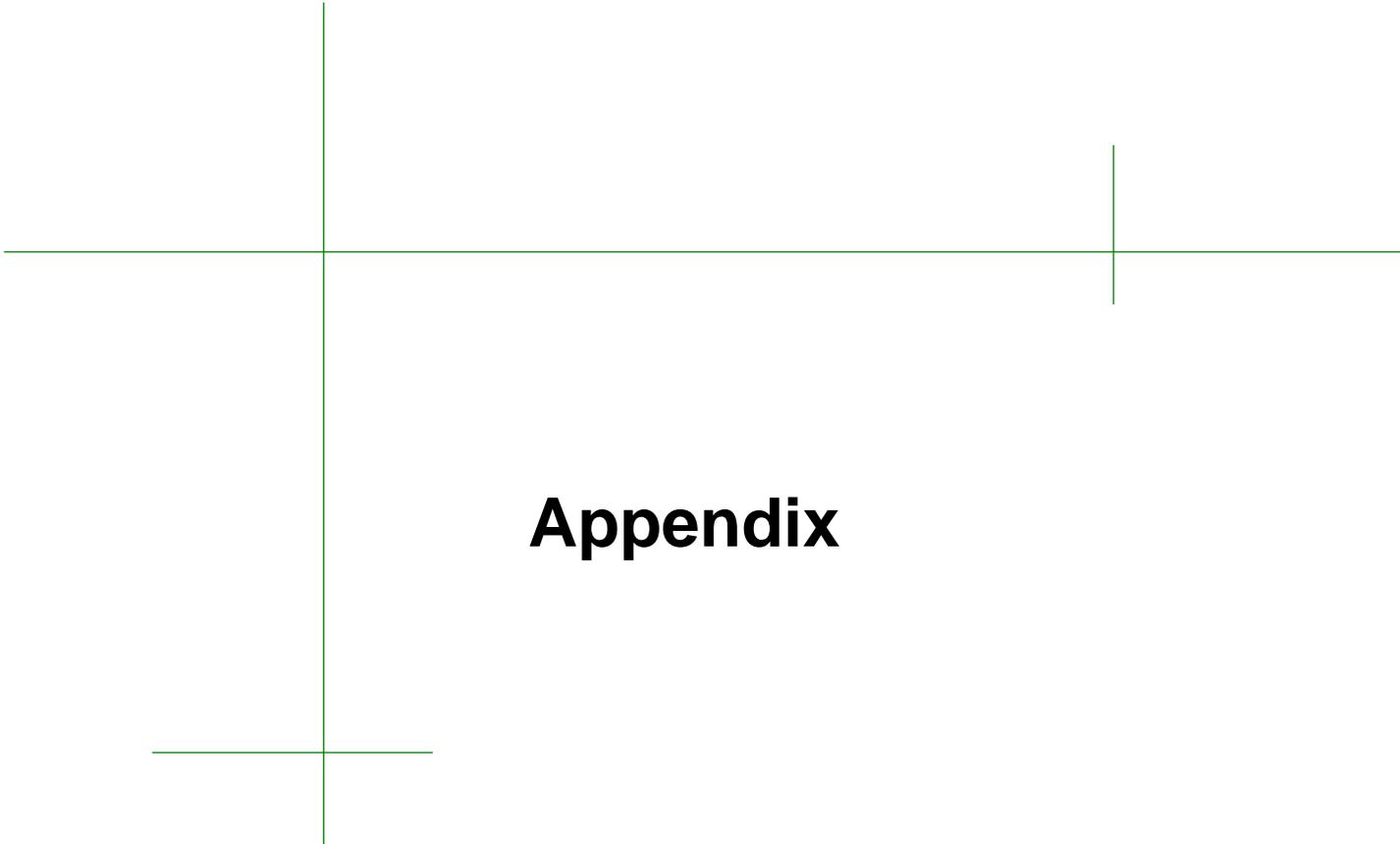
Link to Green Bond Page: <https://www.cppinvestments.com/the-fund/green-bond-program>

Link to Sustainable Investing Page (including Net Zero commitment): <https://www.cppinvestments.com/the-fund/sustainable-investing>

State of Oregon
Approval Process and Investment Decisions



Perrin Lim
Investment Officer – State of Oregon Treasury



Appendix

SEC Modernizes the Accredited Investor Definition

- The amendments revise Rule 501(a), Rule 215, and Rule 144A of the Securities Act.
- The amendments to the accredited investor definition in Rule 501(a):
 - add a new category to the definition that permits natural persons to qualify as accredited investors based on certain professional certifications, designations or credentials or other credentials issued by an accredited educational institution, which the Commission may designate from time to time by order. In conjunction with the adoption of the amendments, the Commission designated by order holders in good standing of the Series 7, Series 65, and Series 82 licenses as qualifying natural persons. This approach provides the Commission with flexibility to reevaluate or add certifications, designations, or credentials in the future. Members of the public may wish to propose for the Commission's consideration additional certifications, designations or credentials that satisfy the attributes set out in the new rule;
 - include as accredited investors, with respect to investments in a private fund, natural persons who are "knowledgeable employees" of the fund;
 - clarify that limited liability companies with \$5 million in assets may be accredited investors and **add SEC- and state-registered investment advisers, exempt reporting advisers, and rural business investment companies (RBICs) to the list of entities that may qualify;**
 - add a new category for any entity, including Indian tribes, governmental bodies, funds, and entities organized under the laws of foreign countries, that own "investments," as defined in Rule 2a51-1(b) under the Investment Company Act, in excess of \$5 million and that was not formed for the specific purpose of investing in the securities offered;
 - add "family offices" with at least \$5 million in assets under management and their "family clients," as each term is defined under the Investment Advisers Act; and
 - add the term "spousal equivalent" to the accredited investor definition, so that spousal equivalents may pool their finances for the purpose of qualifying as accredited investors.

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