

HIGHLIGHTS

REAL ASSETS

\$46.4 B

Net assets as at December 31 2016

5 years

11.5%
Annualized return

\$17.4 B
Net investment results

2016

10.6%
Return

\$4.4 B
Net investment results

2 portfolios

Real Estate

Infrastructure

Advantages

- Attractive risk-return profile and substantial cash flows
- Overall portfolio risk diversification
- Greater resilience to market swings and some protection of capital in times of market turbulence

As at December 31, 2016, Real Assets accounted for 17% of la Caisse's overall portfolio. It includes two portfolios, both actively managed: Real Estate and Infrastructure.

Prior to 2016, this portfolio was called Inflation-sensitive Investments as it was composed of assets whose investment income is generally linked to inflation. In addition to these two portfolios, it included the Real Return Bonds portfolio, which is now part of the Fixed Income asset class.

While the Real Assets asset class still aims to provide protection against the risk of inflation associated with the liabilities of several depositors, its new name reflects la Caisse's strategy of increasing its focus on quality assets rooted in the real economy.

Market context

In recent years, real assets have generated high returns, notably due to widespread declines in interest rates and increased demand from institutional investors for this type of investment. The appeal of these less-liquid assets lies in their attractive risk-return profile and the high and stable revenues they provide, while allowing for the overall portfolio's risk to be diversified.

In real estate, transaction activity improved in Canada in 2016, amid an increase in the valuation of quality assets, particularly in Vancouver and Toronto. Conversely, the volume of transactions decreased in the United States and Europe, with a net decrease in the United Kingdom following the Brexit vote. In the rental market, the vacancy rate of office buildings stabilized in Canada, with the exception of Calgary, while construction starts slowed. In the United States, demand for space was sustained although there was a less

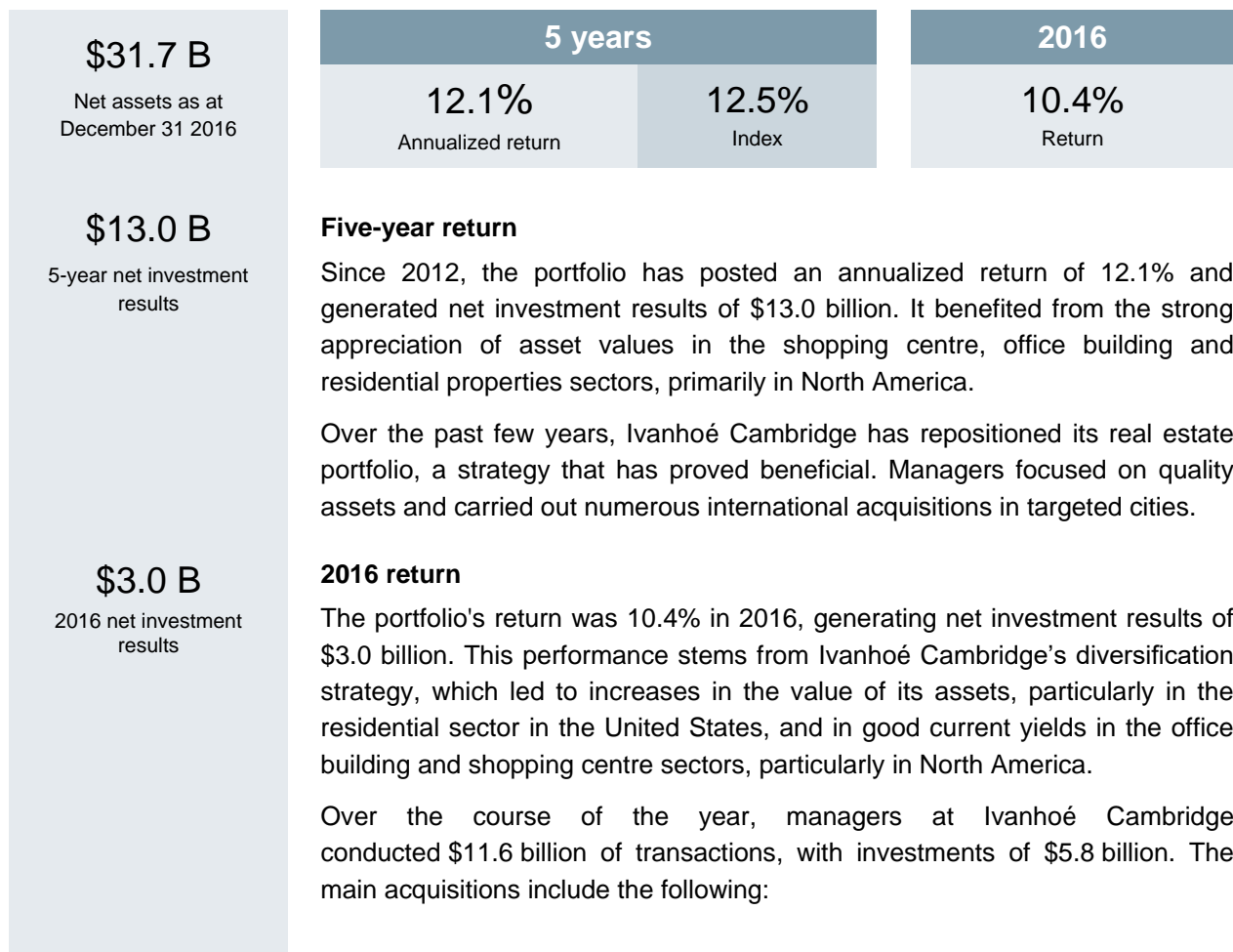
significant increase in rental prices. In continental Europe, good performance in the rental market continued, notably in France and Germany.

In infrastructure, demand remained robust due to low bond yields, which enticed large investors to turn to less-liquid assets to generate returns. In addition, private investors' interest in this asset class has increased due to better access to it through exchange-traded products.

Market volatility, which has intensified with the uncertainty surrounding the Brexit vote and the U.S. presidential elections, has also made real assets more attractive.

REAL ESTATE

This portfolio, managed by la Caisse's subsidiary, Ivanhoé Cambridge, is comprised of buildings and real estate companies around the world. Its investments aim to generate a higher current return than fixed income securities, with stable and constant revenues. The portfolio plays a key role in diversifying la Caisse's overall portfolio as assets held, especially shopping centres, office buildings and residential properties, are less correlated to global markets.

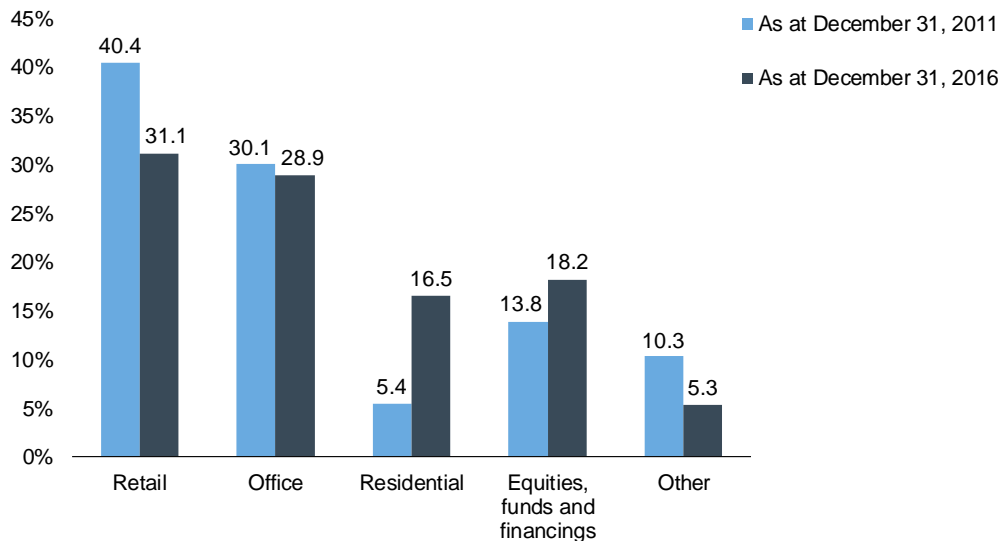


- 330 Hudson Street and 1211 Avenue of the Americas: acquisition of remaining interests in these two flagship New York office buildings in partnership with Callahan Capital Properties;
- 180 North LaSalle: acquisition of this office building in Chicago;
- LOGOS: strategic participation in this Australian real estate company based in China, which owns and develops logistics properties in Shanghai and other Asia-Pacific cities.
- New acquisitions in San Francisco and London, bringing the total number of residential units owned around the world by Ivanhoe Cambridge to nearly 26,000.
- Tsawwassen Mills: the inauguration, in Vancouver, of the biggest shopping centre built in Canada since 2009.
- River Point: completion of this iconic building in Chicago, a project of over \$600 million.

Significant transactions include the sale, in partnership with TPG, of P3 Logistic Parks, an investor, developer and manager of logistics parks in Europe. This transaction was one of 2016's largest real estate transactions on the continent.

Real estate portfolio exposure by sector

As a percentage of total assets



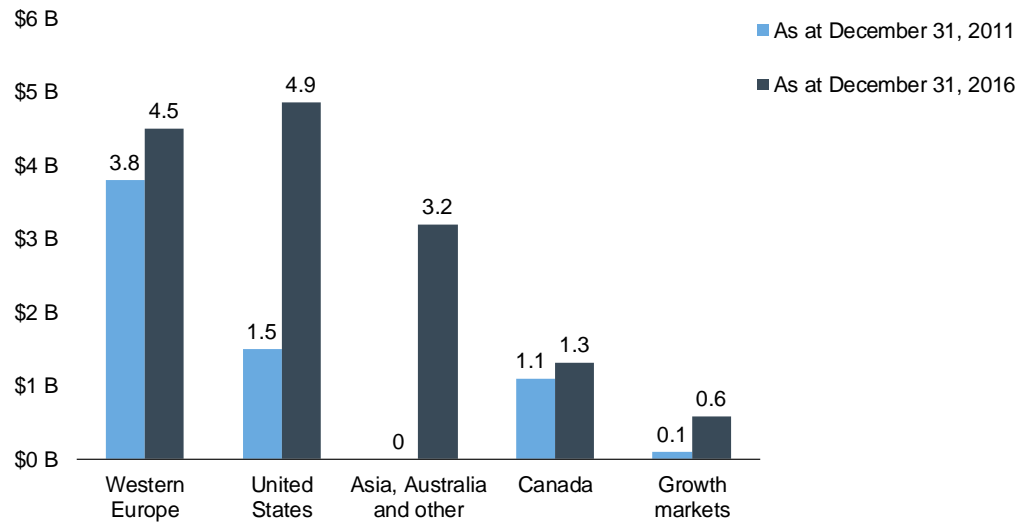
INFRASTRUCTURE

This portfolio consists of direct investments in companies operating a variety of infrastructure projects in developed markets and certain targeted growth markets. These assets include ports, airports, highways, wind farms, passenger transportation systems and electrical transmission and distribution networks. As many of these sectors are regulated, they offer stable capital flows and a better risk-return profile than other asset classes.

<p>\$14.6 B Net assets as at December 31 2016</p> <p>\$4.4 B 5-year net investment results</p> <p>\$1.4 B 2016 net investment results</p>	<p>5 years</p>		<p>2016</p>
	<p>10.0% Annualized return</p>	<p>12.5% Index</p>	<p>11.1% Return</p>
	<p>Five-year return</p> <p>Over five years, the portfolio generated net investment results of \$4.4 billion at an annualized rate of return of 10.0%. The strong performance of the operating companies in the portfolio drove current yield on investments, which explains much of the five-year return. The balance is attributable to the increase in the value of assets held. The deviation from the benchmark is a function of the nature of the index, which is composed of publicly-listed stocks, which pushed the index higher due to the market exuberance of recent years.</p>		
<p>2016 return</p> <p>Asset appreciation accounted for a significant portion of the portfolio's return in 2016. The return in 2016 was 11.1%, or net investment results of \$1.4 billion. Major transactions of the year include:</p> <ul style="list-style-type: none"> • Plenary Group Holdings: acquisition of 20% of this Australian company, alongside which la Caisse has invested in seven social infrastructure projects; • DP World: alongside one of the world's largest port operators, the creation of a \$5.0-billion investment platform for ports and port terminals across the globe (Caisse stake: 45%); • Azure Power Global: 21% stake in this Indian company which is one of the largest solar power producers in the country. <p>In addition, in 2016, CDPQ Infra, la Caisse's infrastructure subsidiary, presented the Réseau électrique métropolitain (REM), an impactful public transit project for the Greater Montreal area, valued at \$5.9 billion, of which la Caisse plans to commit \$3.1 billion. The new integrated network aims to link downtown, the South Shore, the West Island, the North Shore and the airport. The first trains of this fully automated electric system are expected to be in operation at the end of 2020.</p>			

Infrastructure portfolio geographic exposure

Total assets in billions of dollars by region



Investment results table for Real Assets portfolios

As at December 31, 2016	5 years				2016		
Specialized portfolios	Net assets \$M	Net investment results \$M	Return %	Index %	Net investment results \$M	Return %	Index %
Real Estate	31,721	12,997	12.1	12.5	2,966	10.4	7.2
Infrastructure	14,640	4,424	10.0	12.5	1,418	11.1	10.8
Real Assets	46,361	17,421	11.5	12.3	4,384	10.6	8.6