Mission Driven

2024 Annual Report

Public Sector Pension Investment Board

PSP Investments

At PSP Investments, we are driven by our mission to support the retirement of people who protect and serve Canada.

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All amounts in this report are in Canadian dollars unless otherwise noted. From time to time, PSP Investments makes forward-looking statements. By their nature, forward-looking statements require assumptions to be made and involve inherent risks and uncertainties. As a result, PSP Investments cannot guarantee that any forward-looking statement will materialize.

Overview

Financial highlights

PSP Investments is one of Canada's largest pension investors

We invest assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the pension plans of the federal Public Service, the Canadian Forces (Regular Force), the Royal Canadian Mounted Police (RCMP) and, since March 1, 2007, the Canadian Forces (Reserve Force), and to the ability of the plans to meet their financial obligations.

Our portfolio grew to

$264.9B

net AUM[1] in fiscal 2024,

an

8.7%

increase over 2023

10-year net annualized return

8.3%

$135.3B
Cumulative 10-year net portfolio income[2]

$24.5B
Cumulative net investment gains above the Reference Portfolio[3] over 10 years

5-year net annualized return

7.9%

$80.9B
Cumulative 5-year net portfolio income[2]

$13.9B
Cumulative net investment gains above the Reference Portfolio over 5 years

1-year net portfolio return

7.2%

$17.8B
Net portfolio income[2]

($10.7B)
Net investment gains above the Reference Portfolio

1 Net AUM denotes net assets under management.
2 Excludes contributions.
3 The Government of Canada gives PSP Investments a Reference Portfolio that communicates its risk tolerance.

We invest globally across asset classes

Capital Markets

$111.8B
NET AUM

6.9%
5-year annualized return

42.2%
of total net AUM

Private Equity

$40.4B
NET AUM

14.8%
5-year annualized return

15.3%
of total net AUM

Credit Investments

$26.2B
NET AUM

9.8%
5-year annualized return

9.9%
of total net AUM

Real Estate

$27.2B
NET AUM

0.9%
5-year annualized return

10.3%
of total net AUM

Infrastructure

$34.5B
NET AUM

12.0%
5-year annualized return

13.0%
of total net AUM

Natural Resources

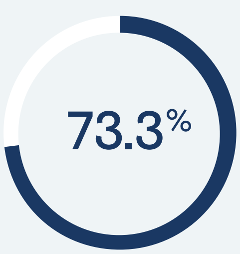
$15.2B
NET AUM

7.0%
5-year annualized return

5.7%
of total net AUM

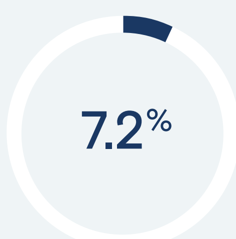
Our returns support the sustainability of four pension plans

Net assets per pension plan account



$194.0B
Public Service

$50.5B
Canadian Forces



$19.0B
RCMP

$1.1B
Reserve Force

Chair's message

PSP Investments delivered another year of solid financial results. The total fund remains strong and continues to grow.

Track record of success

As I come to the end of my term as Chair, I could not be prouder of PSP Investments and its performance over the 10 years I have served on the Board.

Assets under management have grown from $93.7 billion on March 31, 2014, to $264.9 billion at the end of fiscal 2024. Over the same period, the organization established a global presence – adding offices in New York City, London (UK) and Hong Kong – and built sophisticated capabilities. PSP Investments weathered the challenges of the pandemic with aplomb and has continued to perform amid the uncertainty and volatility of the past couple of years.

Well positioned for continued growth

Many of PSP Investments' accomplishments can be tied back to the Canadian pension model, which is recognized globally for its proven ability to generate resilient pension wealth. The model is underpinned by robust governance that operates at arm's length from governments and promotes high standards of independent investment decision-making and accountability.

I also applaud the exceptional executive teams with which I have had the privilege of working. Current President and CEO Deborah K. Orida is helping PSP Investments raise its game even further. Deborah's dedication to the organization's mission and mandate has energized our people and strengthened the sense of pride in what we do. Over the past year, the Board has worked closely with Deborah and the executive team to develop a strategy that will position PSP Investments for continued success in a rapidly changing world.

Success also requires employees capable of delivering on the organization's goals. I can say with confidence that PSP Investments is rich in talent; it has been able to attract highly skilled people from around the world. Their expertise is demonstrated by the organization's strong, long-term results. PSP Investments' recent appointment as investment manager of the Canada Growth Fund is further recognition of their capabilities.

Board renewal

As my term as Chair ends in 2024, I thank my fellow Board directors, both past and present, for their dedication and contributions to PSP Investments. It has been a pleasure to work with such a diverse, high-quality and high-performing Board.

Although the next Chair has not yet been designated by the Governor in Council, a thorough process is being followed. I am certain that PSP Investments' independent and professional Board will continue to oversee the business and affairs of the organization in an exemplary way.

In closing

On behalf of the Board, I extend thanks to the executive team and all of PSP Investments' employees for their hard work and commitment. They give us every reason for confidence in the future of this organization and its ability to deliver on its mandate.

As this is my last letter, I also would like to thank the Presidents of the Treasury Board past and present, the Ministers of National Defence and Public Safety, the Treasury Board of Canada Secretariat, the Chief Actuary of Canada, and the Chair and members of the External Nominating Committee for their support over the years. Thank you as well to the contributors and beneficiaries of the pension plans for your service to our country. It has been one of the great privileges of my life to serve on PSP Investments' Board.

Sincerely,

Martin Glynn
Chair of the Board

"Thank you to the contributors and beneficiaries of the pension plans for your service to our country."

President and Chief Executive Officer's message

At PSP Investments, we are honoured to manage the funds to support approximately 900,000 contributors and beneficiaries who have worked for Canada's public service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force.

We understand that their pensions will be the base of their financial security during retirement – and we feel the full weight and responsibility of managing the funds transferred to us in the best interests of the contributors and beneficiaries, and in line with our mandate.

Succeeding in a world of uncertainty

Success in today's complex investment environment demands that we be at our best. I am pleased to report that we are rising to the occasion and meeting our long-term performance objectives.

By the end of fiscal 2024, we achieved a 10-year net annualized return of 8.3%, leading to $24.4 billion in cumulative net investment gains above our Reference Portfolio. We also outperformed our Total Fund Benchmark returns over the last five and 10 years, generating $27.2 billion and $31.5 billion in excess net investment gains over the respective periods. Since inception, we have delivered $171.0 billion in cumulative investment income.

Our 7.2% one-year net portfolio return exceeded the Total Fund Benchmark return by 0.8%, led by strong performance from our Public Market Equities, Infrastructure and Credit Investments asset classes.

A portfolio designed to deliver over the long term

PSP Investments' performance points to the strength and resilience of our investment portfolio, which is designed to provide stability and returns over the long run, and to meet the pension plan obligations.

Our portfolio is diversified and includes private market investments and inflation-sensitive assets, such as inflation-linked bonds and real assets, which are particularly important for achieving our mandate. We regularly stress test its resilience under a range of potential scenarios, and constantly monitor our level of risk.

Expanding our role in Canada

As we pursue our mission and mandate, we are also proud to contribute to the Canadian economy through investments in companies that are creating quality jobs for Canadians, supporting communities, advancing the transition to a low-carbon future and investing in innovation. Our $56-billion exposure to Canadian assets includes significant investments in public equities, real estate, natural resources and infrastructure.

One example is our recent investment in renewable energy producer Hydroméga Services Inc. (Hydroméga). A first-mover in private sector renewable energy production and development in Canada, Hydroméga has been operating clean power generation facilities in Québec and Ontario for decades and has a development pipeline of more than 2,000 MW of wind, solar, storage and hydroelectric projects.

In spring 2023, PSP Investments entered into an agreement with the Government of Canada to be the investment manager for the Canada Growth Fund (CGF)[1], a separate $15-billion investment vehicle established to support the growth of Canada's clean economy. We are honoured by the confidence placed in our people, performance track record and governance model. Since assuming this responsibility, we have shown results through multiple investments. More information can be found on the Canada Growth Fund website and in its Annual Report.

We believe that our involvement in CGF, and the expertise we will develop, will be very useful to PSP Investments – most notably, by providing foresight into one of the most significant structural shifts affecting our investment environment. Accordingly, we are confident that this role will positively impact our ability to serve our important mandate to invest in support of the funding of the pension plans. To safeguard our ability to do so, our role as CGF investment manager is operationally distinct and independent from our pension investment mandate. Pension investment assets and investment income remain separate from CGF's investments.

Focusing on our strengths with coordinated excellence

Looking ahead, our Board and executive team spent considerable time in fiscal 2024 developing our roadmap for the future. We are facing a new, more complex investment regime characterized by fluctuating macro-economic conditions, geopolitical shifts, rapid technological advancements, the whole economy transition required by climate change, and significant demographic and societal changes – and we recognize the need to evolve and push ourselves to the next level.

We developed a strategy for the next three years, which builds on our strengths and will set us on a path toward our bold ambition to become the best pension investor in the world. Achieving this ambition will require a relentless focus on delivering superior risk-adjusted returns, managing funding risk, and executing with coordinated excellence to maintain a high level of stakeholder trust. You can learn more about our strategy on page 13 of this report.

In closing

As we gear up for another year of potential uncertainty, evolution and opportunity, I'm grateful to work alongside so many exceptional people. I would like to thank our Board members for their counsel, probing questions and support. To Martin Glynn, our Board Chair, who is expected to step down as Chair in 2024, I extend a very special thanks. Martin has been an exceptional leader, whose dedication, insights and passion for PSP Investments' mission have inspired us all.

I am also pleased to welcome Patrick Charbonneau, President and Chief Executive Officer, Canada Growth Fund Investment Management, to our executive team as of April 1, 2024. Patrick is a long-standing PSP Investments investor, who brings his deep expertise and global experience to this leadership role and will be a valuable addition to our executive team.

Lastly, to my executive team and all PSP Investments employees, a big THANK YOU. None of this past year's accomplishments – or our prospects for the future – would be possible without your talent and commitment.

Deborah K. Orida
President and Chief Executive Officer

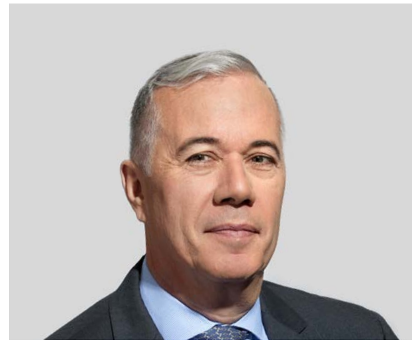
"As we pursue our mission and mandate, we are also proud to contribute to the Canadian economy through investments in companies that are creating quality jobs for Canadians, supporting communities, advancing the transition to a low-carbon future and investing in innovation."

[1] The investment management services we provide to CGF are on a cost recovery basis for no profit, and investments held by CGF do not form part of our assets under management.

Our executive team

Deborah K. Orida
President and Chief Executive Officer

Mélanie Bernier
Senior Vice President and
Chief Legal and People Officer

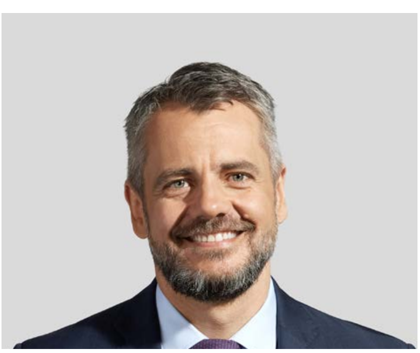


J.-F. Bureau
Senior Vice President and
Chief Financial and Risk Officer

Patrick Charbonneau
President and Chief Executive
Officer, Canada Growth Fund
Investment Management
(Effective April 1, 2024)

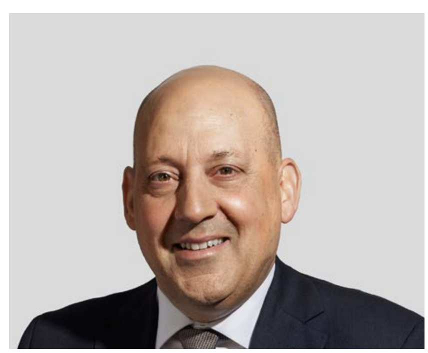
Oliver Duff
Senior Vice President and
Global Head of Credit Investments

Simon Marc
Senior Vice President and
Global Head of Private Equity
and Strategic Partnerships



David Ouellet
Senior Vice President and
Chief Technology, Data and
Operations Officer

Patrick Samson
Senior Vice President and Global
Head of Real Assets Investments
(Real Estate, Natural Resources
and Infrastructure)



Eduard van Gelderen
Senior Vice President and
Chief Investment Officer

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- Our role
- 2024 priorities
- Our strategy
- Our people

Strategic priorities

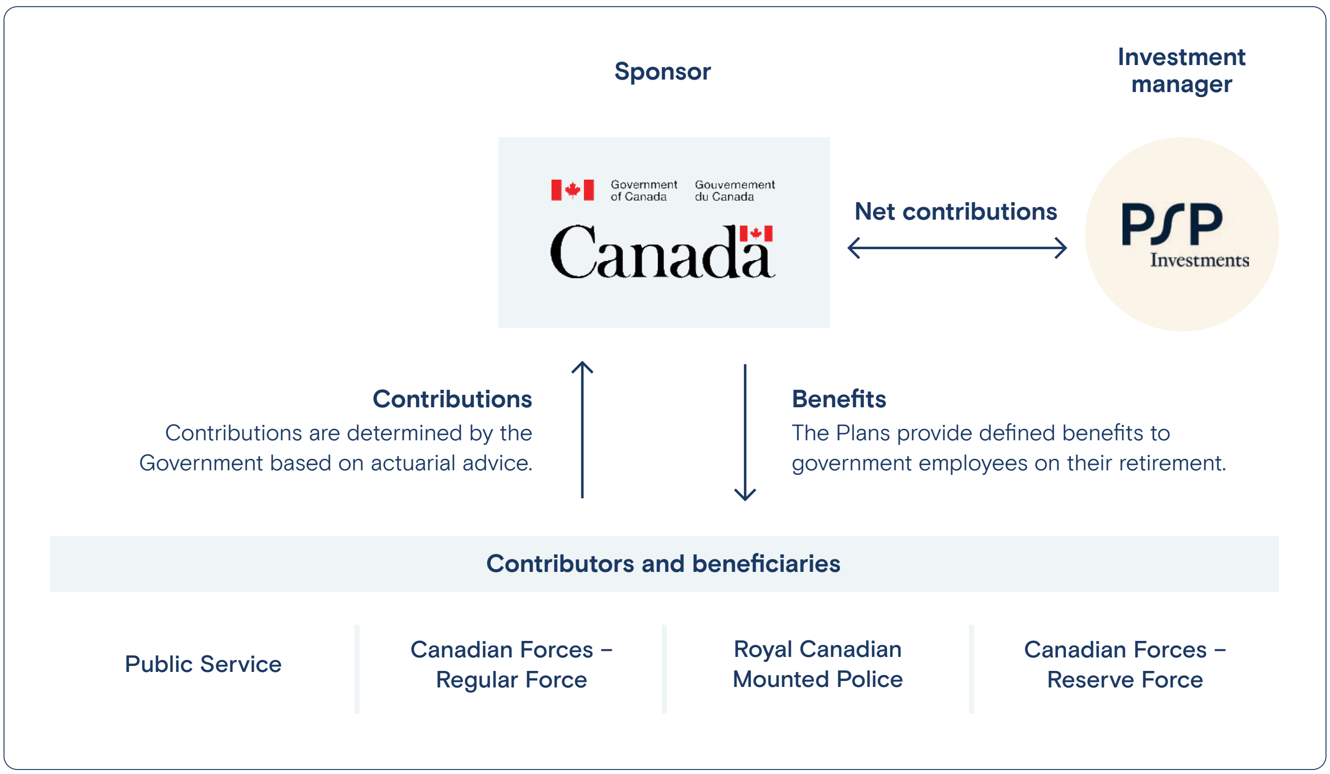
Our mission, mandate and strong sense of duty unite us – they inform our decisions, shape our strategies and culture, and underpin our success.

Our role

PSP Investments' mission is to support the retirement of people who protect and serve Canada.

We do this by delivering on our mandate, which is spelled out in the *Public Sector Pension Investment Board Act*. We are to: (1) manage amounts that are transferred to us in the best interests of the contributors and beneficiaries under the Acts related to the Plans[1]; and (2) invest our assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans and the ability of the Plans to meet their financial obligations.

This diagram shows how we support the public sector pension plans:



- During their working life, Canada's public service employees and members of the Armed Forces (Regular and Reserve Forces) and RCMP contribute jointly with their employers to their respective pension plans.
- The Government of Canada transfers to PSP Investments an amount equal to the total contributions less expenses and funds used to pay pension benefits for service after 2000.
- We invest and manage the money in accordance with our mandate.

[1] *Plans* refers to the pension plans of the federal Public Service, the Canadian Forces (Regular Force), the Royal Canadian Mounted Police (RCMP) and, since March 1, 2007, the Canadian Forces (Reserve Force).

Focused on what matters

2024 priorities

Our 2024 corporate priorities were intended to lay the groundwork for the fiscal 2025 launch of our new strategy. Here are select initiatives undertaken in each area:

Energize and inspire our people through actions

- Reinforced the importance of our mission and refreshed our core values, emphasizing how they guide our employees in their actions and decisions.

Evolve our emphasis on capital deployment to active portfolio management, value creation and effective execution

- Took advantage of strong market demand in areas such as Infrastructure and Credit Investments, to realize value created over the years. Close to 45% of our private market transactions monetized that value created. This reflects our ability to identify and execute attractive exit opportunities across our diverse portfolio, while maintaining a disciplined approach to capital deployment and value creation.

- Shifted our beta management function to our Chief Investment Officer team to improve the effectiveness of our total fund management capabilities and support the focus of our public alpha management activities. More details can be found in the Management's Discussion of Fund Performance and Results (MD&A).

Further integrate climate considerations into our investment activities and enhance data collection

- Integrated climate considerations into our portfolio construction activities to increase the robustness of the Policy Portfolio in the transition to a low-carbon economy.

Advance firm-wide access to data and knowledge to support insight-driven decision-making

- Migrated over 75% of our business applications to the cloud.

- Initiated a multi-year project to unify public and private financial data, streamline processes, and modernize legacy technology. This initiative will serve as the foundational platform on which we will build our advanced analytics capabilities.

Building our AI capabilities

Generative artificial intelligence (GenAI) is the next shift in how people will interact with computers and data. It simulates human responses and is particularly good at summarization tasks. As investors, we need to understand the disruptive risks and opportunities AI presents to our portfolio, and look for ways to leverage AI tools to our advantage.

We are closely monitoring developments in the field of GenAI and other disruptive technologies, and exploring ways to integrate these technologies into our business model. In fiscal 2024, we held organization-wide GenAI learning sessions and rolled out Microsoft Copilot, an AI-powered productivity tool that helps employees understand, summarize, predict and generate content from data to support knowledge and research capabilities.

Raising our ambition

Our strategy

PSP Investments' context has evolved significantly since its last strategy was launched in 2021. Over the course of fiscal 2024, PSP Investments' Executive Committee and Board of Directors engaged in a rigorous process to set the organization's direction for the future. The new strategy is based on a comprehensive analysis of our internal context and external environment.

We are starting from a position of strength. Over the past 20 years, we have built sophisticated, global investment capabilities, and unique strengths that establish PSP Investments as a leader among a select circle of Canadian pension investors.

Today, PSP Investments, like all institutional investors, faces increasingly competitive investment conditions and must navigate an external environment characterized by interconnected forces, such as changing macroeconomic conditions, the whole economy transition required by climate change, rapid technology evolution, geopolitical recalibration, and demographic and societal transformations.

In response to this rapidly evolving world, we have developed a strategy that lays out our roadmap for success. To build on our strengths in our investment activities, we will take a more selective and coordinated approach to our portfolio, building on our total fund approach to be more focused in areas where we can generate better risk-adjusted returns. We will take advantage of our ability to invest across the capital structure, and we will collaborate in areas where our strengths intersect. This focused approach will assist us in anticipating market evolutions and investing with foresight in a volatile environment. We also believe that it will open doors to unique and higher-quality investment opportunities and lead to better overall investment decision-making.

We will also focus on further integrating climate considerations into our investment strategy to drive stronger investment outcomes aligned with our mandate. Our investment management of the Canada Growth Fund will give us a deeper understanding of the risks and opportunities created by the whole economy transition required by climate change and accelerate our investment abilities across the organization.

Our competitive strengths:

- One fund that gives us flexibility in executing our mandate
- Longer-term investment horizon
- Scale on the capital front
- Entrepreneurial spirit to ideate and implement innovative investment strategies
- Robust governance that operates at arm's length from government

To support the increasing sophistication of our investment activities, we need to enhance our organizational agility and operate with excellence. We will focus on modernizing our systems' infrastructure to ensure we have the data and technology required to optimize our investment decisions and the organization's readiness for the future.

Finally, our strategy reinforces our commitment to our inspiring mission, which is a source of pride and differentiation for PSP Investments. The focus on our mission will drive a cohesive culture centred on our renewed values and assist in protecting PSP Investments' global reputation.

We are confident that our strategy will enable us to achieve coordinated excellence across the organization and build on our strengths as investors to deliver superior risk-adjusted returns, appropriately manage funding risk and execute in a manner that is consistent with the trust we have earned from our stakeholders.

Pursuing excellence

Our people

We strive to foster a culture where our people can excel, individually and collectively, in pursuit of our important mission and mandate.

Led by our values

Working from offices in Montréal, Ottawa, London (UK), New York City and Hong Kong, our teams are united in their commitment to our mandate. Our recently renewed values underpin how we work and serve as a compass for our actions and decisions.

Live the mission
We align how we work with who we serve.

Excel together
Our collective strength drives exceptional results.

Be accountable
We manifest our intentions through our actions.

Investing in our people

We aim to leverage our global, multi-asset-class platform to develop our talent and provide an inclusive workplace where we tap into our diverse experiences to improve performance.

In fiscal 2024, the newly launched *Know the Business* series provided a forum for discussing investment themes and how different parts of our business work, as a way of further unlocking employees' ability to innovate and bring multi-faceted experiences and perspectives to investment solutions.

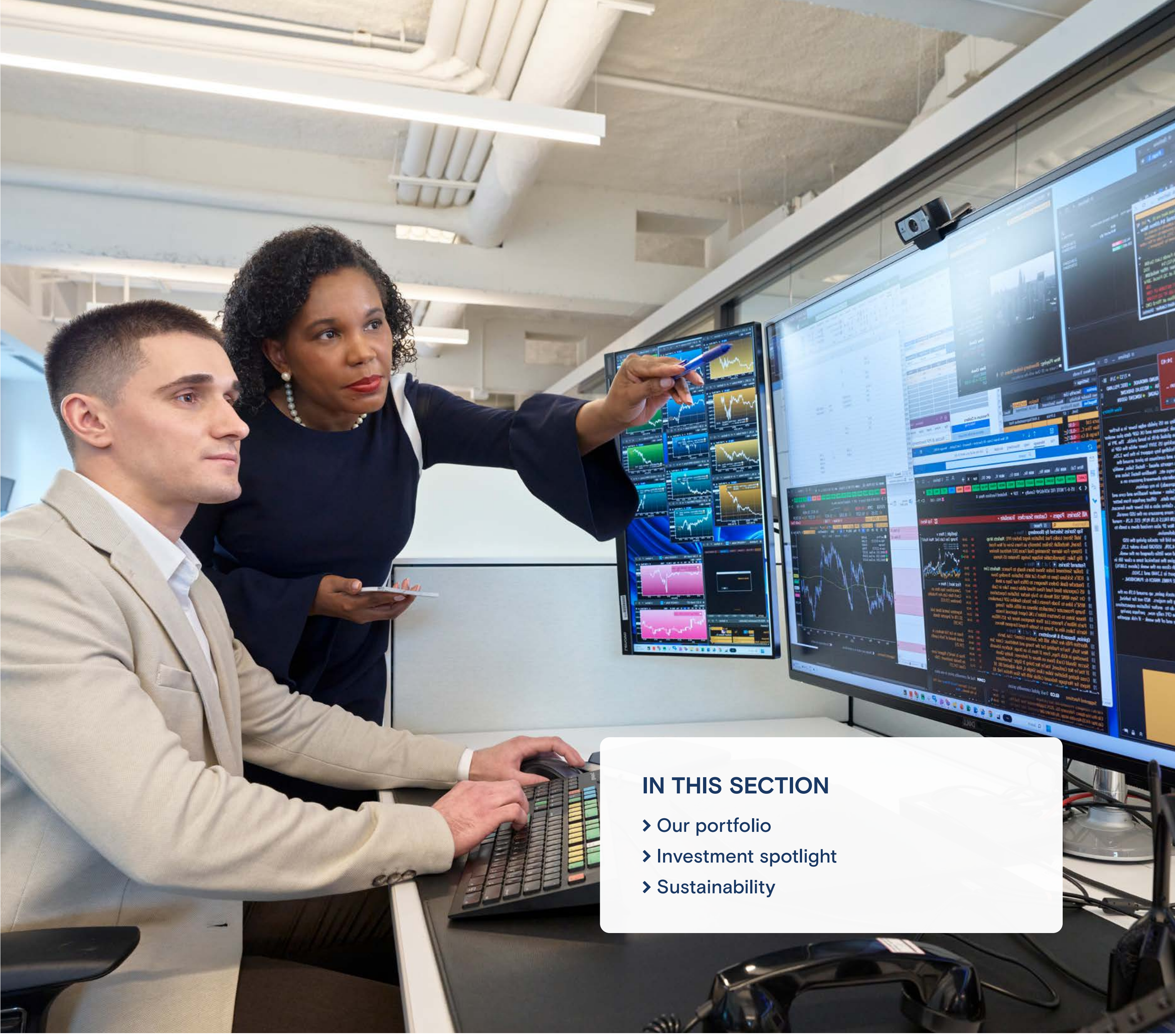
Board members and executives supported initiatives that contributed to understanding our diversity and learning from others' experiences. On several occasions, they participated in inspiring panels and discussions, including a talk with Lieutenant-Colonel Melanie Lake on the leadership lessons and unique skills that emerge from dealing with adverse and challenging situations.

We piloted a mentoring program that saw 15 executives, both men and women, paired with mid-level female employees for monthly career conversations. The focus was on accelerating the professional growth and development of the mentees.

Indigenous awareness and training

Awareness and education initiatives are important for helping us make more informed decisions. Courses such as *Four Seasons of Reconciliation* explored the relationship between Canada and Indigenous Peoples through transformative learning about truth and reconciliation. We held a session, *Indigenous Reconciliation – Finding common ground through dialogue*, with Aboriginal advocate Waneek Horn-Miller, and our Indigenous Peoples Affinity Group attended a cultural teaching with Elder Kevin Deer at the Kahnawake Longhouse.

We also found ways to bring forward Indigenous awareness, teachings and opportunities through leaders such as Tracy Primeau from Agile Bear, who provided Indigenous business insights to our asset class teams.



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Investment approach

We deliver our mandate by having a robust investment approach aligned with the Government of Canada's risk tolerance.

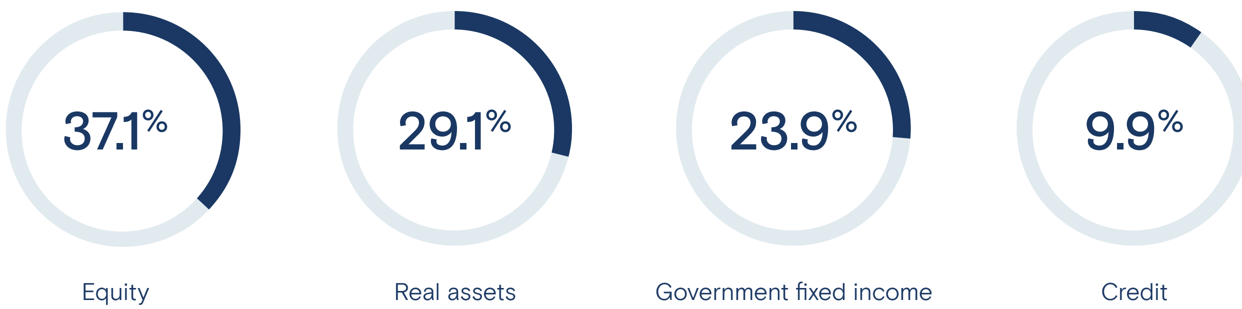
Designed to meet our mandate

Our portfolio

Our investment portfolio is built to maximize returns, without undue risk of loss, and having regard to the funding, policies and requirements of the pension plans established under the Acts.

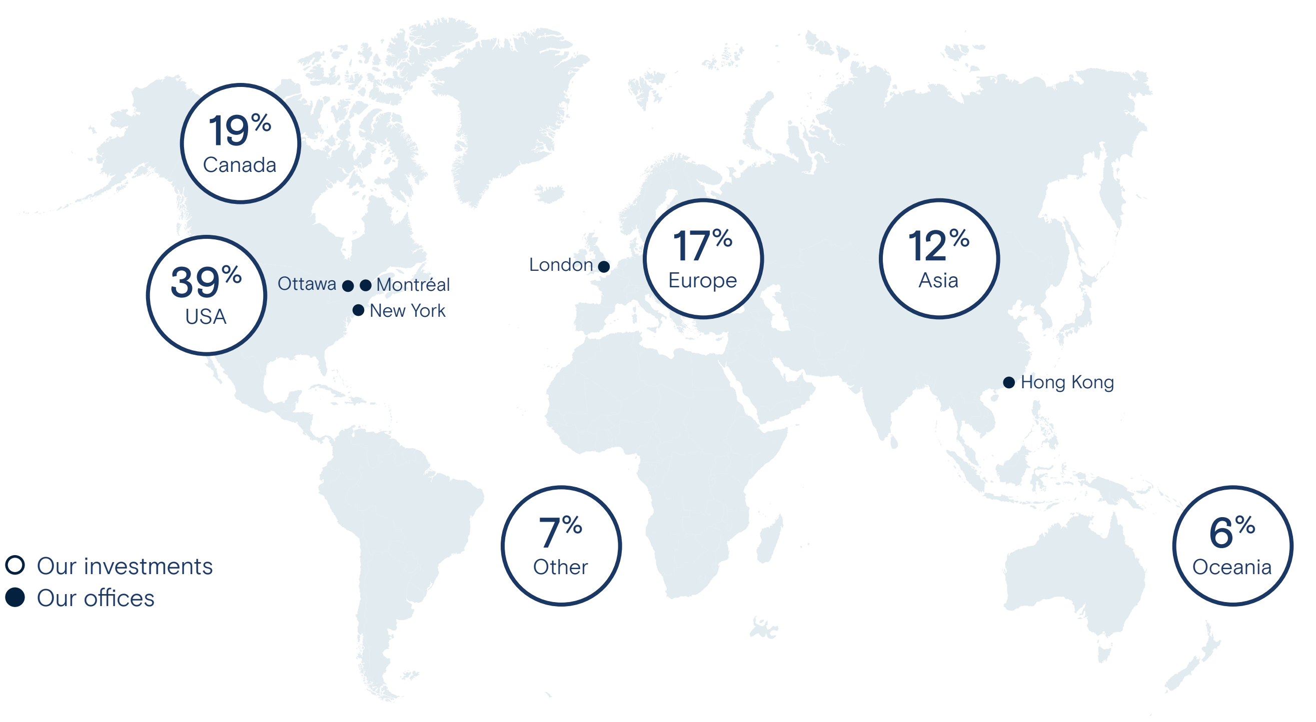
By design, it is more diversified than a simple portfolio of stocks and bonds, including investments across public and private asset classes, geographies and currencies. The different investment strategies help us match the characteristics of pension liabilities (such as inflation sensitivity), reduce pension funding risk, mitigate the impact of market downturns and enhance long-term returns.

Asset class mix



Our equity is not only publicly traded stocks, but also private equity, which comprises 15.3% of the portfolio. Real assets include infrastructure, real estate and natural resources.

Geographic distribution



Supporting the Canadian economy

We are proud to contribute to the Canadian economy through investments in companies that are creating quality jobs for Canadians, supporting communities, advancing the transition to a low-carbon future and investing in innovation and economic sectors of the future. Our Canadian exposure represents approximately $56 billion, including significant investments in public equities, real estate, natural resources and infrastructure.

For example, we purchased the 370-acre **Downsview Airport Lands** from Bombardier in 2018. Our subsidiary, Northcrest Developments, has been working to shape the vision for the future of the site and, in February, we announced a partnership with global real estate firm Hines to develop over 40 acres of the first neighbourhood.

Another portfolio company, **Mosaic Forest Management,** officially issued its first carbon credits under the Verified Carbon Standard, the world's most widely used and rigorous voluntary carbon program. Mosaic has committed to deferring nearly 40,000 hectares (100,000 acres) of private land throughout Coastal British Columbia for at least 25 years, as part of its BigCoast Forest Climate Initiative.

We are invested in, and partner with, early-stage managers that support the Canadian innovation ecosystem, including Toronto-based **Radical Ventures** and Vancouver-based **Yaletown Partners**. These managers invest in pioneering companies that are at the forefront of innovation in Canada and the world. We expect that our investments in these managers will lead to attractive financial returns and insights into innovation that will benefit our entire organization.

CASE STUDY

Growing our Canadian renewables portfolio

With its recent acquisition of renewable energy producer Hydroméga Services Inc. (Hydroméga), our wholly owned subsidiary FirstLight has grown its gross combined operating capacity to approximately 200 MW across Québec and Ontario. Hydroméga's assets provide clean, reliable power to the two provinces, and the projects include ownership participation by four First Nations, providing long-term benefits to those Indigenous communities.

A first-mover in private sector renewable energy production and development in Canada, Hydroméga has been developing, building and operating clean power generation facilities in Québec for over 36 years and in Ontario for more than 20 years.

The acquisition gives FirstLight ownership interests in 10 hydropower generating stations – five in Québec and five in Northeastern Ontario – as well as Hydroméga's clean energy development pipeline, which includes more than 2,000 MW of wind, solar, storage and hydroelectric projects.

In addition, FirstLight gains seasoned Hydroméga team members, including a team of developers with a full suite of capabilities from engaging with Indigenous communities and other local stakeholders to commercialization, construction oversight and operations.

World-leading investment franchises

Investment spotlight

To support the delivery of our diversified portfolio, we have built sophisticated capabilities and established several world-leading, private investment franchises over the past 20 years.

Three of these asset classes were strong performers in fiscal 2024 and provided important diversification and liability matching factors to the portfolio:

Infrastructure invests in assets such as utilities that are stable and benefit from inflation protection by contract or regulatory regime. Our portfolio spans the globe and includes four operating wind power assets across Canada – in Ontario, Québec, Manitoba and British Columbia – with total generation capacity of 560 MW.

Our **Natural Resources** (NR) portfolio is over 98% invested in agriculture and timber, which have attractive attributes for pension investors, offering strong downside protection, a partial hedge against inflation, and limited correlation to other asset classes. Thanks to the NR team's entrepreneurial spirit, PSP Investments has become one of the largest farm and timberland owners in the world.

We started our **Credit Investments** (CI) group in 2015 and are now a significant player in the market globally. The private credit market has expanded rapidly, more than doubling over the last five years and taking market share from the syndicated alternative offered by banks. Our CI group has capitalized on this opportunity, growing its portfolio to approximately 125 companies totalling more than $26 billion. It has invested more than $60 billion since inception.

CASE STUDY

Investing with focus

Our Private Equity (PE) group has been invested in the specialty property & casualty (P&C) insurance sector since 2015, when it acquired a stake in Amwins Group, Inc., a specialty P&C wholesale insurance broker. That initial transaction set the stage for future investments in the sector and delivered one of PE's largest returns in fiscal 2024.

As our understanding of the secular trends that benefit the P&C insurance space has grown, we have invested with our partners across the entire value chain. We added both a retail specialty insurance broker (Alliant Insurance Services, Inc.) and a specialty P&C insurance carrier (Convex Group Limited) to our portfolio in 2019.

These three businesses have proven to be strong performers in a challenging economic environment. In fiscal 2024, we took advantage of an opportunity to realize the value created over the years with Amwins, by participating as sellers in a recapitalization transaction.

Even with the sale, we remain significantly invested in the business for the long term, supporting both the Amwins management team and an industry where we continue to have conviction.

CASE STUDY

Increasing our stake in a proven winner

Our wholly owned subsidiary AviAlliance increased its stake in Athens International Airport by 10%, to just over 50%, as part of the airport's IPO in February 2024.

Athens International Airport is one of the fastest-growing airports in Europe, welcoming 28.2 million passengers in 2023, which was 24% more than the previous year and 10% over the record set in 2019. Since opening in 2001, the airport has received over 120 awards, including most recently being named "Best Airport in Europe" at the prestigious ACI EUROPE Best Airport Awards 2023 in the category of airports with 25 to 40 million passengers.

AviAlliance is PSP Investments' airport investment platform, and one of the world's leading airport investors and managers, with stakes in the airports of Athens, Budapest, Düsseldorf, Hamburg and San Juan (Puerto Rico).

With the Athens International Airport already a valuable part of its portfolio, AviAlliance was pleased to be able to increase its stake. The airport is well placed to build on its record of strong financial performance, capitalize on its leading position in an attractive market, and ultimately deliver strong returns to PSP Investments.

Investing for the long term

Sustainability

Our mandate spans decades and shapes our investment strategy in a way that prioritizes long-term value creation and resilience across our entire portfolio.

In a landscape marked by economic, social and environmental challenges and changes, we focus on the topics that are most likely to have a material impact on our investments over the long term. We take a pragmatic, data-driven approach to addressing these sustainability issues in our underwriting and asset management activities.

In fiscal 2024, we made further progress in integrating material climate considerations into our portfolio construction activities (i.e., long-term capital market assumptions) – which will strengthen the climate change resiliency of our portfolio.

We introduced new tools and frameworks that enable us to apply more rigour to sustainability-related analysis and activities, and increase how we embed sustainability across the organization. They included, for example, a due diligence tool for assessing the sustainability practices of external managers and general partners.

We also focused on climate innovation, automating our Green Asset Taxonomy and developing a climate pathways navigator prototype, which will help our asset classes make better climate-informed projections at the asset and portfolio level.

To learn more, please visit the Sustainability page on our website, or read the following reports:

Management's discussion of fund performance and results

Management's discussion of fund performance and results (the Management report) provides an analysis of the operations and financial position of PSP Investments for the year ended March 31, 2024 and should be read in conjunction with the Consolidated Financial Statements and accompanying notes for the years ended March 31, 2024 and 2023. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In this report, we use a combination of financial measures, ratios and non-IFRS measures to assess performance. The non-IFRS measures used in this report do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other institutions. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS. For non-IFRS measures included in this Management report, definitions can be found throughout the document. This report takes into account material elements, if any, between March 31, 2024 and May 14, 2024, the date of approval of this report by the Board of Directors. Additional information about PSP Investments is available on the website (www.investpsp.com).

Forward-looking statements

From time to time, PSP Investments makes forward-looking statements that reflect management's assumptions, expectations, objectives, strategies and intentions as of the date of this report. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "estimate," "project," "expect," "plan," and similar terms and expressions.

By their nature, forward-looking statements require assumptions to be made and involve inherent risks and uncertainties. As a result, PSP Investments cannot guarantee that any forward-looking statement will materialize, and its future investment activities may vary from those outlined herein. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Mandate

PSP Investments manages the amounts transferred to it by the Government of Canada (the Government) for the funding of benefits earned from April 1, 2000 (Post-2000 Liabilities) by members of the public sector pension plans of the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police and, since March 1, 2007, the Reserve Force (collectively the Plans).

In accordance with the *Public Sector Pension Investment Board Act*, PSP Investments' statutory mandate is to:

a) manage amounts that are transferred to it in the best interests of the contributors and beneficiaries, and

b) invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the pension plans and the ability of those plans to meet their financial obligations.

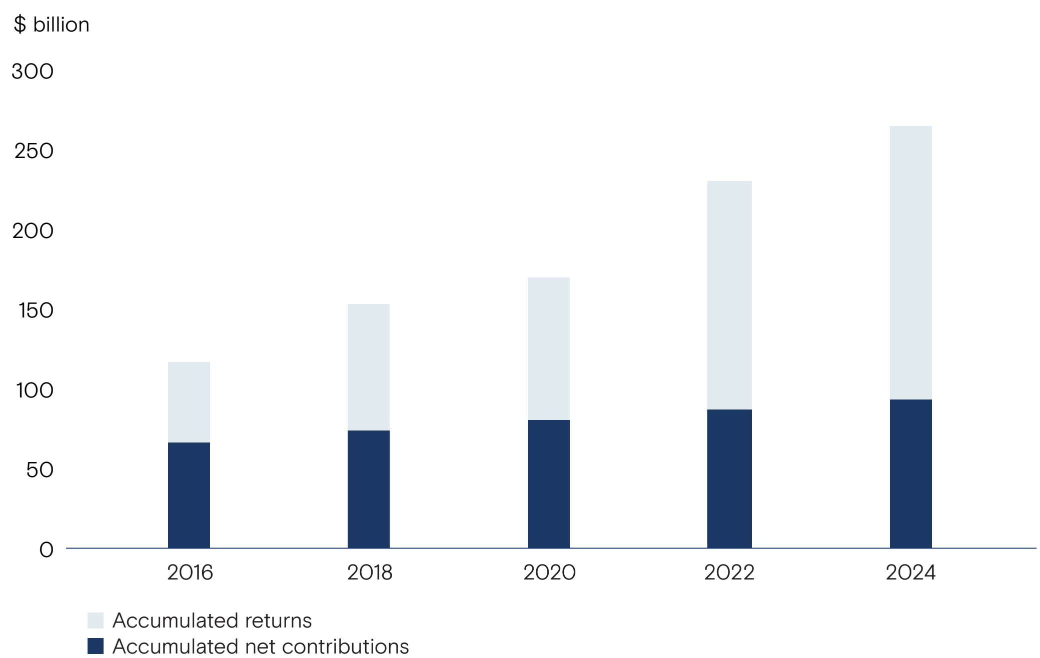
PSP Investments expects to deliver on its mandate by creating value through its strategic asset allocation, dynamic asset allocation, and active management decisions. Strategic asset allocation entails carefully designing asset classes and allocating strategic long-term targets to each of them through the Policy Portfolio and dynamic asset allocation involves navigating the asset allocation around those strategic targets over a mid-term horizon as the economic cycle evolves. Active management activities are designed to generate additional returns, through asset selection and assist in delivering on our mandate. Those activities are described further under "Investment Framework."

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. (CGF), a subsidiary of Canada Development Investment Corporation (CDEV), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. (CGFIM) as its wholly owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with CGFIM's provision of investment management services to CGF are required to be reimbursed by CGF. PSP Investments does not control CGF or own the investments of CGF and consequently, CGF's assets, liabilities and results of operations are not consolidated with those of PSP Investments. This Management report does not include or provide an analysis of the results of operations and financial position of CGF which are reported separately by CGF and can be found at https://www.cgf-fcc.ca/en.

The importance of investment returns in the funding of the pension plan obligations

At the end of fiscal year 2024, fund transfers received from the Government[1] since April 1, 2000 represented approximately 35% of net assets under management (AUM), with the remaining 65% representing investment returns earned by PSP Investments on those funds.

As the Plans mature, funds received from the Government will gradually represent a decreasing percentage of PSP Investments' net assets. The proportion of assets coming from investment returns will continue to grow and it is expected that the majority of our AUM growth in the upcoming years will come from investment returns rather than fund transfers. Having a robust investment framework aligned with our mandate and the Government's risk tolerance is therefore crucial for funding the Post-2000 Liabilities of the Plans.



[1] Transfers to PSP Investments from the Government consist of amounts equivalent to the proceeds of the employee and employer contributions to the Plans, less plan administrative expenses and amounts paid for benefits earned since April 1, 2000 (March 1, 2007, for the Reserve Force).

Investment framework

The chart below illustrates our investment framework.

Mandate
Government's funding risk tolerance communicated on behalf of the President of the Treasury Board through a Reference Portfolio

Total Fund management
Articulates our total fund approach to achieve our mandate over the long term, ensuring desired market exposures are executed efficiently:

Design | Protect | Enhance

Active management
Includes the execution of active investment strategies within risk limits

Mandate

Government's funding risk tolerance

The starting point of PSP Investments' investment framework is the Government's tolerance for pension funding risk. Unlike investment risk, which measures the impact of investment losses on the value of assets, funding risk considers the value of the assets in relation to the value of the obligations (liabilities) of the pension plans.

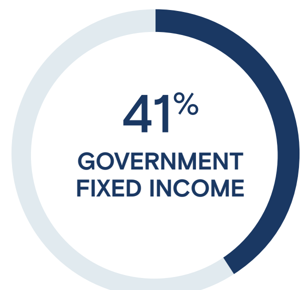
The Treasury Board of Canada Secretariat (TBS) communicates the Government's tolerance for funding risk to PSP Investments, on behalf of the President of the Treasury Board, through a Reference Portfolio, a simple, easily investible portfolio composed of liquid asset classes that could be passively managed. The Reference Portfolio is currently composed of 59% equities and 41% fixed income, as detailed here:

Reference Portfolio asset allocation

28% EAFE Equity

19% US Equity

12% Canadian Equity



29% Canadian Government Bonds

5% World Government Bonds

5% World Inflation-Linked Bonds

2% Cash and Cash Equivalents

Total Fund management

Design of the Policy Portfolio

Building on our mandate, beginning with the risk tolerance conveyed by TBS via the Reference Portfolio, the second component of the investment framework is "design." PSP Investments' value proposition focuses on designing the best possible portfolio, the Policy Portfolio, to allow PSP Investments to achieve its mandate to maximize returns without undue risk of loss or funding risk over a long-term horizon.

Our objective for the Policy Portfolio is to achieve a return greater than the Reference Portfolio over a period of 10 years with a lower or equal level of pension funding risk. This is achieved by including asset classes that diversify our sources of risk and return, such as Real Estate, Private Equity, Infrastructure, Natural Resources and Credit Investments. The Policy Portfolio is built as a more diversified, resilient and liability-aware portfolio than the Reference Portfolio. It articulates PSP Investments' long-term target asset class exposures.

The inclusion of these asset classes is expected to provide a higher return for the Policy Portfolio compared to the Reference Portfolio without increasing funding risk for three primary reasons:

- Their inclusion improves portfolio diversification and therefore reduces pension funding risk.
- Over time, the private nature of these assets is expected to result in higher returns. The Plans' liabilities are long term in nature and liquidity requirements are predictable under normal funding conditions[1]. Since it is unlikely that PSP Investments will need to sell assets quickly and unexpectedly, we are well positioned to capture these higher returns.
- The Plans' liabilities are sensitive to inflation. Investing in real assets that tend to offer long-term inflation protection, such as Real Estate, Infrastructure and Natural Resources, better matches the liabilities of the Plans and lowers the risk of a deficit in the pension plans.

The Policy Portfolio is the predominant factor in determining PSP Investments' return and risk over time. As such, it is reviewed annually or more frequently, if required. Each review includes an asset-liability study to ensure the Policy Portfolio accounts for specific characteristics of both the markets and the Plans' liabilities.

With its increased diversification and liability-aware nature, the Policy Portfolio is designed to be more resilient in downturn scenarios relative to the Reference Portfolio and therefore is expected to offer more downside protection over the long term.

Efforts continue to be focused on enhancing the integration between the long-term pension funding risk, and the shorter-term investment risk management practices. A strong link exists between the two and while the Policy Portfolio generates a lower level of funding risk compared to the Reference Portfolio, it can sustain a higher level of short-term investment risk because of its linkage with the liabilities and its long-term horizon. The advantage from the enhanced integration between Policy Portfolio design and risk management is to ensure that daily risk monitoring is more directly linked to pension funding risk and the Government's risk tolerance.

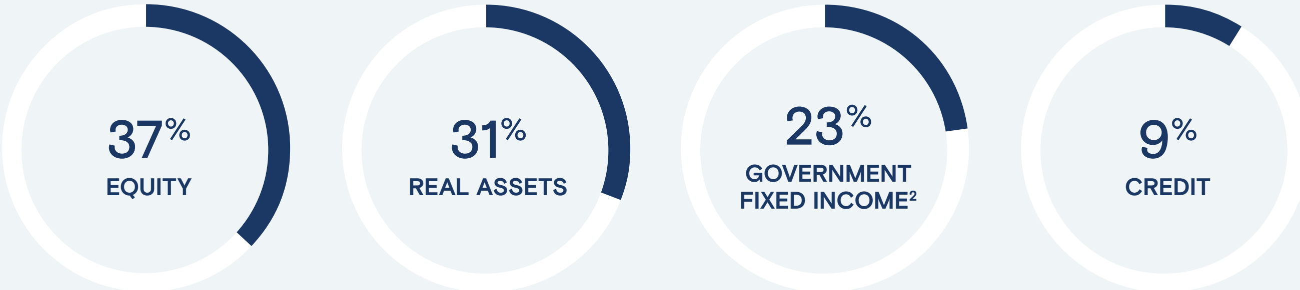
The Policy Portfolio also integrates considerations such as leverage and currency exposure. PSP Investments uses leverage to improve its returns with careful consideration to risk and liquidity, as further described in the "Management of Investment Risks" section.

PSP Investments' Board of Directors (Board) annually reviews and approves the Statement of Investment Policies, Standards and Procedures (SIP&P), which governs the allocation of assets under the Policy Portfolio and describes our investment approach. In addition to the allocation of assets under the Policy Portfolio, the SIP&P addresses matters such as categories of investments and loans, risk management and diversification, liquidity of investments, pledging of assets, permitted borrowings and leverage, securities lending and borrowing, valuation of investments, and sustainable investment. This fiscal year's review of the Policy Portfolio changed its strategic asset allocation to better align with the Government's risk tolerance and PSP Investments' most recent long-term capital market assumptions.

[1] Contributions can increase as a result of a funding deficit or decrease as a result of a non-permitted surplus as per the *Superannuation Acts*. Such situations can impact our net cash flows.

Policy Portfolio asset allocation[1]

Effective during fiscal year 2024



25% Public Equity

12% Private Equity

12% Real Estate

12% Infrastructure

7% Natural Resources

With respect to the Currency Management Policy, some foreign currency exposures, notably the US dollar, benefit from not being systematically hedged, as they tend to appreciate versus the Canadian dollar when economic shocks occur and therefore act as a diversifier (i.e., a natural hedge against declining asset returns). The Policy Portfolio's risk-return profile is therefore improved when keeping most foreign currencies unhedged, with the added benefit of reducing long-term hedging costs and pressure on liquidity, leverage and operations. While this is true for most currencies, some are risk additive, being even more pro-cyclical than the Canadian dollar, and are therefore strategically hedged. These currencies represent a small fraction of our exposures, and this evolution allows PSP Investments to further reduce the funding risk of our strategic asset allocation.

Protect the Policy Portfolio

The next component of the investment framework is "protect." It aims to ensure that, through the implementation of the Policy Portfolio, risk and return characteristics of PSP Investments' actual portfolio are aligned to those of the Policy Portfolio in the most optimal way.

Several mechanisms such as portfolio rebalancing (both for assets and for currencies) and risk limits are in place to ensure that the invested Total Fund portfolio's risk and return characteristics do not stray too far from the Policy Portfolio.

Notably, dynamic asset allocation (DAA) contributes to the implementation of the strategic asset allocation. In order to reach the desired exposures, it enables a smooth transition period following periods of elevated market volatility, the addition of a new asset class, operational constraints when ramping up or revising the targeted long-term weights. It seeks to improve the likelihood that the Policy Portfolio will deliver on PSP Investments' long-term value proposition using business cycle analysis. The DAA also allows PSP Investments to consider mid-term views on economic conditions to adjust and optimize the actual portfolio relative to the desired Policy Portfolio.

A similar dynamic approach is used to manage currency exposures, which is called dynamic currency management (DCM). DCM seeks to contribute to the implementation of the Policy Portfolio currency exposures. It integrates operational constraints such as liquidity in the management of currencies while seeking to improve the likelihood that the Policy Portfolio will deliver on PSP Investments' long-term value proposition using business cycle analysis. While from a portfolio design perspective, keeping most foreign currencies unhedged acts on average as a diversifier over the long term (given that currencies such as the US dollar tend to appreciate versus the Canadian dollar in downturn scenarios), in a given year, currencies can deviate from their long-term expected behaviour.

[1] PSP Investments recognizes that some investment opportunities may be beneficial to the Plan Accounts without falling within the asset classes in the strategic asset allocation. Investments such as those in the Complementary Portfolio have no target weight but shall not surpass 3% of the Plan Accounts' value.

[2] Includes Cash and Cash Equivalents.

Enhance the Total Fund

"Enhance" follows the "protect" component of the investment framework. This component's objective is to improve the long-term risk-reward profile of the Total Fund and is achieved through beta management and the Complementary Portfolio.

Beta management extends beyond standard benchmark replication, or passive investing. Its mission is to improve the total fund's risk-return profile by balancing and increasing flexibility in the implementation of the desired equity and fixed income exposure of the Policy Portfolio. Furthermore, beta management also supports enhanced leverage and liquidity management through the consolidation of total fund activities.

In support of total fund activities, the Complementary Portfolio focuses primarily on investments that are not within the mandate of an existing asset class but have strategic benefits to the total fund. The mandate of the Complementary Portfolio includes: i) incubating innovative investment strategies that are uncorrelated to general economic conditions and traditional financial markets and ii) investing in select, long-term partnerships that are focused on innovation and that deliver knowledge, insights and intelligence that can be leveraged throughout PSP Investments while providing an appropriate financial return.

Active management

Actual portfolio

The final component of the investment framework, "active management," aims to achieve a return exceeding that of the Policy Portfolio while staying within Board-approved risk limits. Active management refers to investment strategies aimed at outperforming a benchmark that reflects the desired risk and return characteristics that were identified as part of the strategic asset allocation decision. In alignment with their target asset allocation and investment mandates, each asset class develops an investment strategy to deliver their target sector and geographic exposure. Each asset class does so by making investments independently, or with leading external managers and other like-minded investors and operators, in assets and securities expected to provide compelling risk-adjusted returns over their investment horizon. Asset classes are staffed across our global offices by experienced investment professionals who have a deep understanding of their industry and a valuable network of relationships. This, combined with the various means of support provided by PSP Investments, equips them to effectively research, source, execute and manage their portfolio to optimize its performance over the long term. The asset class investment strategies that allow them to execute on their mandate are presented in their respective results section.

Sustainable investment

As a long-term investor, we believe that proactively integrating material sustainability-related risks and opportunities, including climate change risk, in the investment process contributes to a better total fund long-term risk-return profile. We define sustainability-related factors as those including, but not limited to, effective corporate governance, climate change, biodiversity, human capital management, health and safety, community engagement and social acceptance, labour standards and human rights, responsible sourcing and usage of artificial intelligence, data and cyber security, and other dynamic and emerging factors material to the long-term success of companies. PSP Investments' sustainable investment approach is aligned with the total fund perspective and mandate and is institutionalized through the Sustainable Investment Policy and Corporate Governance & Proxy Voting Principles. Through this approach, the objective is to reduce financial risks related to relevant externalities, and ultimately to improve the long-term risk-return profile of the portfolio investments.

PSP Investments strives to integrate analysis of material sustainability-related risks and opportunities throughout the investment process, from the initial investment analysis to post-investment monitoring through to disposal. For this, appropriate knowledge of material sustainability-related factors is fostered among all investment professionals involved, ensuring all employees contribute to and support the implementation of the sustainable investment approach. The approach also recognizes that the financial materiality of sustainability-related factors can be dynamic, and varies across companies, industries, geography and time. Accordingly, the objective is to take a pragmatic view when applying this, considering the asset class and type of investment. Direct and collaborative engagements, through which PSP Investments' expected sustainability-related practices are shared, is viewed as an effective means to influence positive change, reduce investment risks, realize opportunities and drive long-term value creation. To this end, the Corporate Governance & Proxy Voting Principles are a key public document at the core of the active management and engagement approach.

Evaluating the performance of the investment approach

Evaluating the performance of the investment approach is important because it is designed and implemented to achieve the mandate objectives.

The nature of the mandate requires measuring and evaluating performance across different time horizons. While measuring long-term performance allows PSP Investments to evaluate the results of the investment decisions across market cycles, medium-term performance helps to measure the efficiency of implementing the asset classes' investment strategies. Although performance is also measured annually (as each year contributes to long-term performance), undue importance is not placed on relative performance in any given year because it may reflect temporary market conditions and short-term volatility. As a result, the 5-year and 10-year relative performance of asset classes and PSP Investments are emphasized over 1-year performance.

Management discusses five- and ten-year performance measures in alignment with the total fund long-term investment approach. These measures extend beyond the two years of historical financial information provided in the Consolidated Financial Statements. Management's discussion of fund performance and results presents specific financial results in both dollar and percentage terms. The key performance non-IFRS measures disclosed below are intended to offer readers additional information representing management's perspective on the total fund's performance and are consistent with those utilized by the business in assessing overall performance by asset class.

Measures of success at the Total Fund level

Long-term success is measured through the following performance objectives:

Achieve a return, net of expenses, greater than the return of the Reference Portfolio over a 10-year period

As mentioned previously, we have designed our investment strategy to achieve a return greater than the Reference Portfolio over a period of 10 years with a lower or equal level of pension funding risk. To align with this, we have integrated our performance relative to the Reference Portfolio as a long-term measure of success and a primary long-term performance objective. Such measurement encompasses the value added by PSP Investments' strategic decision to: i) build a more diversified portfolio – the Policy Portfolio – that includes less liquid asset classes; ii) to dynamically allocate assets over a mid-term horizon; and iii) to engage in active management strategies. It should be noted that while our investment strategy is expected to outperform the Reference Portfolio over the long term, short-term underperformance is expected in certain situations. This is the case in environments of higher public equity returns, which favour more concentrated portfolios like the Reference Portfolio.

Achieve a return, net of expenses, exceeding the Total Fund Benchmark return over 10-year and 5-year periods

Also, as mentioned previously, PSP Investments engages in active management strategies to achieve a return exceeding that of the Policy Portfolio while staying within Board-approved risk limits. To assess the value added by these active strategies, the difference between PSP Investments' net return[1] and the Total Fund Benchmark is measured. Such a difference is measured on a 10-year basis to align with the mandate and on a 5-year basis to assess the efficiency of such strategies at the asset class level.

The Total Fund Benchmark expresses the implementation of the Policy Portfolio and accounts for any accepted over/underweighting in the target weights of the Policy Portfolio. As a result, the performance of the Total Fund Benchmark is based on actual weights and is used to isolate the performance impact of the final component of the investment framework, namely, the active management strategies.

[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.

Asset class performance evaluation

The benchmarks associated with the asset classes in the Policy Portfolio are used to evaluate whether PSP Investments met the objectives set as part of the assessment of the investment approach.

The benchmarks in the table below were used to measure fiscal year 2024 relative performance for each asset class set out in the SIP&P, as well as for the overall Policy Portfolio.

Asset Class	Benchmark
Equity	
Canadian Equity	S&P/TSX Composite
US Equity	S&P 500
Europe, Asia, Far East (EAFE) Equity	MSCI EAFE
Small Cap Equity	S&P 600
Global Equity	MSCI World
Emerging Markets (EM) Equity	MSCI EM
Capital Markets Alternatives	Customized benchmark[1]
Private Equity	Customized benchmark composed of public securities[2, 3]
Government Fixed Income	
Cash & Cash Equivalents	FTSE Canada 91 Day T-Bill
Canadian Government Bonds	FTSE Canada Universe All Government Bond
World Government Bonds	JP Morgan Government Bond Index (GBI) Global
World Inflation-Linked Bonds	Bloomberg Barclays World Government Inflation-Linked
Emerging Market Debt	Blend of customized GBI-EM Global Diversified and JPM EMBI Global Diversified
Credit	
Credit Investments	Blend of BofA Merrill High Yield Indices (United States & Europe) and S&P Global Leveraged Loan Index[3]
Real Assets	
Real Estate	Customized benchmark composed of public securities[2, 3]
Infrastructure	Customized benchmark composed of public securities[2, 3]
Natural Resources	Customized benchmark[3, 4]
Complementary Portfolio	Blend of Policy Portfolio benchmarks[3]

[1] Customized benchmark based on HFRX index.
[2] The customized benchmark is determined based on a selection of public securities within the MSCI All Country World Index (ACWI) IMI, adjusted for factors, such as leverage, and aligned with the characteristic of each asset class as set in its mandate.
[3] As a result of the decision to maintain most foreign currency exposure unhedged, the benchmarks for Private Equity, Credit Investments, Real Estate, Infrastructure, Natural Resources and the Complementary Portfolio are set so that they remain neutral to currency movements, meaning that the actual currency return impact on private asset classes returns is reflected in their respective benchmark.
[4] Customized benchmark based on a select basket of commodities and adjusted for leverage and other factors aligned with the Natural Resources asset class mandate.

Analysis of total fund results

Net AUM[1]	Net AUM (FY2023)	Net Income
$264.9B	$243.7B	$17.8B

10-year net annualized return[2]	5-year net annualized return[2]	1-year net rate of return[2]
8.3%	7.9%	7.2%
6.7% 10-year annualized Total Fund Benchmark return[3]	5.3% 5-year annualized Total Fund Benchmark return[3]	6.4% 1-year Total Fund Benchmark return[3]
7.2% 10-year annualized Reference Portfolio return[3]	6.7% 5-year annualized Reference Portfolio return[3]	11.5% 1-year Reference Portfolio return[3]

1 Total net AUM represents the net investments as presented in the Consolidated Financial Statements.
2 These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.
3 These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These annualized returns are calculated using a time-weighted return methodology.

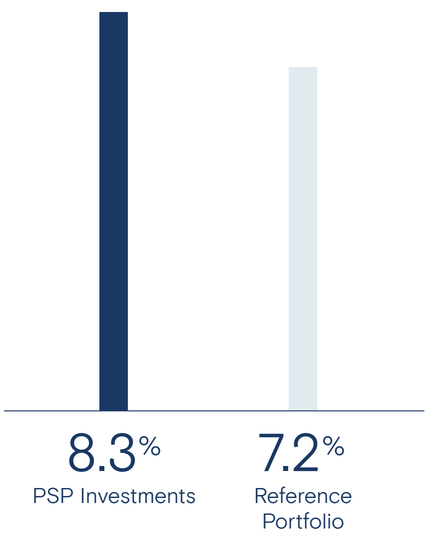
Long-term results

As discussed above, measures of success at the total fund level are comprised of the following three objectives and their related benchmarks against which we can evaluate the success of our long-term investment approach:

1. Actual Return compared to the Reference Portfolio return (10-year)

The Reference Portfolio reflects what an investor could achieve with a passive investment approach and is adjusted to the Government's risk tolerance. Over the last 10 years, PSP Investments' net return exceeded the performance of the Reference Portfolio by 1.1% per annum, or $24.5 billion. This result was achieved without incurring more pension funding risk than the Reference Portfolio. This additional 1.1% represents the value added by PSP Investments as a result of its strategic asset and currency allocation, dynamic asset and currency management, active management decisions, and careful execution, as described in our investment framework.

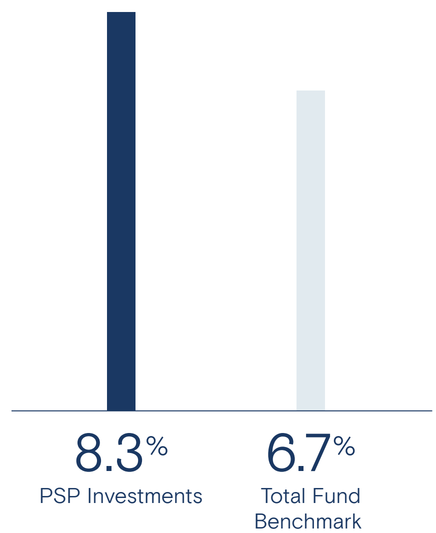
Return compared to Reference Portfolio return
10-year net annualized return[1]



2. Actual Return compared to the Total Fund Benchmark return (10-year)

This objective is used to measure the long-term value added by PSP Investments' active management activities resulting from structural factors such as skill and overarching strategy. Over the last 10 years, these activities generated a net annualized rate of return[1] of 8.3% compared to 6.7% for the Total Fund Benchmark, amounting to $31.5 billion in excess net investment gains[2]. Over the past 10 years, PSP Investments' net annualized rate of return[1] of 8.3% was supported by strong relative performance across most asset classes, notably Infrastructure, Natural Resources, Credit Investments and Public Market Equities.

Return compared to the Total Fund Benchmark return
10-year net annualized return[1]



[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.
[2] Net investment gains in excess of the Total Fund Benchmark.

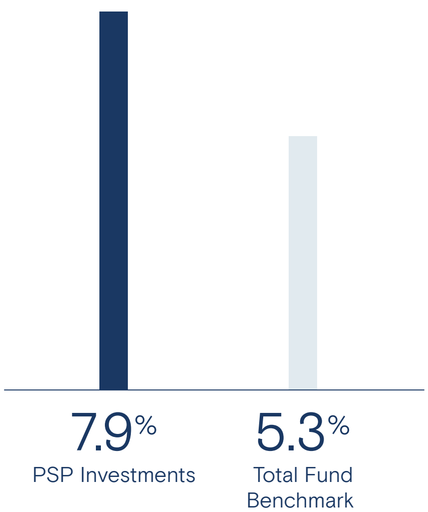
3. Actual Return compared to the Total Fund Benchmark return (5-year)

This objective is used to measure the value added by PSP Investments' active management activities and is designed to be more responsive to the evolution of the strategy than the 10-year measure. Over the last five years, these activities generated a net annualized rate of return[1] of 7.9% compared to 5.3% for the Total Fund Benchmark, amounting to $27.2 billion in excess net investment gains.[2]

PSP Investments' outperformance when compared to the Total Fund Benchmark was driven mainly by strong excess performance across all asset classes, as further described in the analysis of our results by asset class below.

Return compared to the Total Fund Benchmark return

5-year net annualized return[1]



Short-term results

Macroeconomic and financial market context

One of the most significant developments in fiscal year 2024 was the swift deceleration of inflation in the major developed economies. The growth of the Consumer Price Index (CPI) slowed from peaks above 8% achieved in fiscal year 2022, to figures closer to the targets set by central banks, marking significant progress towards attaining the 2% target. However, the disinflationary process stalled in the first quarter of calendar year 2024 recalling that the battle against inflation is not over yet.

In response to these favourable evolutions on the inflation front, central banks began to signal from mid-2023 that they were nearing the end of their tightening cycle. Monetary policy has remained unchanged since July 2023 in the United States and Canada, and since August–September in the Eurozone and the United Kingdom, suggesting that monetary policy has reached its peak in most developed economies. The narrative that rate cuts may become appropriate in the future has found its way into the public messaging from central banks, especially the Federal Reserve and the European Central Bank (ECB). However, the pause in the disinflationary process observed in the first quarter of calendar year 2024 suggests that central banks will exercise caution when lowering policy rates. The anticipated monetary easing is likely to be gradual and limited, reinforcing the view that a higher interest rate environment is here to stay.

In terms of economic growth, broadly speaking the global economy surprised by its resilience, especially the United States. Traditional indicators of an impending recession have become prevalent during calendar year 2023. Despite these, the latest real GDP statistics for fiscal year 2024 indicate that most developed economies averted a recession; however, they have been affected to different degrees by the monetary tightening. The economy is sluggish or stagnating in the United Kingdom, the Eurozone and Canada. A significant exception is the American economy which expanded robustly throughout calendar year 2023. These divergences among major developed economies suggest that they are all dealing with the aftermath of monetary tightening, responding to the tighter monetary conditions according to their own specific characteristics and transmission mechanisms.

Finally, the past two years have been marked by significant geopolitical events. The war in Ukraine impacted fiscal year 2023, while fiscal year 2024 was struck by the conflict in the Middle East. In the meantime, the geopolitical rivalry between the United States and China continued to intensify and evolve. Geopolitical tensions have become a constant in our era, and they continue to influence the economic and financial backdrop.

1 These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.

2 Net investment gains in excess of the Total Fund Benchmark.

Financial markets reflect these economic and geopolitical evolutions. Bond yields increased throughout most of fiscal year 2024 in the majority of developed economies, reflecting the tighter monetary conditions and the high public deficits, especially in the United States. Meanwhile, equity markets remained optimistic and rallied most of fiscal year 2024, sustained by the prospects for future rate cuts, the surprising resilience of the US economy, and the potential developments of artificial intelligence. On the currencies front, the US dollar appreciated since mid-2023, given the rise of geopolitical tensions related to the Middle East conflict and the resilience of the US economy. The Japanese yen broadly depreciated during the period, despite the Bank of Japan's decision to end its negative monetary policy.

Total Fund performance analysis

PSP Investments recorded a positive net return of 7.2% in fiscal year 2024 against the backdrop of inflation slowly coming back under control and early signs of upcoming monetary policy easing leading to diverging market performance across equities and bonds, and across public and private asset classes. Public Market Equities earned a return of 17.5% as public stocks benefited from the resilience of the economy, mainly in the US. From encouraging signs on the inflation and monetary policy front, developed market fixed income posted slightly positive returns. This weak performance in developed market fixed income was balanced by the decision to diversify into emerging market debt which had strong performance of 8.3% over the period.

Over the fiscal year, there was significant dispersion in private asset class returns as they reacted to structural changes and the uncertain economic environment through different channels. With a (15.9)% return, Real Estate was hit particularly hard by the structural changes in the office sector and supply-demand dynamics in certain regions as well as higher rates which have pushed prices down and cost of financing up. Natural Resources faced similar headwinds but still benefited from the resilience of the economy and land values achieving returns of 4.1%. Similar to last fiscal year, Infrastructure investments delivered strong performance, with a 14.3% return, notably due to their strong link to inflation, strong performance of data centres, pick-up in traffic in the transportation segment and successful exits. Credit Investments, with its floating rate exposure and ability to capture wider credit spreads, was also able to generate strong performance of 14.2% in a high-rate, low-default environment. Private Equity also performed well, benefiting from the strong US economy in particular, with a return of 12.1%.

PSP Investments' net return[1] for the fiscal year exceeded its Total Fund Benchmark return of 6.4% by 0.8%. This outperformance was driven mostly by the excess return delivered by Infrastructure, Natural Resources, Public Market Equities and Credit Investments. Note that benchmarks for private asset classes are characterized with public securities and are designed to be representative of those asset classes over PSP Investments' longer-term investment horizon, not over shorter periods such as one year. Comparing annual performance to benchmarks designed for a longer investment horizon creates a mismatch that can lead to the observation of a sizable under/outperformance over shorter periods. Relative performance is more meaningfully assessed over PSP Investments' longer investment horizon, as presented under our measures of success at the total fund level on page 28.

PSP Investments' net return[1] of 7.2% for the fiscal year underperformed by 4.3% when compared to the Reference Portfolio return of 11.5%. The underperformance relative to the Reference Portfolio nearly fully offset the significant excess generated in fiscal year 2023. The performance of the Reference Portfolio in fiscal year 2024 is due to its exclusive allocation in public asset classes. Fixed income components of the Reference Portfolio recorded modest low single digit to slightly negative returns, while public equity components had an exceptional year. In particular, with its significant exposure to public US equities, the Reference Portfolio greatly benefited from outstanding US market returns in large part due to the performance of a handful of mega-capitalization tech companies.

Over the long term, cumulative net investment gains above the Reference Portfolio over 5 years and 10 years were $13.9 billion and $24.5 billion, respectively. PSP Investments' portfolio is expected to achieve higher returns than the Reference Portfolio, since the former is more diversified and more resilient to the different factors impacting markets. Yet it can underperform at times, in particular when a handful of companies have a disproportionate impact on overall markets' performance as was the case this fiscal year. As with the Total Fund Benchmark, comparisons with the Reference Portfolio are best considered over a time period that is aligned with PSP Investments' investment horizon, as presented under our measures of success at the total fund level on page 28.

[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.

Currency exposure

During the fiscal year 2024, the currency losses contributed to (0.28)% to net returns[1]. Given that most of PSP Investments' investments are denominated in foreign currencies, currency fluctuations can significantly impact net investment returns. As described in the investment framework, most foreign currency exposures benefit from not being systematically hedged and act as a diversifier for a Canadian investor. Countercyclical currencies, such as the US dollar, tend to move in opposite directions to the stock market and are expected to mitigate losses during market turmoil. Currencies that are more cyclical than the Canadian dollar, such as the Australian dollar, depreciated with the growth worries in China without impact on the total fund as these currencies are strategically hedged. The strong depreciation of the yen due to the lax monetary policy conducted by the Bank of Japan relative to the other major central banks was the main contributor to modest currency loss. Other foreign currency exposures such as the British pound slightly appreciated due to their central banks' tighter monetary policy, which helped mitigate the currency losses. Finally, PSP Investments' largest foreign currency exposure, the US dollar, posted a yearly flat return.

Complementary Portfolio performance

The Complementary Portfolio's mandate is to invest in innovation. It achieves this by investing in disruptive technologies and asset classes that are uncorrelated to the total fund. In fiscal year 2024, the Complementary Portfolio continued investing in its existing relationships with external managers. These managers are focused on disruptive technologies such as artificial intelligence and digital transformation, and uncorrelated asset classes, including catastrophe insurance and live media. The purpose of the Complementary Portfolio is to enhance the total fund by increasing its resilience and identifying insights and intelligence.

The Complementary Portfolio ended fiscal year 2024 with a return of 20.6%. This performance was primarily driven by a 25.8% return in disruptive technology strategies and a 16.1% return in uncorrelated strategies. Over the past five years, the Complementary Portfolio had a rate of return of 9.8% compared to the benchmark of 3.1%, exceeding it by 6.7% per annum.

[1] These measures may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. These net returns are calculated using a time-weighted return methodology and are net of all expenses.

Analysis of results by asset class

The table below presents the annual, five-year and ten-year annualized performance of the asset classes set out in the SIP&P as well as the overall Total Fund Benchmark, which is constructed using the asset class benchmarks weighted by the actual portfolio asset class weightings.

To inform on the appropriate relative performance, the return of each asset class is compared to its respective benchmark's annualized five-year and ten-year returns, while PSP Investments' net overall returns are compared to the Total Fund Benchmark returns.

	Fiscal Year 2024							
					5-year rate of return (%)		10-year rate of return (%)	
Asset class	Net AUM[1] (billions $)	Net AUM (%)	Portfolio[2] income (loss) (millions $)	1-year rate of return (%)	Portfolio	Benchmark	Portfolio	Benchmark
Equity								
Public Market Equities (Includes Capital Market Alternatives and absolute-return strategies, funded through leverage)	55.6	21.0	8,508.4	17.5	10.3	8.8	9.8	8.9
Private Equity	40.4	15.3	4,478.7	12.1	14.8	12.1	11.0	12.0
Government Fixed Income								
Fixed Income	56.2	21.2	1,546.6	2.9	2.0	1.6	3.4	3.2
Cash and Cash Equivalents	7.1	2.7	340.5[3]	5.2	2.3	2.0	1.8	1.4
Credit								
Credit Investments	26.2	9.9	3,481.3	14.2	9.8	4.9	11.6[4]	4.8
Real Assets								
Real Estate	27.2	10.3	(5,102.7)	(15.9)	0.9	0.7	6.1	4.3
Infrastructure	34.5	13.0	4,333.3	14.3	12.0	4.5	12.2	5.5
Natural Resources	15.2	5.7	592.9	4.1	7.0	(1.8)	9.7	1.6
Complementary Portfolio	2.4	0.9	426.9	20.6	9.8	3.1	11.5[5]	4.8
Total Portfolio[6]	264.9[7]	100.0	18,605.7[7]	7.2	7.9	5.3	8.3	6.7

All returns are calculated based on a time-weighted rate of return methodology.

1 Total net AUM is presented as net investments in the Consolidated Financial Statements. Net AUM by asset class represents the net investments by investment segments as presented in Note 10 of the Consolidated Financial Statements.
2 This measure may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. Portfolio Income is net of interest expense, certain transaction costs and other expenses. Total Portfolio Income is net of interest expenses of $1,345 million, certain transaction costs of $159 million and other expenses of $98.3 million, which when added back results in arriving to Investment income of $20,208 million as reported in the Consolidated Statement of Net Income under IFRS.
3 Includes portfolio income from liquidity, leverage, foreign currency management and rebalancing activities.
4 Annualized return since inception (8.3 years).
5 Annualized return since inception (7.2 years).
6 Total portfolio return is net of all expenses.
7 Figures do not add up due to rounding.

Capital Markets

$111.8B
Net AUM

$98.5B
Net AUM (FY2023)

$10.1B
Portfolio Income

$31.2B
Cumulative 5-year net Portfolio Income

6.9%
5-year annualized return

5.8%
Benchmark return

Capital Markets is comprised of two asset classes: Public Market Equities[1] and Fixed Income.

Public Market Equities are managed using a combination of traditional active and passive strategies as well as alternative investments.

Fixed Income is managed using a combination of Global Sovereign Interest Rates and Emerging Market Debt.

Both asset classes leverage external partners to complement the internal value proposition.

Capital Markets are composed of alpha generating and beta management investment activities, providing a clear delineation of responsibilities and measures of success within Capital Markets.

The principal objective of alpha investment activities is to generate excess returns through the prudent allocation of risk to active strategies while the objective of beta investment activities is to protect and improve the total fund's risk-return profile by providing the desired equity and fixed income exposures in an effective and cost-efficient manner.

Both alpha and beta investment activities are deployed through Public Market Equities and Fixed Income asset classes; therefore, it is on this basis that we present the information in the following pages.

[1] Excludes Cash and Cash Equivalents.

PUBLIC MARKET EQUITIES

$55.6B
Net AUM

$53.4B
Net AUM (FY2023)

$8.5B
Portfolio Income

$27.7B
Cumulative 5-year net Portfolio Income

10.3%
5-year annualized return

8.8%
Benchmark return

The Public Market Equities asset class objective is to achieve returns commensurate with the market, commonly known as beta, while generating excess return over the benchmark, defined as alpha. The beta exposure is obtained through passive investment strategies while alpha is generated through a strategic blend of actively managed mandates.

Excess return is achieved by identifying areas within capital markets with persistent sources of exploitable alpha, and by developing strategies for its extraction. Anchored in a prudent risk-adjusted returns framework, excess return is typically a function of security selection expressed in the context of diversified portfolios. Alternative investments, such as hedge funds, play an important role in the asset class by enhancing the risk/return profile and providing diversification benefits through investments that are not correlated with long-only equity strategies.

Long-term results

The Public Market Equities asset class continues to demonstrate its resilience over time through sound portfolio construction and diversification, as evidenced by its five-year annualized absolute return of 10.3%, translating into an annualized 1.5% outperformance over the benchmark. Over this period, both actively managed public equity investments and alternative investments contributed positively. Driven by record deal numbers in global mergers and acquisitions and IPO markets following the first year of the pandemic, strong performance within the pre-IPO sub-strategy benefited Public Market Equities. Investments in Asia and US Small Capitalization were also significant excess return generators, consistent with our expectations on the alpha opportunities in these markets.

Managing the beta exposure is an important part of PSP Investments' total fund activities. The team is dedicated to protect and enhance the total fund's assets through prudent risk management and enhanced operational efficiencies while minimizing expenses associated with portfolio management. Efficient management of beta investment activities results in operational cost benefits and risk mitigation. Over the years, such investment activities were skillfully and efficiently managed to consistently implement index replication strategies in a cost-efficient manner.

Short-term results

During fiscal year 2024, global equity markets experienced persistent volatility amid geopolitical uncertainty, fluctuating commodity prices, and shifting regulatory environments. Market dynamics were also affected by central bank policies and inflationary factors, leading investors to heighten their focus on economic indicators. Market performance continued to be concentrated in a handful of names.

Public Market Equities ended the year with a rate of return of 17.5%. In contrast with the high degree of concentration of market returns, the portfolio's performance flowed from a broad range of strategies. Consistent with the longer-term results, both long-only equities and alternative investments contributed positively to the year's performance.

FIXED INCOME

$56.2B
Net AUM

$45.0B
Net AUM (FY2023)

$1.5B
Portfolio Income

$3.5B
Cumulative 5-year net Portfolio Income

2.0%
5-year annualized return

1.6%
Benchmark return

Fixed Income is managed by an experienced team of investment professionals that invest in Global Sovereign Interest Rates and Emerging Market Debt (EMD). These investments are managed both internally and externally through partners with specialized investment expertise. Through beta investing activities, the mandate is to manage the asset class passively while adding value through enhanced beta strategies and active management of EMD.

Long-term results

Markets have experienced significant fluctuations over the past five years, mainly driven by the global pandemic, actions taken by the Federal Reserve to fight inflationary pressures and geopolitical tensions in the world. These events have long-term impacting effects particularly in relation to interest rates as monetary and fiscal policies have transitioned from moderately accommodating prior to fiscal year 2020 to increasingly restrictive over the past few years. As a result, central banks had to adopt aggressive monetary policies by increasing their policy rates. The Fixed Income portfolio has been positioned defensively and was able to capture the opportunities of rising rates. Due to its strategic management and long-term investment horizon, the Fixed Income asset class generated a positive return of 2.0%, outperforming its benchmark by 0.40% over five years.

Since its inception in fiscal year 2021, EMD strategies have proven to be a great addition to PSP Investments' geographic diversification by improving its risk-return profile and proven to be a positive contribution to Fixed Income outperformance over the five-year period.

Short-term results

While a recession was anticipated a year ago, a shift in the recession scenario in the United States has occurred, with indications that the economy has surpassed a critical point. Although signs are positive, the risk of a recession cannot be completely ruled out. To that effect, the central banks, mainly the Federal Reserve at the last press conference in late 2023, have signalled potential rate reduction in the near term. However, since then inflation has exhibited resilience, particularly in the United States. The bond market was especially impacted by robust monetary tightening, increasing top policy rates higher than anticipated to combat inflationary pressure. With the prospect of a sustained period of higher rates, bond yields surged globally. During this volatile year, Fixed Income achieved a positive rate of return of 2.9%. The team maintained the portfolio with a short duration exposure and was able to capitalize on rising rates. Moreover, the strategies were favourable for the ongoing strong demand for high grade credit due to the attractive yield levels and resilient economic environment. The EMD strategies benefited from an aggressive monetary policy tightening allowing domestic inflation to recede and was further amplified from its overweight duration in local currencies.

Capital Markets highlights

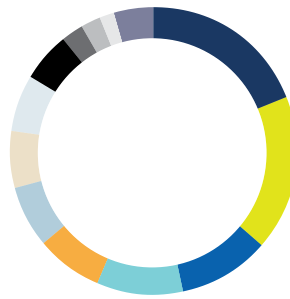
- Increased our risk allocation to areas of consistent alpha potential including US Small Caps, market dislocation, and security selection anchored in industry insight.
- With scalability, agility and operational efficiency in mind, the beta equity portfolio framework was redesigned with the objective of enabling the implementation of alpha opportunities.
- Capital Markets has further integrated sustainability-related considerations over the year, increasing the importance of sustainability oversight for all strategies. The Fixed Income group has increased its exposure to Green Bonds by $1.7 billion.
- Through proactive engagements, Capital Markets has an ongoing dialogue with external managers to integrate sustainability-related best practices into investment processes.

Public Market Equities

Allocation
As at March 31, 2024 (%)

- 61.6 Beta management investment activities
- 38.4 Alpha generating investment activities

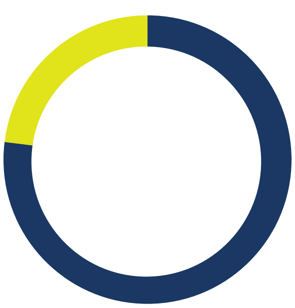
Diversification by sector
As at March 31, 2024 (%)



- 19.1 Financials
- 17.5 Technology
- 10.1 Industrials
- 9.9 Consumer Discretionary
- 7.5 Healthcare
- 6.8 Communications
- 6.5 Materials
- 6.3 Consumer Staples
- 5.6 Energy
- 2.4 Utilities
- 2.3 Real Estate
- 1.8 Government
- 4.2 Other

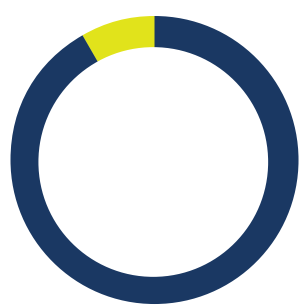
Fixed Income

Allocation
As at March 31, 2024 (%)



- 77.1 Developed Markets
- 22.9 Emerging Markets

Investment types
As at March 31, 2024 (%)



- 91.8 Government Bonds
- 8.2 Corporate Bonds

Private Equity

$40.4B
Net AUM

$37.2B
Net AUM (FY2023)

$4.5B
Portfolio Income

$22.6B
Cumulative 5-year net Portfolio Income

14.8%
5-year annualized return

12.1%
Benchmark return[1]

Private Equity builds strategic relationships with external fund managers and investment partners, leveraging their networks and sector and geographic expertise to source long-term co-investment opportunities.

The group invests globally in companies that demonstrate a strong market position, an attractive cash flow profile, resilience through economic cycles and a top-tier management team. It can execute complex global transactions across the capital structure in varying investment sizes and sectors.

Private Equity uses its influence as a leading market player to work closely with its partners and portfolio companies to promote sustainability-related disclosures and support decarbonization initiatives.

In fiscal year 2024, given a macro-environment characterized by higher financing costs and fewer exits, Private Equity focused on active portfolio management and proactively realizing value created over the years in several investments. The group also made significant effort to engage with its partners to enhance sustainability reporting.

Long-term results

Over five years, Private Equity achieved a rate of return of 14.8%, compared to a benchmark return of 12.1%. The outperformance highlights the well-established partnerships with leading fund managers and the strength and quality of the co-investment portfolio resulting from a rigorous asset selection process in promising sectors. Private Equity investments, particularly in the financials and healthcare sectors, strongly contributed to the value-add by delivering earnings growth through accretive mergers and acquisitions and operational efficiencies.

Short-term results

Private Equity achieved a one-year rate of return of 12.1% in fiscal year 2024. Total portfolio income reached $4.5 billion, largely driven by valuation gains and distributed income, while currency gains were insignificant this year.

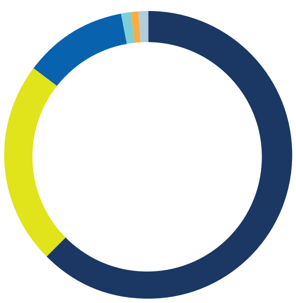
The portfolio demonstrated solid return during a period of inflationary pressures, higher interest rates and limited mergers and acquisitions activity. While most of the portfolio companies displayed earnings growth this year, investments in the US financials, more specifically the insurance subsector, largely contributed to the results with high performance supported by organic growth and favourable market conditions. Investments in the industrials and healthcare sectors also positively contributed to the results.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Private Equity is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Private Equity highlights

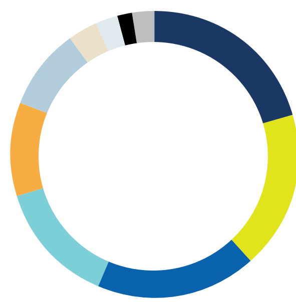
- Generated over $4.5 billion in cash distributions in fiscal year 2024, including direct exits, refinancings and secondary sales for a total of $32.5 billion over the last five years.
- Committed $1.9 billion in capital this year which is below recent years. This slower investment pace alongside a recalibration of the fund program comes after a few years of accelerated fund deployment and in the context of a global mergers and acquisitions slowdown.
- Successfully completed the initial public offering of one of our largest healthcare positions, Galderma, a pure-play dermatology category leader headquartered in Switzerland, acquired alongside EQT and other co-investors in fiscal year 2020.
- Continued to support existing portfolio companies to provide necessary capital to fund growth and acquisitions such as Tricor Group which merged with Vistra this year to create an Asian champion with global presence in fund and corporate services with over 9,000 professionals in 50+ jurisdictions.
- In the past year, we also increased our focus to strengthen sustainability reporting by engaging with our partners and portfolio companies. This allowed us to improve Scope 1 and 2 emissions reporting to over 50% of the portfolio.

Geographic diversification
As at March 31, 2024 (%)



62.5	United States
22.8	Europe
11.7	Asia
1.3	Canada
0.8	Oceania
0.9	Other

Diversification by sector
As at March 31, 2024 (%)



20.6	Financials
18.0	Technology
17.9	Healthcare
13.8	Industrials
10.7	Consumer Discretionary
9.0	Communications
3.6	Materials
2.3	Consumer Staples
1.6	Energy
2.5	Other

Credit Investments

$26.2B
Net AUM

$26.1B
Net AUM (FY2023)

$3.5B
Portfolio Income

$9.7B
Cumulative 5-year net Portfolio Income

9.8%
5-year annualized return

4.9%
Benchmark return[1]

Credit Investments focuses on non-investment grade credit investments in North America and Europe across private and public markets, as well as rescue financing opportunities.

From offices in New York, London and Montréal, our global team invests across the debt capital structure in the form of loans, bonds and preferred equity. The group balances credit quality, structure, fixed-floating, risk-return profile, liquidity, asset mix and portfolio diversification, among other considerations. Ultimately, this has resulted in both strong capital preservation and an attractive yearly cash yield.

The group has a flexible mandate and during fiscal year 2024, Credit Investments continued its strategy of partnering with top-tier private equity firms. Since inception, the team has collaborated with over 60 top North American and European private equity sponsors, committing to over $60 billion of investments.

Long-term results

Over five years, Credit Investments achieved a rate of return of 9.8%, compared to a benchmark return of 4.9%. Credit Investments has outperformed the benchmark as a result of strong credit selection, higher interest spreads versus the benchmark and fee income. Credit Investments has strong differentiated capabilities due to team expertise in technology, industrials and healthcare. All three sectors have generated significant accretive returns due to the outperformance of the portfolio as compared to the relevant sector benchmarks.

Short-term results

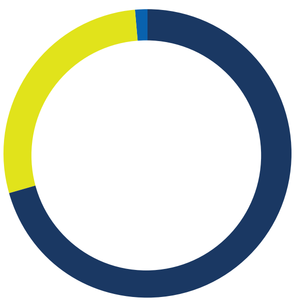
Credit Investments achieved a one-year rate of return of 14.2% in fiscal year 2024. Total portfolio income of $3.5 billion largely consists of interest, valuation gains and fee income. The Credit Investments group benefited from a full fiscal year of higher base rates, given the portfolio is more heavily invested in floating rate exposure, resulting in a substantial increase in absolute returns. The valuation gains were predominantly attributed to credit spreads tightening in the market, in particular in the second half of the fiscal year, and broad improvement in underlying borrower performance given generally favourable economic conditions in North America and Europe.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Credit Investments is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Credit Investments highlights

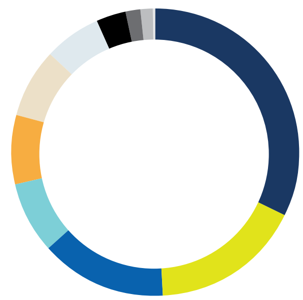
- The Credit Investments portfolio remained resilient despite a volatile macro environment, maintaining its track record of incurring no significant losses across the portfolio. In addition, the group continued its focus on the private credit market, which offers, on average, a wider spread than the syndicated leveraged loan market.
- Invested $5.7 billion, with a focus on the most senior part of the capital structure, while continuing to be discerning in the credit selection process. Other key business metrics, such as sector and geography, stayed relatively flat in fiscal year 2024.
- With $6.2 billion of divestitures, the portfolio experienced higher churn than originally expected especially in the second half of the year, mainly due to higher levels of borrower repricing activity linked to a resurgence of the syndicated loan market. Institutional demand for credit has remained exceptionally strong; however, Credit Investments has maintained a disciplined operating approach.

Geographic diversification
As at March 31, 2024 (%)



70.6	United States
28.2	Europe
1.2	Canada

Diversification by sector
As at March 31, 2024 (%)



32.5	Technology
16.9	Industrials
14.2	Healthcare
7.9	Consumer Discretionary
7.9	Materials
7.7	Communications
6.4	Financials
3.2	Consumer Staples
1.8	Energy
1.4	Real Estate
0.1	Utilities

Real Estate

$27.2B Net AUM $32.0B Net AUM (FY2023)	$(5.1)B Portfolio Loss	$1.4B Cumulative 5-year net Portfolio Income	0.9% 5-year annualized return 0.7% Benchmark return[1]

Real Estate focuses on building a world-class portfolio of assets in major international cities, based on global themes such as economy transition required by climate change, rapid technology evolution, lifestyle, urbanization and demographics. The group is focused on owning assets directly with first-class partners that have local expertise and share its approach to creating value and generating returns.

Real Estate also invests with select funds in specific markets or strategies where direct ownership is more challenging.

Real Estate contributes to the transition to a lower-carbon economy through its development projects by increasing the focus towards energy efficiency and minimizing greenhouse gas (GHG) emissions.

In fiscal year 2024, Real Estate refreshed its investment strategy. This renewed focus on portfolio construction is expected to improve investment decision agility in a challenging macro environment. Real Estate was also focused on active asset management and further honed its scope of sustainability data collection to areas of the portfolio where there is the greatest potential for impact.

Long-term results

Over five years, Real Estate achieved a rate of return of 0.9%, compared to a benchmark return of 0.7%. The five-year performance remains positive despite this year's negative return. The negative revaluation of the portfolio over the last two years was mostly driven by a prolonged period of higher interest rates. The traditional office sector, particularly in North America, continues to be significantly impacted by a deterioration in occupancy and rents, reflecting uncertainty around the hybrid working model and amplified by the scarcity of available financing. Other impacted sectors included US retail and senior housing sectors, partially mitigated by the global logistics and alternative residential sectors such as student housing and manufactured housing.

Short-term results

Total Real Estate portfolio loss of $(5.1) billion was mainly driven by valuation losses. This resulted in a one-year rate of return of (15.9)% in fiscal year 2024.

The real estate market continues to adjust to a higher interest rate environment that has persisted during the last year, resulting in higher borrowing costs and impacting valuations. The largest impacts were seen in US and Canadian office, US residential, and senior housing. Finally, the industrial and residential sectors continue to have strong fundamentals but were not immune to the general repricing of real estate assets.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Real Estate is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

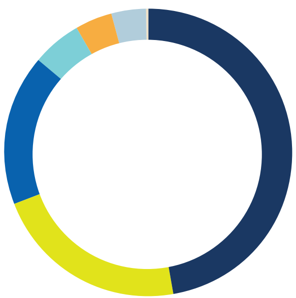
Real Estate highlights

Pursuant to the revision of the group's investment strategy, Real Estate continues to prune the portfolio, optimize partner relationships and continues to transact in key sectors and select markets worldwide. Notable transactions in fiscal year 2024 included:

- Divestiture of several non-strategic investments, including an industrial portfolio and operating platform in Mexico.
- Continued capital improvement projects bolstering our core portfolio in Asia Pacific.
- Concluded the forward sale of a 635,000 square foot property at Boston Seaport, serving as the new headquarters for Foundation Medicine.
- Continued advancement at our large-scale development project in Toronto, the Downsview Airport site, with the establishment of a new partnership with Hines for the development of the Hangar District. This first neighbourhood is expected to create over 7,000 new jobs, develop 3,000 homes and include amenities such as daycares, parks, shopping, and public spaces.
- Objectives in place to drive down embodied carbon in our new developments and to align their GHG emission intensity with the CRREM Pathway at completion. This includes initiatives for the decarbonization of existing assets within our portfolio in collaboration with the managing partners.

Geographic diversification

As at March 31, 2024 (%)



47.4	United States
21.8	Europe
17.0	Canada
5.5	Oceania
4.4	Asia
3.8	Central and South America
0.1	Other

Diversification by sector

As at March 31, 2024 (%)

30.9	Residential
24.7	Industrial
22.0	Office
8.2	Retail
5.5	Senior Housing
8.7	Other

Infrastructure

$34.5B Net AUM $29.4B Net AUM (FY2023)	$4.3B Portfolio Income	$13.8B Cumulative 5-year net Portfolio Income	12.0% 5-year annualized return 4.5% Benchmark return[1]

Infrastructure invests globally on a long-term basis mostly in the transportation, communications, and energy sectors. To complement its existing focus on providing PSP Investments with inflation protection, in recent years, the group has added a strategy that focuses on North American assets providing such protection.

The group has a flexible investment strategy incorporating platforms, consortium direct investments, as well as funds, secondaries and co-investments.

Infrastructure contributes to the transition to a lower-carbon economy by providing the capital and expertise necessary to build new assets and to adapt existing ones to use less fossil fuels, and to create, store, transport and deliver renewable energy.

In fiscal year 2024, Infrastructure focused on supporting existing platforms and portfolio companies to provide capital to fund growth and acquisitions in a challenging macro-environment. The group also prioritized portfolio optimization and monetization initiatives and further increased exposure to assets with strong inflation protection.

Long-term results

Over five years, Infrastructure achieved a rate of return of 12.0%, compared to a benchmark return of 4.5%. The portfolio outperformance is primarily driven by top-tier asset selection characterized by strong operating performance, high inflation linkage and downside protection. The portfolio also benefited from the value-add of its infrastructure platforms which provide strategic and competitive advantages. With respect to sectors, investments in communications and industrials, more specifically, in the data centre and transportation subsectors have significantly outperformed, supported by strong fundamentals and favourable market conditions.

Short-term results

Infrastructure achieved a one-year rate of return of 14.3% in fiscal year 2024. Total portfolio income reached $4.3 billion, largely driven by valuation gains and distributed income, while currency gains were insignificant this year.

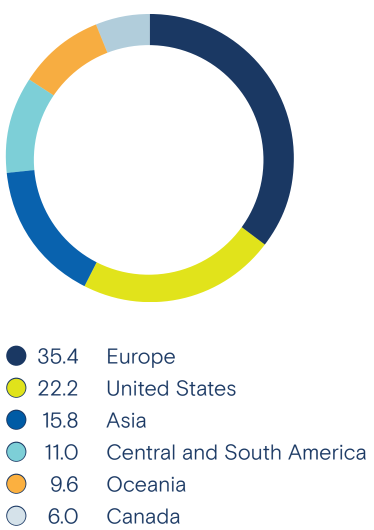
The portfolio continued to demonstrate strong performance driven by organic growth, higher tariffs, and successful exits. The data centre subsector largely contributed to the results, benefiting from highly accretive growth opportunities and strong investor demand for developed assets. The transportation subsector was also an important contributor to the portfolio's income, benefiting from higher traffic in toll roads and airport assets as well as successful add-on acquisitions.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Infrastructure is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

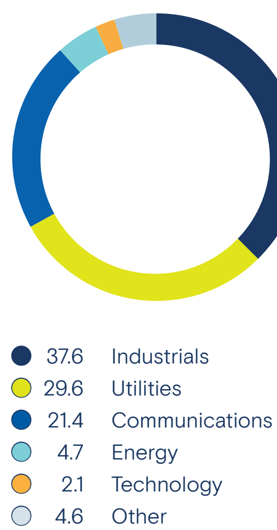
Infrastructure highlights

- Invested $4.0 billion of capital across new direct investments, funds, and follow-on investments in existing portfolio companies.
- Continued to invest in companies that support the energy transition. Notable investments include NeXtWind Capital, a German-based renewable firm specializing in the repowering of European wind farms, and Hydroméga Services, a Canadian independent clean power producer and developer.
- Completed the sale of an 11.65% minority stake in Angel Trains, the largest rolling stock company in the UK, to Arjun Infrastructure, as part of a continuous effort to optimize our portfolio by selectively capturing value from select investments.
- In the past year, the group also worked closely with existing portfolio companies to effectively manage social and environmental issues and implement transition plans to a lower-carbon economy. Among others, Forth Ports, the third largest port operator group in the United Kingdom, has announced its commitment to achieve carbon neutrality on Scope 1 and 2 emissions by 2032 and net zero in its operations by 2042.

Geographic diversification
As at March 31, 2024 (%)



Diversification by sector
As at March 31, 2024 (%)



Natural Resources

$15.2B
Net AUM

$12.3B
Net AUM (FY2023)

$0.6B
Portfolio Income

$3.9B
Cumulative 5-year net Portfolio Income

7.0%
5-year annualized return

(1.8)%
Benchmark return[1]

Natural Resources focuses on real assets in agriculture and timber in investment-friendly jurisdictions around the world. The group partners with best-in-class local operators who share the group's long-term investment philosophy and commitment to sustainability.

The group targets opportunities well poised to benefit from positive secular trends driving attractive long-term supply-demand fundamentals. Its investments are typically underpinned by a high component of land, water and biological assets that provide the fund with significant downside protection and uncorrelated returns. The group also invests in strategic, complementary post-farmgate opportunities that increase margins and reduce cash flow volatility.

Natural Resources contributes to the transition to a lower-carbon economy through its active governance approach and investment management.

In fiscal year 2024, Natural Resources focused on securing new investments and supporting the growth and optimization of existing platforms while seeking value creation opportunities by integrating sustainable development across sectors and geographies.

Long-term results

Over five years, Natural Resources generated $3.9 billion in portfolio income and achieved a rate of return of 7.0% compared to a benchmark return of (1.8)%. The positive results are reflective of the group's long-term investment horizon and strong operating performance with like-minded, best-in-class local-operating partners. The portfolio also benefits from significant downside protection and inflation linkage given its high weighting to land, water and biological assets.

Short-term results

Natural Resources achieved a one-year rate of return of 4.1% in fiscal year 2024. Total portfolio income of $0.6 billion was primarily driven by valuation gains and distributable income partially offset by financing costs and currency losses.

The portfolio demonstrated diversification benefits and resilient performance in the form of capital appreciation and distributions during a period of sustained high inflation, interest rates and input costs. A large component of value appreciation is attributed to continued strong demand for agriculture land, value creation initiatives and securing undervalued opportunities.

[1] In alignment with PSP Investments' corporate policy not to hedge foreign currency exposure, the benchmark for Natural Resources is set such that it remains neutral to currency movements, meaning that the actual currency return impact on the asset class is reflected in the benchmark.

Natural Resources highlights

- Continued to scale and grow existing agriculture platforms with the investment of $1 billion in new farmland and developments.
- Established a new animal protein joint venture with the acquisition of a controlling stake in Ellerslie Free Range Farms, Australia's first producer of carbon-neutral eggs and a market leader.
- Increased exposure to Latin America with the investment of $0.8 billion across permanent crops and row crops.
- Reached a global operating footprint amounting to more than 4.0 million hectares: 2.9 million hectares of farmland, and over 1.1 million hectares of timberland.
- Actively supported the development of transition plans for over 50% of its portfolio investments, incorporating emission reduction and carbon offset strategies.
- As part of the decarbonization journey, actively supported the development of climate transition plans and achievement of sustainability certifications across its portfolio to scale best practices in sustainable agriculture.

Geographic diversification
As at March 31, 2024 (%)

- 43.9 Oceania
- 25.5 United States
- 14.4 Central and South America
- 11.3 Canada
- 4.9 Europe

Diversification by sector
As at March 31, 2024 (%)

- 41.4 Permanent Crops
- 23.1 Timber
- 20.4 Row Crops
- 12.8 Animal Protein
- 2.3 Other

Managing costs

Managing costs is an integral part of PSP Investments' robust investment framework. It is key to achieving its mandate to maximize the rate of return, net of all costs, over the long term and to ensure the responsible management of the resources to which it has been entrusted. The decision-making process includes multi-year cost-benefit analysis, net of all costs, in line with how success is measured at the total fund level.

While a long-term perspective is necessary in analyzing total cost trends in the context of investment strategies and their performance, monitoring costs in the short term allows management to detect emerging changes in PSP Investments' cost structure in time to make decisions promptly.

Total cost ratio

The total cost ratio measures operating and asset management costs as a percentage of average net AUM[1]. Asset management costs include management fees paid to external asset managers and transaction costs. Transaction costs can significantly vary year over year, depending on the complexity and size of investment activities.

Operating costs	Salaries and employee benefits	All components related to employee compensation, including base pay, incentive pay and benefits contributions.
	Other general and administrative expenses	Technology expenses (hardware, data, and services), professional services, premises, and other general expenses.

Investment-related costs	External investment management fees	Fees due to external managers who possess complementary expertise to source and manage investments. These fees are paid based on committed or asset value of the invested capital.
	Transaction costs	Professional fees for legal, tax, custodian, trading commissions and other charges related to deployments, dispositions, and adjustments of ongoing investment activities.

Over the last 10 years, PSP Investments' portfolio and operations have grown significantly in terms of size and complexity, developing the global scale necessary to enhance long-term returns and meet its mandate. This evolution included greater internal management, diversification into private markets and international expansion to ensure PSP Investments exceeds its long-term return objectives.

During this growth period and as expected, total costs grew slightly, adding 5.8 basis points (bps) compared to 58.8 bps in fiscal year 2015. This is primarily due to a more expensive asset mix, with private investments representing 55% of the portfolio in fiscal year 2024, versus 35% 10 years ago. The enhanced private investments' capabilities, and working alongside external partners, allow PSP Investments to identify investment opportunities in niche markets and strengthen the stability and returns of the fund on an after-cost basis. As explained in the Design of the Policy Portfolio section on page 25, the inclusion of private asset classes is expected to provide an enhanced risk-return profile for the total fund.

PSP Investments' total cost ratio was 64.6 for fiscal year 2024 compared to 69.4 bps in fiscal year 2023. This improvement is the result of enhanced cost discipline, and higher average net AUM[1]. Year over year, total costs remained flat in an inflationary environment, while the average net AUM[1] grew by 8%, mainly driven by strong markets performance. The cost base is expected to remain below 70 bps under steady market growth conditions.

[1] Net AUM represents the net investments as presented in the Consolidated Financial Statements. Average net AUM is calculated using the average of the last 13-month net AUM.

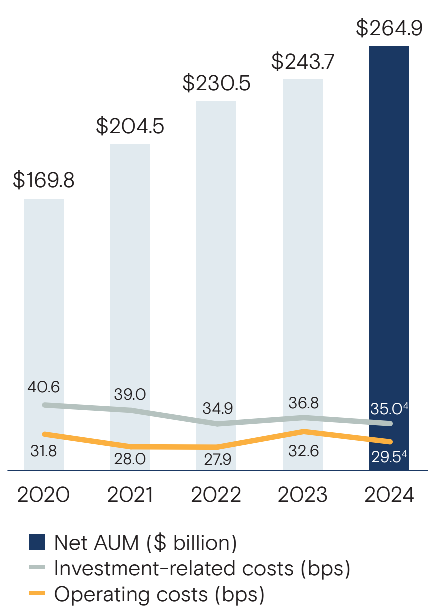
Costs by type

$M	2024	2023
Salaries and employee benefits	**467**	459
Other general and administrative expenses	**274**	301
Operating costs[1]	**741**	760
External investment management fees	**720**	717
Transaction costs	**159**	139
Investment-related costs[2]	**879**	856
Total costs	**1,620**	1,616

Operating costs

Operating costs are incurred to support the general infrastructure and provide the necessary services for the total fund's ongoing operations. These expenditures are strategically managed to uphold a proficient investment management organization. In fiscal year 2024, PSP Investments delivered on strategic and operational priorities, effectively enhancing the investment value creation capabilities in an increasingly complex investment environment.

In fiscal year 2024, PSP Investments continued its cost discipline and strengthened its talent pool to remain competitive in global markets. This approach led to a reduction of total operating costs, resulting in $741 million compared to $760 million in fiscal year 2023. These actions, combined with performance-driven compensation, resulted in salaries and employee benefits of $467 million versus $459 million in fiscal year 2023. The operating cost ratio[1] of 29.5 bps indicates PSP Investments' continued commitment to diligent cost management.



Investment-related costs

As per PSP Investments' mandate, the total fund targets to enhance the long-term risk-return profile of the fund. This goal serves as a compass for the decision-making processes, whether formulating a strategy or investing in the necessary technology to support such a strategy.

Investment-related costs are incurred while investing, rebalancing, managing or divesting PSP Investments' assets. Management fees and transaction costs also include expenses related to hiring external fund managers to identify and oversee investments, and to facilitate the execution, divestment, and ongoing management of investments in both public and private markets.

The investment-related cost ratio measures investment-related costs as a percentage of average net AUM[3]. The investment-related costs in fiscal year 2024 were $879 million, a 3% year-over-year increase, while the average net AUM[3] grew 8% in the same period. This resulted in an investment-related cost ratio of 35.0 bps in the lower end of historical trend. Higher net AUM[3] drove an increase of management fees for Public Markets, Real Estate, and Credit Investments, which was offset by a disciplined approach with fund exposure in Private Equity and Infrastructure. Transaction costs growth were mainly driven by Capital Markets higher trade volume.

[1] This measure may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. Operating costs exclude other income (net) of $10 million (March 31, 2023 – other income (net) of $16 million).
[2] This measure may not have a standardized meaning under IFRS and may not be comparable to similar measures disclosed by other institutions. Total investment-related costs exclude interest expense of $1,345 million and other costs (net) of $193 million, as reported in Note 11 of the Consolidated Financial Statements (March 31, 2023 – interest expense of $802 million and other costs (net) of $151 million).
[3] Net AUM represents the net investments as presented in the Consolidated Financial Statements. Average net AUM is calculated using the average of the last 13-month net AUM.
[4] Total cost ratio of 64.6 is comprised of 35.0 and 29.5. Figures do not add up due to rounding.

Enterprise risk management

To achieve the mandate and deliver on the commitment to stakeholders, PSP Investments must take calculated risks and manage them appropriately. A disciplined, integrated approach to risk management is followed, and a strong, shared risk culture, in which all employees are active participants in risk identification, evaluation, management, monitoring and reporting, is strived for and maintained.

Risk governance

Effective risk management starts with risk governance. The Board of Directors (Board) provides insight on risks, and its Investment and Risk Committee (IRC) reviews, evaluates and approves the guiding principles, limits and policies that govern the overall approach with respect to PSP Investments' risk management. The IRC ensures that management has put in place an effective enterprise risk management approach and processes, and reviews and approves the Risk Appetite Statement (RAS) and supporting risk management and related policies. The Board and its committees are regularly apprised of material risks and how management is responding to them. An enterprise risk management framework outlines the foundational components that contribute to the effective identification and management of enterprise risks.

Specific risk-related responsibilities are divided among Board committees and outlined in their respective Terms of Reference.

The risk management framework is anchored by PSP Investments' Three Lines approach to managing risk to ensure accountability, alignment, collaboration and coordination throughout all levels of the organization. A defined committee structure, policies and procedures ensure clear roles and responsibilities for all employees. This includes the oversight of direct or indirect risk of loss, including the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. All material non-investment losses or incidents are reported at the Board level.

Risk Management is headed by the Senior Vice President and Chief Financial & Risk Officer who reports to the President and CEO.

Enterprise risk management framework

Our enterprise risk management framework supports prudent risk-taking while striking the appropriate balance between risk and reward to achieve our strategic objectives.

Risk Appetite Statement

The Risk Appetite Statement (RAS) specifies the level and principal types of risk that PSP Investments is willing to take in order to meet its strategic objectives. Reviewed annually, the RAS formalizes and combines the key elements of risk management at PSP Investments. It sets basic goals, parameters and limits for the risks assumed, and provides guidance for key investment and non-investment activities. The RAS is summarized in the Risk Appetite Overview and is made available to all employees to promote transparency and a shared risk culture.

Risk management and related policies

PSP Investments acknowledges that it must take risks to achieve its statutory mandate and that management of the full spectrum of risks must be integrated on an enterprise-wide basis. Key policies outline the guiding principles governing PSP Investments' overall philosophy, culture and approach with respect to risk management. These key policies are listed below along with the risk categories they seek to mitigate.

PSP Investments' Mandate

Risk Appetite Statement

Risk Management and Related Policies

- Statement of Investment Policies, Standards and Procedures
- Enterprise Risk Management Policy
- Investment Risk Management Policy
- Non-investment Risk Management Policy
- Leverage and Liquidity Policy
- Sustainable Investment Policy
- Code of Conduct

Risk Management Processes

- First Line Risk Responsibilities
- Risk and Control Self-Assessment
- Emerging Risk Monitoring Process

Three Lines Model

Board of Directors and Board Committees

Senior Management and Committees

Management

First Line

All employees and teams

Second Line

Teams that support, oversee, assess and challenge First Line risk management activities

Internal Audit

Third Line

Independent and objective assurance

External Audit

Enterprise risk categories and highlighted related policies

Investment risks

- Funding
- Market
- Liquidity
- Leverage
- Credit and counterparty
- Concentration
- Sustainability-related

Related policies include

- Enterprise Risk Management Policy
- Statement of Investment Policies, Standards and Procedures
- Investment Risk Management Policy
- Leverage and Liquidity Policy
- Sustainable Investment Policy

Non-investment risks

- Strategic or business
- Technology
- Information security
- People
- Legal, contractual or regulatory
- Financial crime and fraud
- Reporting and taxation
- Operational

Related policies include

- Enterprise Risk Management Policy
- Non-investment Risk Management Policy and specific policies to related risks
- Code of Conduct

Risk management process

We conduct an annual, enterprise-wide risk and control self-assessment exercise to identify and evaluate key risks, and to assess the adequacy and effectiveness of mitigation activities. The exercise is a core component of the risk management framework and contributes to the ongoing refinement of the risk program. The Board participates and provides a top-down complementary perspective, through an annual risk-identification survey.

Risks inherent to PSP Investments are identified through this exercise and are periodically monitored throughout the year. External risks are also monitored regularly and the most impactful ones are integrated into the monitoring process as appropriate. This results in a comprehensive identification of our most significant risks that takes into account the internal and external risk environments. The organization's top risks also inform the corporate business planning process and help ensure that risks are factored into PSP Investments' corporate strategy.

In addition, an emerging risk monitoring process is used to identify, assess and monitor new and evolving risks that have the potential to impact our objectives. This process complements and supports existing risk processes by centralizing and coordinating our efforts to manage emerging risks, when needed.

Three lines model

PSP Investments uses the three lines model as a means to promote a shared risk culture, and to identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. We operate with the belief that risk is the responsibility of every employee. Senior managers promote a risk-aware culture by communicating this responsibility effectively and communicate updates to risk policies and procedures, the results of our annual risk and control self-assessment and require the use of risk indicators in reports to management and the IRC of the Board. All employees are designated risk assessors or owners and are empowered with clear limits and guidelines to manage and report risks, and to escalate issues if necessary.

Management of non-investment risks

PSP Investments recognizes that non-investment risk management is an integral component of its Enterprise Risk Management Framework and both manages its daily operations in accordance with its Risk Appetite Statement and monitors the following key non-investment risks.

Strategic or business risk is defined as a business initiative failure or misalignment with broader strategy or incorrect/suboptimal strategic planning and related reputational impact.

PSP Investments is committed to the successful implementation of its strategic plan through the identification of corporate priorities and execution of strategic initiatives supporting them. The organization monitors and seeks to understand the impact and repercussions from political or social changes, developments or activities, when possible.

The organization closely monitors and manages its reputation in the media and marketplace, and relationship with stakeholders, to ensure ongoing alignment with the corporate objectives.

Technology risk is the risk associated with the transformation potential, operation or availability of a system affecting the level of performance necessary to meet our expectations and technical requirements.

PSP Investments believes that data-driven decision-making is critical to its ability to meet strategic objectives and deliver its mandate, and it minimizes the risk of poor data quality through proactive governance and management. Additionally, to maintain its ability to perform daily activities, PSP Investments seeks to avoid or minimize, within reason, the prolonged loss or unavailability of key systems, applications, and/or critical networks that significantly delay business activities.

The organization acknowledges the transformative potential of artificial intelligence; however, it recognizes the risks associated with reliance on these systems, potential biases, and transparency, privacy and security concerns which PSP Investments continuously monitors and assesses.

Information security risk is the risk of loss of confidentiality, integrity, or availability of information, data, or systems.

PSP Investments recognizes that information cyber security risk represents an evolving and increasingly complex and challenging component of our business operations and decisions. It believes the right level of cyber risk tolerance drives the allocation of an appropriate balance of resources to protect contributors and beneficiaries’ interests, while enabling the organization to advance and prosper in the digital economy.

People risk arises from ineffective talent management, employee engagement and wellness, conduct and behaviour.

PSP Investments provides ongoing training and awareness on expected behaviours as it relates to compliance with the Code of Conduct, related policies and employee handbook.

The organization continuously monitors the effectiveness of our talent value proposition to ensure PSP Investments can attract, develop, reward and retain talent, taking into account its business and strategic objectives, the voice of our employees, and external labour market factors.

Legal, contractual or regulatory risk includes legal or regulatory action against PSP Investments due to legal or contractual disputes or non-compliance with any existing, new, or amended applicable laws or regulations.

PSP Investments ensures that its activities are conducted in accordance with the *Public Sector Pension Investment Board Act* and Regulations and the Statement of Investment Policies and Procedures. The organization does not tolerate instances of non-compliance with applicable laws, regulations and contractual obligations, and works accordingly to comply with them, including regular monitoring of new and amended applicable laws and regulations.

Financial crime and fraud risk refers to when a person or persons acts dishonestly or deceitfully for advantage or gain.

PSP Investments seeks to minimize its exposure to intentional fraudulent activity and corruption and does not tolerate any intentional fraudulent activities from its employees and consultants.

Reporting and taxation risk represents the non-compliance with requirements or inaccurate statements related to financial and non-financial reporting and taxes.

PSP Investments maintains and enforces strong accounting, financial management, and reporting practices and controls, which ensure accurate reporting of financial and non-financial information. The organization complies with tax regulation requirements while maintaining awareness of tax trends and their potential impact on our investment activities.

Operational risk refers to the failure of or inadequate internal operational processes, unavailability, theft or damage to non-digital assets and physical security, health and safety of premises and individuals.

PSP Investments actively manages the execution of its investment and supporting business transactions, the selection of external business partners and service vendors, while managing the inherent risk of failure or inadequate operational processes that arise during the normal course of business. Additionally, to ensure continuity of operations and safety in the workplace, the organization works to reduce the likelihood of interruptions or impediments of operational activities due to damage to the workplace, physical assets, or threats of physical safety to employees.

Management of investment risks

To manage the risks inherent to the investment decision-making process, the Investment Risk Management (IRM) Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite.

To effectively manage investing-related risks, such as funding, market, credit, counterparty, leverage and liquidity risks, the IRM Policy, in conjunction with the SIP&P and the Leverage and Liquidity Policy, are established and adhered to so as to monitor and manage PSP Investments' ability to fulfill its mandate. Below is a description of closely monitored elements that relate to key investment risks along with how these are managed.

For further details on Investment Risk Management, please refer to Note 7 of the Consolidated Financial Statements.

Funding risk represents the risk that impacts the Government (as the sponsor of the Plans) and the relation of assets to the value of the obligations of the Plans. For further details, please refer to the "Total Portfolio Management" section under Investment Framework.

Market risk represents the risk of an adverse financial outcome related to assets or liabilities due to changes in the factors that drive the market value of financial assets and financial liabilities.

PSP Investments actively seeks out market opportunities and given its long-term investment horizon the organization is mindful of short-term volatility in the pursuit of long-term opportunities to generate enhanced returns.

The market risk appetite, which is mainly expressed through an active VaR, is set to be consistent with the Policy Portfolio objective. The goal is to ensure the alignment of all PSP Investments' value-added activities with the desired Policy Portfolio risk profile in terms of market risk. Boundaries are defined so that the likelihood of meeting the objective is increased without jeopardizing the value proposition.

Additionally, a set of complementary risk measures has been specifically designed in order to provide greater visibility and guidance during adverse market environments where traditional VaR measures are less reactive. Furthermore, PSP Investments systematically performs stress test scenarios that are proactively selected based on their relevance from a macroeconomic and geopolitical standpoint.

Credit and counterparty risk encompasses the risk of non-performance of an obligor on whom PSP Investments relies to fulfill contractual or financial obligations.

PSP Investments has limited tolerance for credit risk and seeks to restrain its exposure while monitoring any sudden deterioration. As for counterparty risk, the organization has a low tolerance and manages counterparties accordingly.

Through various metrics that are part of the counterparty risk framework, PSP Investments seeks to capture broader types of exposure, including derivatives, securities lending and settlement risk. These include metrics that seek to quantify, at a given confidence level, the loss that could occur if the counterparty were to default on specific activities. In turn, limits and guidelines are set and are tailored to the credit quality of the counterparty as well as other indicators of financial health.

Counterparty exposure and predefined limits or other indicators are regularly monitored to assess the quality of approved counterparties. Counterparty risk related to the use of derivatives and securities lending and borrowing transactions remained largely stable compared to the prior year.

Liquidity risk refers to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis or that it will incur incremental costs when liquidating financial assets to do so.

PSP Investments holds sufficient liquidity to meet its financial obligations, stay on course with its strategic capital deployment and maintain its target asset mix while protecting its credit rating.

PSP Investments adopts a total fund approach by actively managing liquidity through a centralized platform, namely, the Corporate Liquidity Fund (CLF). The CLF is managed to provide efficient funding to asset classes and maintain sufficient levels of liquidity in times of market stress. The primary objectives of the CLF are safety of capital, liquidity and collateral eligibility. The CLF is comprised primarily of highly rated government or government-related fixed income securities to meet its collateral requirements. PSP Investments also adopts a total fund approach for its collateral management as other eligible securities are held in other portfolios in the form of publicly traded equities and fixed income securities. In addition to fund transfers referred to in the "Capital Management" section below, PSP Investments receives recurring cash flows from its private investments, adding to its sources of liquidity.

PSP Investments maintains a sizable pool of liquid assets and the CLF has access to diversified sources of liquidities, including its capital debt program as described below (see the "Capital management" section for further details), cash collateral received in the normal course of business through certain investment transactions, cash and cash equivalents (as part of the Policy Portfolio) and an unutilized revolver capacity.

The CLF is subject to risk limits based on the Liquidity Coverage Ratio framework which is the industry best practice in liquidity management. Such limits include several metrics that take into consideration credit rating, portfolio duration, maturity, collateral eligibility, nature of the investment as well as concentration. In addition to such limits, sensitivity analyses, stress testing and scenario analyses are performed in order to ensure that sufficient liquidity is in place for operational needs such as debt repayment and collateral calls in times of market stress.

Leverage risk refers to the risk of using leverage in a way that adversely effects PSP Investments. Please see the "Capital management" section below for further details.

Concentration risk arises from unwarranted exposure due to a lack of diversification or concentrated exposure in individual investments, counterparties, geographic regions, sectors, strategy and/or external managers.

A lack of diversification or concentrated exposure could adversely affect the value of our investments and our overall investment performance. PSP Investments believes in the benefits of diversification and are aligned with other corresponding risk appetites. The areas monitored and subject to limits, guidelines and thresholds include the size of individual investments, the counterparty, geographic region, sector, strategy and concentrations in managers and partners.

Sustainability-related risk covers the risk that corporate behaviour in respect of environmental, social and governance issues will adversely impact the financial performance of companies or our reputation. For further details please see the "Sustainable Investment" section under Investment Framework.

Capital management

The capital structure of PSP Investments consists of fund transfers as well as leverage.

Fund transfers

As described in our mandate, PSP Investments receives fund transfers from the Government and invests these in the best interests of the beneficiaries and contributors under their respective Acts. The funds received are invested with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans and the ability of those Plans to meet their financial obligations. The funds are invested in accordance with the investment risk management policies established as an element within the enterprise risk management framework.

Leverage

PSP Investments believes in the prudent use of leverage to enhance returns and manage liquidity, while protecting its credit rating issued by recognized credit rating agencies.

PSP Investments adopts a holistic approach in managing leverage with the primary objective to ensure efficient leverage allocation at the total fund level. Sources of leverage are allocated to asset classes according to total fund risk limits, asset classes' respective business plans and budgets.

Global Debt Program and Green Bond Framework

As part of its leverage, PSP Investments maintains a Global Debt Program consisting of short-term promissory notes and medium-term debt issuances. During fiscal year 2024, PSP Investments issued the Canadian dollar equivalent of $3.6 billion under its Global Medium-Term Note (GMTN) program, as well as its first $1.5 billion Australian dollar transaction under its newly established Australian Medium-Term Note (AMTN) program. These medium-term debt programs are complemented by short-term programs, and until recently, only consisted of Canadian and US commercial paper programs. Additionally, during fiscal year 2024, a new euro commercial paper program was launched to reach more investors as well as to issue in multiple currencies, targeting mostly euro, British pound and Australian dollar. The capital raised under these capital debt programs is primarily used to finance private market investments.

The Green Bond program now totals $2 billion, following our second Green Bond issued in fiscal year 2024, under our GMTN program. The proceeds of these Green Bond issuances are earmarked for projects with positive environmental and climate outcomes. In fiscal year 2024, PSP Investments published its second annual Green Bond Impact Report, which discloses climate performance and allocation reporting for its two Green Bond issuances. The Green Bond Impact Report is part of PSP Investments' commitment to ensuring comprehensive and transparent impact reporting on an annual basis, in alignment with the terms set out in its Green Bond Framework.

Guarantees, indemnities and commitments

Guarantees and indemnities

In the normal course of business, PSP Investments provides indemnifications to its Directors, its Officers, its employees and to certain PSP Investments representatives who are asked to serve on boards of directors or investment advisory boards of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. In certain cases, indemnification is also provided to third parties and as a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

In certain investment transactions, PSP Investments and its investment entity subsidiaries also provide guarantees or issue letters of credit to third parties. These agreements ensure that investment entity subsidiaries and certain investees are supported in the event of a default based on the terms of the respective loan or other agreements. As at March 31, 2024, the maximum amount of obligations that could be assumed by PSP Investments and its investment entity subsidiaries in relation to such guarantees was $2,717 million, compared to $2,643 million in the prior year, while it remained $1 million compared to the prior year for letters of credit issued.

For further details on guarantees and indemnities, please refer to Note 16 of the Consolidated Financial Statements.

Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. As at March 31, 2024, these commitments amounted to $29,905 million, compared to $33,322 million in the prior year. The decrease compared to last year was due to new signed commitments, primarily in Private Equity, Infrastructure and Credit Investments, partially offset by deployments and asset sales.

For further details on commitments, please refer to Note 17 of the Consolidated Financial Statements.

Significant accounting judgments, estimates and assumptions

Key accounting estimates

PSP Investments measures and evaluates the performance of its investments on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. It is a market-based measurement and incorporates factors that market participants would consider when involved in such transactions.

Process for fair value determination

The valuation process is monitored and governed by an internal valuation committee (VC). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the International Private Equity and Venture Capital Valuation Guidelines, the Canadian Uniform Standards of Professional Appraisal Practice and the Uniform Standards of Professional Appraisal Practice in the United States of America.

The fair value of investments in Private Markets, is determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

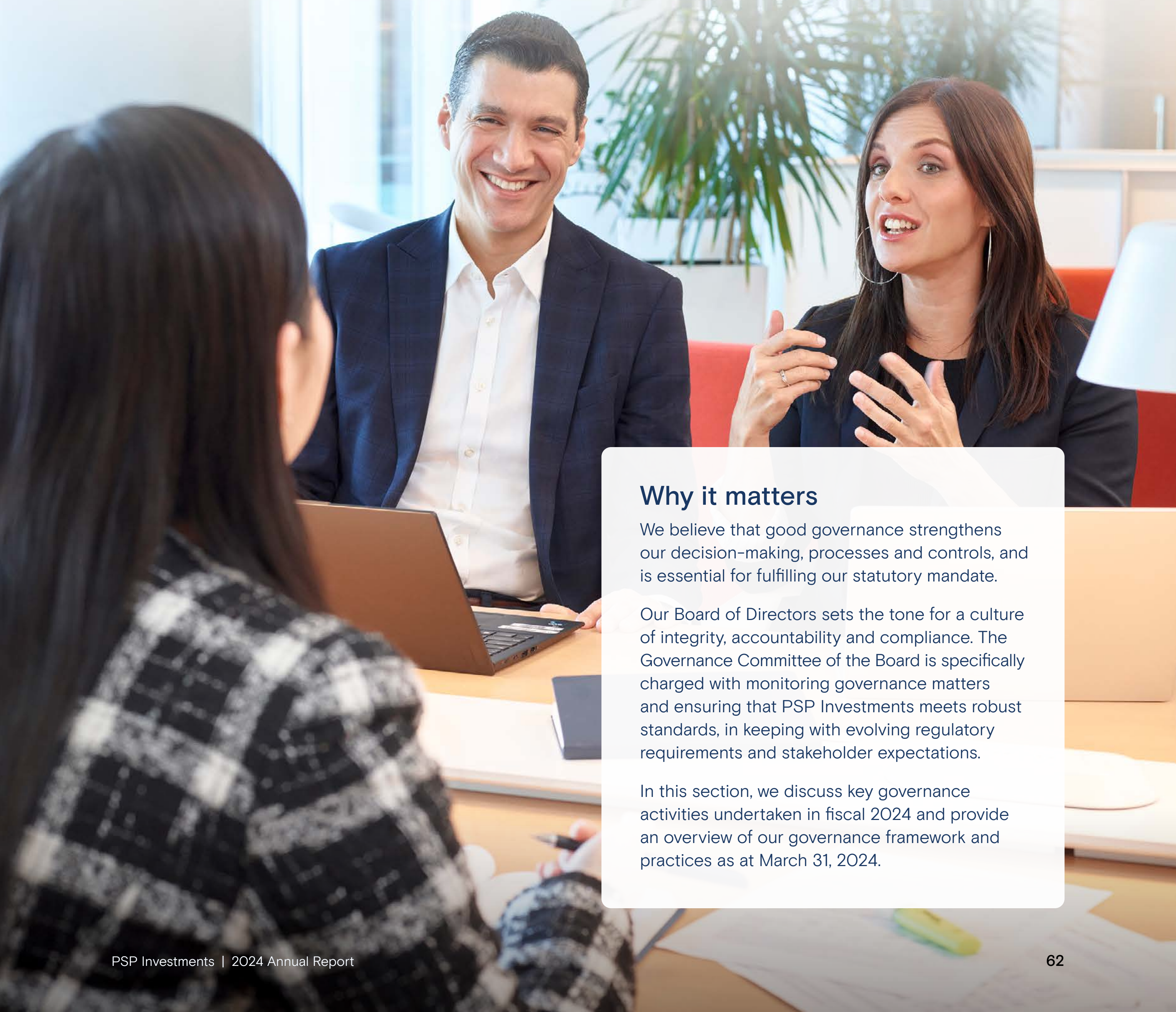
In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to certain fund investments, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. In certain cases, fair value is obtained from information provided by the fund's administrators and is reviewed by management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors, including public market trading comparables, investment-specific characteristics as well as market conditions and uncertainties at that time.

Governance

PSP Investments is committed to upholding high standards of corporate governance and ethical conduct.



Why it matters

We believe that good governance strengthens our decision-making, processes and controls, and is essential for fulfilling our statutory mandate.

Our Board of Directors sets the tone for a culture of integrity, accountability and compliance. The Governance Committee of the Board is specifically charged with monitoring governance matters and ensuring that PSP Investments meets robust standards, in keeping with evolving regulatory requirements and stakeholder expectations.

In this section, we discuss key governance activities undertaken in fiscal 2024 and provide an overview of our governance framework and practices as at March 31, 2024.

Highlights of our corporate governance framework and practices

- Separation of Chair from the President & CEO
- Succession planning for the President & CEO and key executives
- Independence of all Board members
- Gender balance on the Board with women representing more than 50% of Directors and chairing all Board committees
- Annual review of the Board's skills, competencies and diversity matrix and communication of desired skill sets to the external nominating committee
- Director succession planning
- Annual strategy session
- Annual Board evaluation process
- Ongoing Director education program
- Onboarding program for new Directors
- *In camera* sessions at all regular Board and committee meetings
- Regular review of Terms of Reference for the Board, all committees and Chairs
- Procedures for the identification and management of real, potential or perceived conflicts of interest
- Anonymous reporting framework for suspected wrongdoings and compliance culture
- Annual review of risk appetite, risk policies and risk limits and framework

Governance framework

PSP Investments is a Crown corporation that operates at arm's length from the Government of Canada. Our governance framework is outlined in the *Public Sector Pension Investment Board Act* (the "Act") and includes our statutory mandate, the responsibilities of our Board and our reporting obligations to the Government and to pension plan contributors and beneficiaries.

Board responsibilities

In accordance with the Act, the Board of Directors manages or supervises the management of the business and affairs of PSP Investments. In discharging their duties, Directors are required to act honestly and in good faith with a view to the best interests of PSP Investments, and to exercise the care, diligence and skill that a reasonable person would exercise in comparable circumstances. The Board performs three vital functions:

Role	Description
Decision-making	The Board maintains decision authority over certain matters, including powers that cannot be delegated under the Act. The Board exercises these powers upon recommendation by senior management, where appropriate.
Oversight	The Board monitors performance and provides direction and guidance with respect to the management of the business and affairs of PSP Investments.
Insight	The Board provides insight on various matters, including strategy, stakeholder relations, human resources and risk.

The Board's specific responsibilities include:

- Determining the organization's strategic direction in collaboration with senior management
- Selecting and appointing the President & CEO and annually reviewing his or her performance
- Reviewing and approving the SIP&P for each pension fund on an annual basis
- Ensuring that risks are properly identified, evaluated, managed, monitored and reported
- Approving benchmarks for measuring investment performance and for incentive compensation purposes
- Establishing and monitoring compliance with PSP Investments' Code of Conduct
- Approving human resources and compensation policies related to attracting, developing, rewarding and retaining PSP Investments' talent
- Establishing appropriate performance evaluation processes for Board members, the President & CEO, and other members of senior management
- Approving quarterly and annual financial statements for each pension fund account and for PSP Investments as a whole
- Establishing Terms of Reference for the Board, the Board committees and Chairs

Board committees

The Board fulfills its obligations directly and through four standing committees:

Investment and Risk Committee – Oversees PSP Investments' investment and risk management functions. Specific responsibilities include:

- Approving investments and divestments not delegated to the President & CEO
- Approving the engagement of external managers empowered with discretionary investment authority
- Ensuring the quality, adequacy and timeliness of risk-related information provided by the management team
- Reviewing PSP Investments' investment performance on a quarterly basis
- Monitoring the application of PSP Investments' investment policies, standards and procedures

Audit Committee – Reviews financial reporting, the adequacy and effectiveness of internal control systems and oversees the internal audit function. Specific responsibilities include:

- Reviewing and recommending to the Board for approval the consolidated financial statements of PSP Investments and the financial statements for each pension fund account
- Making a recommendation with respect to the appointment of external auditors
- Overseeing the internal audit function and ensuring that internal audits are conducted with respect to the governance, risk management and control processes for PSP Investments
- Reviewing and recommending to the Board for approval an annual operating and capital budget and receiving periodic reports from management on significant expenses
- Overseeing PSP Investments' technology and digital strategy, including major projects and related risks
- Receiving reporting on cyber security incidents and risks

Learn more

Terms of Reference

Governance Committee – Monitors the effectiveness of the Board, reviews related governance policies, and oversees communication, sustainable investment and compliance matters. Specific responsibilities include:

- Developing Terms of Reference for the Board, the Board committees and Chairs
- Recommending to the Board for approval timely changes in the role, size, composition and structure of Board committees
- Reviewing and reporting to the Board Chair on succession planning for Board and committee Chairs
- Overseeing the Board evaluation process
- Recommending for Board approval a Code of Conduct and monitoring compliance with the Code
- Monitoring PSP Investments' approach to sustainable investing
- Recommending to the Board for approval PSP Investments' communication and stakeholder relations strategies and receiving reporting on such activities

Human Resources and Compensation Committee – Ensures policies and procedures are in place to manage the human resources function efficiently and effectively, and to offer all employees fair and competitive compensation aligned with performance and risk targets. Specific responsibilities include:

- Recommending for Board approval the compensation for the President & CEO and officers
- Recommending for Board approval the establishment, termination or any material amendments to incentive, benefit or pension plans
- Ensuring that President & CEO and officer succession planning is conducted appropriately
- Recommending for Board approval human resources policies
- Monitoring PSP Investments' diversity and inclusion programs

The responsibilities of the Board and its committees are more fully described in their respective Terms of Reference.

Reporting obligations

PSP Investments reports to the ministers responsible for the four pension plans through its quarterly financial statements and annual report. The annual report must also be made available to pension plan contributors and is tabled in each House of Parliament by the President of the Treasury Board.

PSP Investments is required to meet once a year with the advisory committees for the pension plans. We are also required to hold an annual public meeting. The most recent meetings were held on October 17, 2023.

Pursuant to the *Financial Administration Act*, PSP Investments must undergo a yearly external audit. The Auditor General of Canada and Deloitte LLP serve as our joint external auditors and are also responsible for conducting special examinations at least once every 10 years. A special examination was performed in fiscal 2021. No significant deficiencies in the corporate management practices or management of investments and operations of PSP Investments were found during the audit. The report concluded that PSP Investments generally maintained reasonable systems and practices for accomplishing its mandate.

Ethics and compliance

PSP Investments firmly believes in the importance of exemplary and ethical behaviour.

We have in place a Code of Conduct for Directors, Employees and Consultants that provides a practical framework to help individuals better understand PSP Investments' principles, values and expected practices and behaviours.

The Code of Conduct includes principles related to behaving respectfully and appropriately, obeying the letter and spirit of the law, protecting PSP Investments' assets and information, and managing conflicts of interest. Rules are in place for handling situations and behaviours that could lead to a real, potential or perceived conflict of interest. Directors, employees and consultants must disclose any personal or business interests that may lead to a real, potential or perceived conflict of interest and ensure they take appropriate action to avoid, reduce or manage such situations and behaviours in connection with their duties and responsibilities at PSP Investments.

In all instances, Directors must refrain from voting on a resolution or other decision and refrain from participation in discussion or debate in any circumstances where there is a conflict of interest.

In addition, the reporting of any suspected wrongdoing is strongly encouraged. Incidents can be reported without fear of retaliation through various means, including an anonymous reporting tool. Each year, Directors, employees and consultants must confirm in writing that they have complied with the Code of Conduct. The Code of Conduct and compliance processes are continuously reviewed and enhanced through risk-based assessments of our activities and the environments we operate in.

Learn more

Code of Conduct for Directors, Employees and Consultants

Sustainable investment

Our Sustainable Investment Policy guides our sustainable investment strategy and is reviewed and approved by our Board of Directors.

This Policy communicates how we aspire to invest in alignment with our investment beliefs, with the aim of reducing financial risks related to relevant externalities and ultimately improving the long-term risk-return profile of our investments. The Board fully supports PSP Investments' approach to sustainable investment, and sustainability-related topics are regularly presented and discussed at Board and committee meetings.

More information about PSP Investments' sustainable investment activities can be found on page 19 of this report or on our website.

Cyber security

Given the increased presence of cyber risks across all industries and the possible impacts of cyber events, the Audit Committee is responsible for overseeing PSP Investments' cyber security program and the known risks faced by the organization.

In fiscal year 2024, PSP Investments proactively managed cyber risks by revisiting its cyber security strategy and roadmap to establish priorities for addressing its evolving threat environment and risks, as assessed by an external partner. In the face of ever-evolving and intensifying cyber threats, the Audit Committee and Board of PSP Investments regularly receive expert advice on the changing cyber threat landscape and its potential impact on the organization. This enabled them to effectively fulfill their oversight role in terms of cyber security.

Board procedures and effectiveness

PSP Investments' Board plays an active role in decision-making and management oversight, and in providing strategic input.

Some of the Board's authority is delegated to senior management. For example, the Board has delegated to the President & CEO the authority to manage and direct the day-to-day affairs of PSP Investments. It also delegates certain powers and responsibilities to its Board committees.

There is frequent discussion at the Board and Board committee levels between Directors and senior management. Board members and senior management hold an annual strategy session for in-depth discussions on investment and risk-related topics. The past year's session included a review of PSP Investments' external and internal environment and consideration of a potential shift in strategy.

All regular Board and Board committee meetings include *in camera* sessions with no members of senior management present. The Board has separate *in camera* meetings with the President & CEO. The Audit Committee has private meetings with the internal and external auditors, and with the Chief Financial Officer, while the Investment and Risk Committee meets privately with the Chief Risk Officer. The Governance Committee also meets privately at least once a year with the Chief Compliance Officer.

The Board and Board committees may consult with external advisors. During fiscal 2024, the Human Resources and Compensation Committee sought the services of an external consultant.

The Governance Committee oversees the formal process for evaluating the performance of the Board Chair, the Chairs of Board committees, individual Directors and the Board as a whole. All Directors, as well as the President & CEO, and select senior management members participated in the evaluation process which was facilitated through an external governance consultant. The Governance Committee Chair and the Board Chair present the evaluation results to the Board. The ensuing discussions focus on achievements, expectations, concerns and opportunities for improvement. Any measures deemed necessary are subsequently implemented.

At the management level, the Board conducts the evaluation of the President & CEO and oversees the evaluation and development of senior management. It also ensures that compensation programs are aligned with PSP Investments' objectives and strategic plan so as to provide balanced performance-based compensation that rewards prudent risk-taking. The Board is also fully committed to developing PSP Investments' talent to ensure the emergence of the next generation of leaders.

Fiscal 2024 key activities

The key activities of the Board in fiscal 2024 included the following:

1. **New Corporate Strategic Plan**
   A new three-year Strategic Plan was approved on February 15, 2024. The new strategy sets out how PSP Investments plans to evolve to respond to the challenges it faces in an increasing competitive environment and uncertain world. The Strategic Plan includes measures of success that are tracked and monitored by the Board.

2. **Chair of the Board transition**
   As part of PSP Investments' succession planning, its Chair of the Board, Martin Glynn, announced his intention to step down as Chair following the end of his current term in 2024. We expect the Governor in Council to designate one of the Directors as Chairperson on the recommendation of the President of the Treasury Board, who has already consulted PSP Investments' Board of Directors as part of the process.

3. **CGF governance**
   In 2023, the Act was amended to allow PSP Investments to incorporate a subsidiary for the purpose of providing investment management services to the Canada Growth Fund Inc. During the last fiscal year, the Board approved the entering into of an investment management agreement relating to such services and ensured that a proper governance model was in place.

The key activities of each of the Board committees in fiscal 2024 are described below:

Board committees	Key activities
Investment and Risk Committee	Reviewed and approved new investment managers Approved changes to the Risk Appetite Statement and Board risk limits framework Reviewed PSP Investments' top investment and non-investment risks and how these risks are being addressed Received updates on asset class strategies and reviewed portfolio composition Received presentations on climate-focused investments and climate transition assets Approved a new Australian dollar medium-term note program
Audit Committee	Reviewed PSP Investments' valuation reports for private market assets Received reporting on information security strategy Oversaw an ongoing strategic initiative related to data and total fund management Conducted a comprehensive review of external auditors Reviewed climate reporting and disclosure standards
Governance Committee	Reviewed the diversity, skills and competencies matrix to identify desired needs for the Board Received updates on the recruitment of new Directors and on the renewal of terms of existing Directors Supervised the annual Board evaluation process, which was administered by a third party Received updates on new legislation impacting PSP Investments
Human Resources and Compensation Committee	Reviewed succession plans for the President & CEO and senior officers Received updates on the evolution of PSP Investments' culture Oversaw a request for proposals for a compensation consultant

Board succession planning

PSP Investments' Board is currently composed of 10 independent, professional Directors. Board succession planning continued to be a key focus area of the Governance Committee and the Board in fiscal 2024.

Judy Fairburn was appointed to the Board of Directors on September 20, 2023 and resigned on October 25, 2023, due to a significant change in her personal circumstances. As part of Martin Glynn's decision to step down as Chair of the Board following the end of his term in 2024, a thorough assessment of the skills and attributes required for the position was performed by the Board. A process was also undertaken to identify potential successors. This process led the Board to unanimously make recommendations to the President of the Treasury Board for a Director candidate to replace Martin Glynn as the next Chair of the Board of PSP Investments. The Governor in Council shall, on the recommendation of the President of the Treasury Board after consultation with the Board of Directors, designate one of the Directors as Chairperson.

Directors are appointed by the Governor in Council on the recommendation of the President of the Treasury Board for terms of up to four years. When their term expires, they may be reappointed for an additional term or continue in office until a successor is appointed.

Candidates are selected from a list of qualified Canadian residents proposed by an external nominating committee pursuant to the Act. The nominating committee operates separately from the President of the Treasury Board and the Treasury Board of Canada Secretariat.

The appointment process is designed to ensure that the Board has a full contingent of high-calibre Directors with proven financial ability and relevant work experience. The Governance Committee and Board regularly review and update desirable and actual competencies, experiences and diversity requirements. These requirements are communicated to the nominating committee and taken into consideration when establishing a list of candidates.

In addition, all Directors are screened to ensure they have the following personal attributes: integrity, leadership/ability to influence, ability to think strategically, personal communication skills and business acumen.

The Board maintains and regularly reviews a skills matrix to monitor the skills and experience necessary for the Board to supervise PSP Investments' business and affairs and to identify any gaps in the Board's collective skill set. Directors are asked to identify their top five competencies, recognizing that they may have experience in other areas as well. The matrix is reviewed by both the Governance Committee and Board.

The Board is satisfied that it collectively brings an appropriate balance of diversity, experience and competencies to effectively discharge its responsibilities, as summarized in the matrix below:

Diversity, Skills and Competencies Matrix	Maryse Bertrand	Gregory Chrispin	David C. Court	Martin Glynn	M. Marianne Harris	Miranda C. Hubbs	Susan Kudzman	Katherine Lee	Helen Mallovy Hicks	Maurice Tulloch
Appointment Date	09-18	03-22	10-18	01-14	12-20	08-17	12-20	06-18	03-22	03-22
Current Term Expiry Date	12-26	03-26	12-26	06-24	12-24	03-26	12-24	12-26	03-26	03-26
Terms	2	1	2	3	1	2	1	2	1	1
Geography	QC	QC	ON	BC	ON	ON	QC	ON	ON	ON
Leadership										
Chair of the Board				X						
Chair of a Committee	X				X	X		X		
Diversity										
Age[1]	60 to 65	60 to 65	>65	>65	>65	<60	60 to 65	60 to 65	60 to 65	<60
Gender	F	M	M	M	F	F	F	F	F	M
Other Diversity[2]		X						X		
Experience										
CEO/C-Suite or Equivalent Position	X	X	X	X	X	X	X	X	X	X
Other Directorships	X	X	X	X	X	X	X	X	X	X
International/Operational Experience	X		X	X	X	X		X	X	X
Competencies (Top 5)										
Private Markets		X	X	X			X	X	X	
Public Markets		X			X	X				X
Risk Management	X	X	X	X	X		X	X	X	X
Sustainability[3]	X	X		X		X				X
Finance/Accounting					X	X	X	X	X	X
Human Resources	X	X		X	X		X		X	X
Governance	X		X	X	X	X	X	X	X	
Cyber Security/ Technology and Data			X			X		X		
Government/Public Policy	X									

1 As of April 1, 2024.
2 Includes voluntary self-declared diversity such as Indigenous, visible minority, ethnic or cultural group, 2SLGBTQIA+ and person with disabilities.
3 Includes climate. All Directors received internal training on climate change-related topics and/or training from an external provider.

Director education and onboarding

The Governance Committee's Director education program supports ongoing professional development. Through this program, Directors are allocated an education and training budget to be used primarily for taking courses, attending conferences and procuring reading material to strengthen their understanding of investment management and other relevant areas. Directors report annually on their individual development plans.

On occasion, internal and outside speakers are invited to make presentations that contribute to the individual and collective expertise of Board members. During fiscal 2024, external speakers included experts on generative artificial intelligence, geopolitics and social considerations.

An onboarding program is also in place for new Directors. The onboarding program is intended to acquaint newly appointed Directors with the operations and culture of PSP Investments and its Board. In addition to providing new Board members with access to information about PSP Investments and its operations and strategy, a series of meetings with the Chairs and members of management covering the different aspects of PSP Investments and its business is organized.

Equity, inclusion and diversity

The Board is committed to shaping PSP Investments' culture of equity, inclusion and diversity (Ei&D). The Board plays an important role in promoting Ei&D at PSP Investments. In additional to monitoring PSP Investments' Ei&D program and initiatives, several Directors participated this past fiscal year in employee events related to activities of the following Ei&D groups at PSP Investments: anti-racism, culture and religion, gender dynamics and veterans' group. More information about PSP Investments' Ei&D activities can be found on page 14 of this report.

In addition, all Directors successfully completed the "4 Seasons of Reconciliation" course provided by the Indigenous Continuing Education Centre of the First Nations University of Canada. Finally, several Directors have also enrolled in French lessons.

Remuneration

The Board's approach to Director remuneration reflects the provisions of the Act, which require it to set its remuneration at a level comparable to the remuneration received by persons having similar responsibilities and engaged in similar activities. The Board reviews remuneration and considers changes based on recommendations prepared by the Governance Committee.

In fiscal 2024, Directors were compensated as follows (unchanged from fiscal 2023):

	$
Annual retainer for the Board Chair[1]	237,000
Annual retainer for each Director other than the Board Chair	75,000
Annual retainer for each Board committee Chair	20,000
Annual retainer for each Special Committee member	12,000
Attendance fee for each Board and committee meeting[2]	1,500
Travel fees for attending a Board meeting in person, if his or her primary or secondary residence is outside Québec or Ontario	1,500

1 With the exception of a Special Committee, the Board Chair is not entitled to receive any additional retainer or fee for attendance at any meetings of the Board of Directors or any committee of the Board of Directors.

2 A single meeting fee will be paid to a Director who attends concurrent meetings of the Board and a committee.

Total fiscal 2024 remuneration for Directors was $1,263,500. Directors are not entitled to additional remuneration in the form of retirement benefits or short-term or long-term incentives. The tables on the following page provide details.

Meeting attendance

	Board of Directors		Investment and Risk Committee		Audit Committee		Governance Committee		Human Resources and Compensation Committee	
	Regular	Special	Regular	Special	Regular	Special	Regular	Special	Regular	Special
Number of meetings fiscal year 2024	7	2	4		4		4		4	
Maryse Bertrand	7/7	2/2	4/4				4/4		4/4	
Gregory Chrispin	7/7	2/2	4/4						4/4	
David C. Court	7/7	2/2	3/4		4/4		4/4			
Judy Fairburn[1]	3/3									
Martin Glynn[2]	7/7	2/2	4/4							
M. Marianne Harris	7/7	2/2	4/4		4/4		4/4			
Miranda C. Hubbs	7/7	1/2	4/4						4/4	
Susan Kudzman	7/7	1/2	4/4				4/4		4/4	
Katherine Lee	6/7	2/2	4/4		4/4		3/4			
Helen Mallovy Hicks	7/7	2/2	4/4		3/4					
Maurice Tulloch	7/7	2/2	4/4		4/4					

[1] Ms. Fairburn was appointed to the Board of Directors on September 20, 2023 and ceased to be a Director on October 25, 2023.
[2] Mr. Glynn is an ex-officio member of the Audit Committee, Governance Committee and Human Resources and Compensation Committee.

PSP Investments' Board of Directors met nine times.

Board committees met a total of 16 times.

Directors' compensation for fiscal 2024

	Annual Retainer $	Chair of a Committee/ Annual Retainer $	Boards/Committees Meeting Fees[3] $	Travel Fees $	Total $
Maryse Bertrand	$75,000	$20,000	$31,500	$1,500	$128,000
Gregory Chrispin	$75,000		$25,500	$1,500	$102,000
David C. Court	$75,000		$30,000	$1,500	$106,500
Judy Fairburn[4]	$0		$0	$0	$0
Martin Glynn	$237,000		$0	$7,500	$244,500
M. Marianne Harris	$75,000	$20,000	$31,500	$1,500	$128,000
Miranda C. Hubbs	$75,000	$20,000	$24,000	$1,500	$120,500
Susan Kudzman	$75,000		$30,000	$1,500	$106,500
Katherine Lee	$75,000	$20,000	$28,500	$1,500	$125,000
Helen Mallovy Hicks	$75,000		$24,000	$1,500	$100,500
Maurice Tulloch	$75,000		$25,500	$1,500	$102,000

[3] A single meeting fee is awarded for Board and committee meetings held concurrently.
[4] Ms. Fairburn elected not to receive any compensation.

Report of the Human Resources and Compensation Committee

Discussion & Analysis

Why compensation matters

Report of the HRCC

PSP Investments' success depends on the collective strength and performance of its people. That's why we ensure that our human resources policies and programs connect to what matters to our employees and drive behaviours that support the delivery of our mandate.

Compensation principles

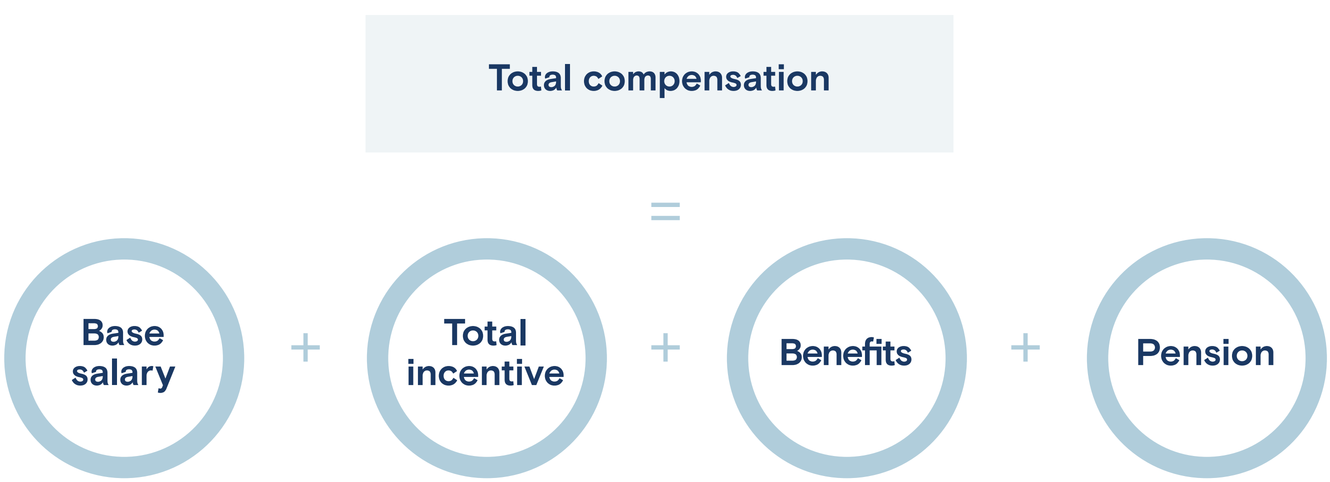
To fulfill our mandate, we strive to attract, develop, reward and retain top talent. With compensation as a cornerstone, our talent value proposition is focused on helping us effectively and successfully compete for highly skilled professionals with knowledge and capabilities that we can leverage for personal growth and development, as well as the overall success of PSP Investments.

The following principles underpin PSP Investments' Compensation Plan:

- Ensure global alignment to sustain PSP Investments' compensation philosophy, while remaining sensitive to local market practices
- Provide robust structure in defining job levels, base salaries and incentive targets, ensuring that external competitiveness and internal equity is effectively managed
- Reflect industry best practices

In addition, to implement a pay-for-performance approach, the Board established a Compensation Policy that is designed to maintain total compensation at market competitive levels, and to ensure that the Compensation Plan is aligned with PSP Investments' strategic plan and integrated with business performance measurement. The Compensation Policy provides balanced performance-based compensation and is designed to reward prudent risk-taking over the long term.

The Board of Directors ensures that PSP Investments' executive compensation and incentives are consistent with the Compensation Policy. Hugessen Consulting (Hugessen), an independent compensation consulting firm, was retained in fiscal 2024, following a thorough market search, to provide insights on incentive plan design and calculations, as well as market compensation trends. Hugessen reports solely to the HRCC.



Total compensation is primarily composed of base salary, a total incentive component, benefits and a pension plan. The Total Incentive Plan, which includes annual and, at designated position levels, deferred compensation elements, is further described in the Compensation discussion and analysis section.

Compensation discussion and analysis

The compensation discussion and analysis summarizes the foundational principles of our compensation and incentive plans, reviews the elements of our compensation framework and provides details on performance results and remuneration paid to Named Executive Officers (NEOs), including:

- Deborah K. Orida – President and Chief Executive Officer
- Oliver Duff – Senior Vice President and Global Head of Credit Investments
- Eduard van Gelderen – Senior Vice President and Chief Investment Officer
- Patrick Samson – Senior Vice President and Global Head of Real Assets Investments
- Simon Marc – Senior Vice President and Global Head of Private Equity and Strategic Partnerships

Compensation framework

PSP Investments' compensation framework is designed to attract and retain top talent, reward performance and reinforce strategic initiatives and priorities. Specifically, the framework is designed to:

Promote enterprise-wide collaboration
- All permanent employees participate in the Total Incentive Plan
- Total fund investment performance is a component of incentive compensation at all levels

Be competitive to attract and retain the right people
- Compensation and incentive structures are aligned with relevant markets for talent, based on level, business group and geographic location
- Target total direct compensation (i.e., base salaries and target incentives) is competitive, with flexibility to pay above or below market levels based on the principles of pay for performance

Enable individual differentiation
- Emphasize individual and group performance to ensure behaviours are aligned with PSP Investments' mandate and values
- Allow for discretion at every level

Mitigate short-term risk-taking
- Total fund performance is measured over seven- and 10-year retrospective periods
- Deferred fund units (DFU) for designated position levels continue to vest over a subsequent three-year period
- Performance deferred fund units (PDFU) for senior leaders extend the "at risk" period for incentives for three years after the grant date

Align pay with performance
- Establish alignment with key measures of success, including the long-term rate of return objective
- Include both relative and absolute total fund performance as part of the incentive framework
- For senior management, ensure a significant portion of total compensation is deferred and at risk, or subject to performance conditions

Adapt to changing circumstances
- Enable the President and CEO, HRCC and Board of Directors to ensure pay-for-performance outcomes are adapted to PSP Investments' changing environment and unique conditions

Pay level benchmarking process

Given the diversity in skills, capabilities and competencies PSP Investments requires to fulfill its mandate, executive and non-executive compensation levels, programs and practices are evaluated by comparing them with those of peer organizations and vary by employee business group and geographic location. Peers include pension funds, investment management organizations, banks and insurance companies, as well as other relevant employers in the location being benchmarked. For target levels of investment performance, we align target total direct compensation to the competitive market rates of our peers. We have the option to pay above this level for exceptional performance or below for less-than-expected performance.

Risk management

Our Total Incentive Plan reflects our responsibility to our Sponsor and to the pension plan contributors and beneficiaries. The Plan is aligned with PSP Investments' long-term investment mandate and strategy and takes into consideration the target return and risk appetite.

Key risk mitigating features include:

Significant at-risk pay

- A significant portion of pay for executives and other senior positions comes in the form of incentives
- All deferred compensation is adjusted upward or downward based on the total fund return over the vesting period

Long-term horizon

- Investment performance is measured over seven- and 10-year periods and aligned with PSP Investments' long-term total fund return objectives
- Once granted, deferred fund units (DFU) continue to vest over a subsequent three-year period
- Performance deferred fund units (PDFU) extend the at-risk period for incentives by three years after the grant date

Cap on maximum payouts

- Each performance measure in the total incentive formula, as well as in the final total incentive multiplier, is subject to an absolute maximum

Robust benchmark investment return targets

- Benchmarks and value-added objectives, which are used to calculate performance within the Total Incentive Plan, reflect an appropriate balance of risk and return and are aligned with the Board of Directors' approved investment strategy and risk limits

HRCC discretion to govern pay

- The HRCC uses its discretion to adjudicate annual and long-term performance compared to pre-defined targets and expectations, as necessary
- It also has the ultimate discretion to adjust pay levels upward or downward to ensure they are aligned with PSP Investments' performance and are reasonable from an overall cost perspective

Total compensation

Annual base salary

Base salaries are reviewed annually and adjusted as necessary based on a variety of factors, including competitiveness with the market, importance of the role to the organization, scarcity of talent, experience and scope of responsibilities.

Total Incentive Plan

The Total Incentive Plan is aligned with PSP Investments' strategy and reflects our priorities. The Total Incentive Plan creates alignment of incentives and behaviours that drive our unique culture and foster collaboration across the firm.

The Total Incentive Plan generates a total incentive grant that includes annual and, at designated position levels, deferred cash amounts.

The total incentive grant is based on performance, weighted 60% on the total fund investment performance and 40% on the business group objectives for all employees. Individual performance is used as a differentiator, and individual performance scores are determined upon a review of annual individual objectives relative to predetermined goals.

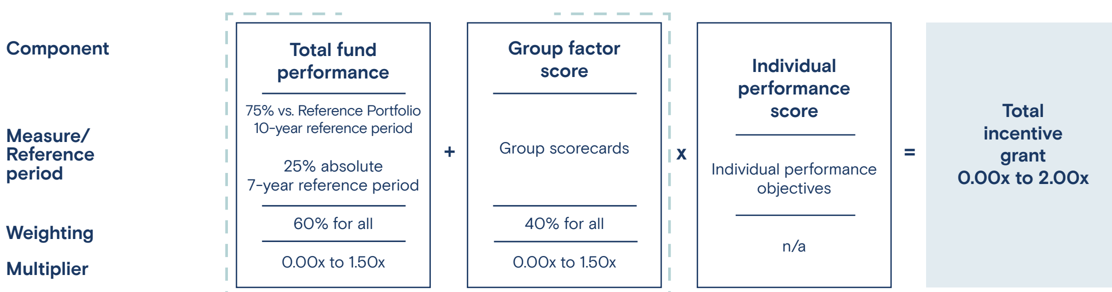
PSP Investments' overall performance scores are determined at the end of each fiscal year. They reflect the achievement of each component and, based on informed judgment, are subject to discretion by the President and CEO, and the HRCC.

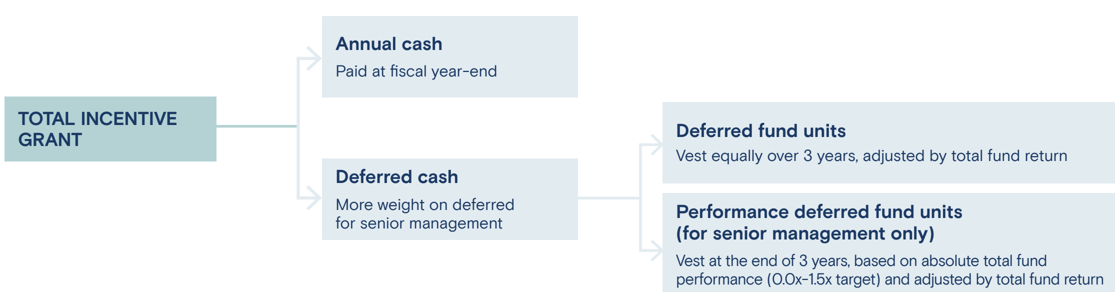
All employees participate in the same incentive plan and each employee has a target incentive opportunity based on their business group and position level. Employees can earn up to a maximum of two times their target incentive.

Once the total incentive grant for each employee has been determined, the value is split between an annual cash payout for all position levels and a deferred amount for designated position levels.

The value of deferred cash fluctuates with the annual rate of return of the total fund and is paid out on a one-third per year basis over three years. For senior management, a portion of deferred cash is subject to additional performance conditions and paid out at the end of three fiscal years, based on achievement of the absolute total fund return objective.

Below is an illustration of the framework of the Total Incentive Plan:





The incentive amounts and the payment thereof are subject to restrictions and conditions as per the Total Incentive Plan provisions.

Restricted Fund Units

Restricted Fund Units (RFU) may be awarded, on a selective basis. They vest and are paid in three equal annual instalments.

The ultimate value paid to participants is adjusted to reflect the total fund return over the vesting period.

Other benefits

Group benefits

Based on their respective locations, employees have access to comprehensive benefits, including health and dental care, disability, critical illness, life insurance and accidental death and dismemberment coverage. They also have access to virtual health care services, an employee-assistance program and a variety of other programs and tools to help them reach their optimal level of well-being.

Retirement savings

Defined Benefit (DB) Pension Plan – The plan was closed to new entrants as of January 1, 2014. Since January 1, 2017, Canada-based eligible employees contribute 7.25% of base salary. The benefit is calculated on the basis of 2% of the average of the employee's three best consecutive years of salary.

Defined Contribution (DC) Pension Plan – Canada-based eligible employees hired on or after January 1, 2014, are automatically enrolled in the DC Pension Plan, to which they may contribute between 5% and 7% of their base salary. Their contributions are fully matched by PSP Investments.

Canadian employees may contribute up to the maximum contribution allowable under the Canadian *Income Tax Act* (ITA).

Supplemental Employee Retirement Plan (the SERPs) – The SERPs have been established for Canada-based eligible employees enrolled in either the DB Pension Plan or the DC Pension Plan, as unfunded arrangements, to provide benefits in excess of the DB Pension Plan or the DC Pension Plan, where such benefits are limited under the Canadian ITA.

Employees based outside of Canada are eligible to participate in defined contribution pension plans that were established based on local regulations and are aligned with market practices.

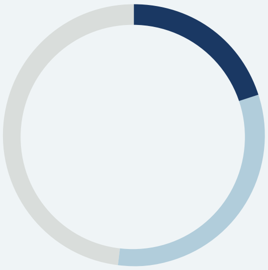
Perquisites

Based on their respective locations, executives may be provided with a perquisites allowance and may be eligible for an annual preventive health assessment.

Pay mix

Based on the compensation framework, the target pay mix for the President and CEO and other NEOs is weighted significantly toward variable compensation, as outlined in the table below.

President and CEO
% of target total compensation

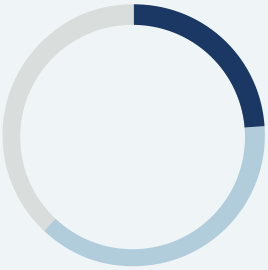


20%
Base salary

32%
Short-term incentive[1]

48%
Long-term incentive[2]

Other NEOs
Average % of target total compensation



24%
Base salary

38%
Short-term incentive[1]

38%
Long-term incentive[2]

[1] Annual cash paid out in the current year.
[2] Deferred awards split between deferred fund units and performance-based deferred fund units.

Fiscal 2024 results – Performance outcomes and compensation decisions (ending March 31, 2024)

Our compensation program includes two key investment performance elements:

1. The net relative performance of the total fund against the Reference Portfolio over a rolling 10-year period

2. The absolute total fund net performance measured against the return objective over a rolling seven-year period

Relative total fund net performance

Long-term value creation is a function of the ability to deliver investment returns above a defined benchmark. As of March 31, 2024, the annualized 10-year net relative investment performance for the total fund against the Reference Portfolio was 1.1%.

Absolute total fund net performance

Since fiscal 2018, PSP Investments has generated a net return on investment of 8% per annum, which is higher than the long-term return objective.

Compensation decisions made in fiscal 2024

On an annual basis, Board members and the President and CEO agree on the key financial and non-financial objectives that will be used to measure the President and CEO's individual performance. At the end of each fiscal year, Board members evaluate the President and CEO's performance relative to these objectives and assign an overall performance rating. When determining the President and CEO's total direct compensation, the Board considers both the President and CEO's individual performance and PSP Investments' organizational performance.

In fiscal 2024, the President and CEO's personal objectives, as well as those of her executive leadership team, were aligned with PSP Investments' mission and values. It was a pivotal year for the executive team as, amongst other accomplishments, they successfully led and delivered the organization's new strategic plan, as well as spearheading and communicating the importance of enhanced cost discipline.

In a manner similar to that used to calculate total direct compensation for the President and CEO, senior officers are subject to annual individual performance goals. At fiscal year-end, their performance is evaluated in relation to their goal achievement. The evaluation of individual goals and other performance measures informs recommendations regarding total direct compensation for senior officers that are presented to the Board for approval.

Executive compensation

PSP Investments strives to conform to leading practices for compensation disclosure of public pension funds.

The following tables summarize the compensation for the highest paid NEOs, defined and ranked by grant value in fiscal 2024, noting that deferred cash grants may continue to vary with total fund return for up to three more years. The total compensation payout value received in fiscal 2024, including the values payable from prior years' deferred grants, is also summarized and includes cash received from former plans, new plans and any transitional arrangements.

Comprehensive fiscal year 2024 total compensation

	Fiscal year	Base salary	Annual cash payout	Deferred cash grant	Sub-total compensation (grant value)	Restricted fund unit/Special cash grants	Pension and SERP Plans	**Total compensation (grant value)**	Other compensation[1]	Portion of the deferred cash & RFU payout in the fiscal year	**Total compensation (payout value)**
		(A)	(B)	(C)	(A+B+C)	(D)	(E)	**(A+B+C+D+E)**	(F)	(G)	**(A+B+F+G)**
Deborah K. Orida[2, 3] President and Chief Executive Officer	2024	600,000	1,800,000	2,700,000	5,100,000	2,000,000	52,225	**7,152,225**	551,003	1,745,245	**4,696,248**
	2023	350,769	1,030,869	1,546,303	2,927,941	4,000,000	24,909	**6,952,850**	1,676,358	869,790	**3,927,786**
	2022	0	0	0	0	0	0	**0**	0	0	**0**
Oliver Duff[4, 5] Senior Vice President and Global Head of Credit Investments	2024	460,000	1,196,000	1,196,000	2,852,000	0	10,000	**2,862,000**	50,938	991,482	**2,698,420**
	2023	428,481	1,226,764	911,668	2,566,913	250,000	4,000	**2,820,913**	53,475	1,034,542	**2,743,262**
	2022	394,925	1,026,810	684,540	2,106,275	150,000	4,000	**2,260,275**	47,084	939,820	**2,408,639**
Eduard van Gelderen[2] Senior Vice President and Chief Investment Officer	2024	470,000	1,126,531	1,126,531	2,723,063	0	33,998	**2,757,061**	35,730	1,368,239	**3,000,500**
	2023	438,481	1,020,692	1,020,692	2,479,865	300,000	30,498	**2,810,363**	35,448	1,460,660	**2,955,281**
	2022	401,538	893,046	893,045	2,187,629	500,000	28,000	**2,715,629**	36,596	1,097,398	**2,428,578**
Patrick Samson[2] Senior Vice President and Global Head of Real Assets Investments	2024	430,000	1,109,938	1,109,938	2,649,875	0	64,000	**2,713,875**	38,272	923,177	**2,501,386**
	2023	421,615	1,084,193	1,084,192	2,590,000	300,000	505,800	**3,395,800**	36,341	1,037,020	**2,579,169**
	2022	341,219	951,205	870,689	2,163,113	0	322,800	**2,485,913**	33,409	856,508	**2,182,341**
Simon Marc[4, 5] Senior Vice President and Global Head of Private Equity and Strategic Partnerships	2024	460,000	1,121,250	1,121,250	2,702,500	0	10,000	**2,712,500**	48,798	1,031,026	**2,661,074**
	2023	430,801	1,066,090	795,623	2,292,514	450,000	4,000	**2,746,514**	51,488	1,059,845	**2,608,224**
	2022	400,375	1,003,856	669,237	2,073,468	150,000	4,000	**2,227,468**	46,486	993,366	**2,444,083**

1 "Other compensation" includes the perquisites allowance, the cost of the annual health-and-lifestyle assessment, the amounts reimbursed from the flexible spending accounts, the employer-paid premiums for group benefits coverage, as well as other special cash or amounts in accordance with contractual arrangements, where applicable.

2 All amounts reported in CAD.

3 Ms. Orida was hired on September 1, 2022. As agreed upon appointment, and per her employment contract, she is entitled to special awards comprising of $4,000,000 in RFU grants (granted $2,500,000 in FY2023 and $1,500,000 in FY2024) and $2,000,000 of sign-on cash awards (payable $1,500,000 in FY2023 and $500,000 in FY2024), representing an effort to make-whole and offset loss of outstanding deferred and annual incentive. The RFU grants and cash awards are subject to forfeiture in certain circumstances. The special cash awards are included as part of "Other Compensation".

4 All amounts reported in GBP.

5 "Other compensation" includes the employer pension contributions paid as cash-in-lieu (in excess of annual pension allowance).

Deferred incentive cash grants cumulative value

The total cumulative value of all deferred incentive cash granted but not yet vested or paid to PSP Investments' NEOs (as at March 31, 2024) is shown in the following table.

			Estimated future payouts[1]		
	Award type	Total outstanding grants	FY2025	FY2026	FY2027
Deborah K. Orida[2] President and Chief Executive Officer	DFU	1,865,435	707,717	707,718	450,000
	PDFU	2,123,152	0	773,152	1,350,000
	RFU	1,833,334	1,333,334	500,000	0
	Total	**5,821,921**	**2,041,051**	**1,980,870**	**1,800,000**
Oliver Duff[3] Senior Vice President and Global Head of Credit Investments	DFU	1,316,422	624,178	453,044	239,200
	PDFU	919,674	171,135	270,139	478,400
	RFU	83,334	83,334	0	0
	Total	**2,319,430**	**878,647**	**723,183**	**717,600**
Eduard van Gelderen[2] Senior Vice President and Chief Investment Officer	DFU	1,262,805	608,053	429,445	225,306
	PDFU	1,216,107	357,218	408,276	450,613
	RFU	100,000	100,000	0	0
	Total	**2,578,911**	**1,065,271**	**837,721**	**675,919**
Patrick Samson[2] Senior Vice President and Global Head of Real Assets Investments	DFU	1,281,830	621,017	438,826	221,988
	PDFU	1,201,773	324,121	433,677	443,975
	RFU	100,000	100,000	0	0
	Total	**2,583,603**	**1,045,138**	**872,503**	**665,963**
Simon Marc[3] Senior Vice President and Global Head of Private Equity and Strategic Partnerships	DFU	1,212,403	577,731	410,422	224,250
	PDFU	852,919	167,309	237,110	448,500
	RFU	150,000	150,000	0	0
	Total	**2,215,322**	**895,040**	**647,532**	**672,750**

1 Actual payouts will be adjusted upward or downward to reflect PSP Investments' total fund rate of return over the performance vesting periods (no total fund return has been included in the table above and no PDFU multiplier has been applied – i.e., assumes target performance).
2 All amounts reported in CAD.
3 All amounts reported in GBP.

Retirement benefits

Defined contribution pension plan (Canada) and Group Personal Pension Scheme (United Kingdom)

All amounts reported are in CAD	Plan type	Accumulated value at beginning of year	Compensatory increase[1]	Non-compensatory increase[2]	Accumulated value at year-end
Deborah K. Orida	Defined Contribution	46,558	52,225	43,420	142,203
Eduard van Gelderen	Defined Contribution	252,451	33,998	63,781	350,230
All amounts reported are in GBP					
Oliver Duff[3]	Group Personal Pension Scheme	47,806	10,000	7,450	65,256
Simon Marc[3]	Group Personal Pension Scheme	42,183	10,000	6,683	58,866

1 Represents employer contributions. For Canadian-based NEOs, refers to contributions under both the DC Pension Plan and the DC Supplemental Employee Retirement Plan.
2 Represents employee contributions and regular investment earnings on employer and employee contributions. For Canadian-based NEOs, refers to contributions and investment earnings under both the DC Pension Plan and the DC Supplemental Employee Retirement Plan.
3 Employer contributions were capped at £10,000 and no employee contributions were made to the Scheme to ensure the annual pension allowance would not be breached. Any excess employer contributions the NEO would have been entitled to are paid as cash-in-lieu at the end of the fiscal year. This allowance is included as part of “Other compensation” in the *Comprehensive fiscal year 2024 total compensation* table.

Defined benefit pension plan (Canada)

		Annual benefit					
All amounts reported are in CAD	Number of years of credited service[4]	At year-end[5, 6]	At age 65[5, 7]	Accrued obligation at beginning of year[5, 8]	Compensatory increase[9]	Non-compensatory increase[10]	Accrued obligation at year-end[5, 11]
Patrick Samson	17.6	136,100	231,500	1,932,200	64,000	337,000	2,333,200

4 Number of credited years of service used for both the DB Employee Pension Plan and the DB Supplemental Employee Retirement Plan as at March 31, 2024.
5 Sum of benefits accrued under the DB Employee Pension Plan and the DB Supplemental Employee Retirement Plan.
6 For the purpose of calculating the annual benefits accrued at year end, the payment is assumed to start at the earliest unreduced retirement age (age 62).
7 For the purpose of calculating the annual benefits payable at age 65, the final average earnings are calculated as at March 31, 2024.
8 Accrued obligation using a discount rate of 5.07%. The obligations are calculated as at March 31, 2023, using the assumptions and methods that were used for the accounting disclosures as at December 31, 2022.
9 Includes employer service cost at the beginning of the year, the impact arising from pensionable earnings experience and the impact of amendments to the pension plans, if any.
10 Includes employee contributions and benefit payments, if any, made in the year, changes in assumptions, non-pay-related experience and the interest cost for the year.
11 Accrued obligation using a discount rate of 4.64%. The obligations are calculated as at March 31, 2024, using the assumptions and methods that were used for the accounting disclosures as at December 31, 2023.

Post-employment policies

The table below shows the potential severance payments that would be made upon termination (without cause) to PSP Investments' highest-paid NEOs, excluding any amounts that would become payable as per applicable incentive plan provisions.

	Years of service[12]	Months of severance	Total severance[13, 14]
Deborah K. Orida[15]	1.6	24.0	3,180,000
Oliver Duff[16]	7.6	18.0	1,811,250
Eduard van Gelderen[15]	5.7	17.0	1,776,146
Patrick Samson[15]	17.5	18.0	1,803,750
Simon Marc[16]	8.6	18.0	1,811,250

12 Assumes a notional termination as at March 31, 2024.
13 The President and Chief Executive Officer's severance pay is set at 24 months of base salary at the time of departure plus the annual cash portion of her target incentive and the equivalent of 24 months of perquisites.
14 For Senior Vice Presidents, severance pay is set at 12 months of base salary at the time of departure plus the annual cash portion of the target incentive and the equivalent of 12 months of perquisites. One month of severance is added for each completed year of service, up to a total maximum of 18 months.
15 All amounts reported in CAD.
16 All amounts reported in GBP.

Severance pay also includes continuous group insurance coverage of 24 months for the President and Chief Executive Officer and up to 18 months for Senior Vice Presidents.

In the event of a voluntary departure, no severance amounts are payable to the President and Chief Executive Officer or to the NEOs.

Directors' biographies

Martin Glynn

CHAIR OF THE BOARD
since May 11, 2018

Director
since January 30, 2014

End of term
June 20, 2024

Committee membership
Investment and Risk Committee and ex officio member of the Audit, Governance, and Human Resources and Compensation Committees

Location
Vancouver, British Columbia, Canada

Martin Glynn serves as a board member of St Andrews Innovation Limited and is a member of the advisory board of Balfour Pacific Capital Inc. He has previously served on the boards of directors of Sun Life Financial Inc. and Husky Energy Inc., among others. Until his retirement in 2006, Mr. Glynn held progressively senior positions with HSBC, including President and CEO of HSBC Bank Canada from 1999 to 2003, and President and CEO of HSBC Bank USA from 2003 to 2006. He remains active in professional and community circles. From 2009 to 2010, he was the Jarislowsky Fellow in Business Management at the Haskayne School of Business, University of Calgary. Mr. Glynn holds a BA Honours (Economics) from Carleton University and an MBA (Finance and International Business) from the University of British Columbia.

Maryse Bertrand

CORPORATE DIRECTOR

Director
since September 7, 2018

End of term
December 16, 2026

Committee membership
Human Resources and Compensation (Chair), Governance, and Investment and Risk Committees

Location
Montréal, Québec, Canada

Maryse Bertrand is the Chair of the Board of Governors of McGill University. As a corporate director, her governance career includes service as a past or present member of the boards of Metro Inc., National Bank of Canada, Gildan Activewear Inc., the Caisse de dépôt et placement du Québec and Canam Group Inc. She was Chair of the board of directors of the Institute of Corporate Directors (Québec Chapter) and is currently on its national board. From 2016 to 2017, she was Strategic Advisor and Counsel at Borden Ladner Gervais LLP, and prior to that she was Vice President, Real Estate Services, Legal Services and General Counsel at CBC/Radio-Canada, where she also chaired the National Crisis Management Committee and the board of directors of ARTV, a specialty channel. Prior to 2009, she was a partner at Davies Ward Phillips & Vineberg LLP, where she specialized in mergers and acquisitions and corporate finance and served on the firm's national management committee. She was named Advocatus Emeritus in 2007 by the Québec Bar in recognition of her exceptional contributions to the legal profession. Ms. Bertrand has a law degree (with high distinction) from McGill University and an M.Sc. in Risk Management from New York University, Stern School of Business.

Gregory Chrispin

CORPORATE DIRECTOR

Director
since March 4, 2022

End of term
March 4, 2026

Committee membership
Human Resources and Compensation and Investment and Risk Committees

Location
Boucherville, Québec, Canada

Gregory Chrispin previously held the position of Executive Vice President, Wealth Management and Life and Health Insurance at the Desjardins Group. Prior to that, he was President and Managing Director of the Canadian subsidiary of State Street Global Advisors. Mr. Chrispin currently serves on the boards of Addenda Capital, a privately owned institutional investment management firm, of GreenShield Insurance Holdings, a subsidiary that is part of the not-for-profit health benefit payor and health services provider known as Green Shield, and of Power Sustainable Capital Inc., a multi-platform alternative asset manager investing in sustainable strategies. He also serves on the board of directors of the Institute of Corporate Directors (Québec Chapter). He remains active in the investment industry and the community, serving on different committees with several organizations. Mr. Chrispin holds a BA in Mathematics (Actuarial Science) from Université de Montréal, and is a Chartered Financial Analyst (CFA) and an Institute Certified Director of the Institute of Corporate Directors.

David C. Court

CORPORATE DIRECTOR

Director
since October 30, 2018

End of term
December 16, 2026

Committee membership
Audit, Governance, and Investment and Risk Committees

Location
Toronto, Ontario, Canada

David C. Court is a Director Emeritus at McKinsey & Company. Mr. Court was previously McKinsey's Global Director of Technology, Digitization and Communications, led McKinsey's global practice in harnessing digital data and advanced analytics from 2011 to 2015, and was a member of the firm's board of directors and its global operating committee. Mr. Court is a director of Brookfield Business Partners, National Geographic's International Council of Advisors and the board of trustees at Queen's University. He also chairs the advisory board of Georgian Partners, a venture capital firm specializing in analytics and artificial intelligence. Mr. Court holds a B.Comm. from Queen's University and an MBA from Harvard Business School, where he was a Baker Scholar.

M. Marianne Harris

CORPORATE DIRECTOR

Director
since December 18, 2020

End of term
December 18, 2024

Committee membership
Governance (Chair), Audit, and Investment and Risk Committees

Location
Toronto, Ontario, Canada

M. Marianne Harris is a member of the board of directors of Sun Life Financial Inc., Loblaw Companies Limited, George Weston Limited and President's Choice Bank. She was previously a member of the board of directors of Hydro One Limited and Agrium Inc., and Chair of the Investment Industry Regulatory Organization of Canada (IIROC). She has over three decades of investment banking, leadership and management experience in Canada and the United States, acquired primarily at Merrill Lynch and RBC Capital Markets. Ms. Harris has an MBA from the Schulich School of Business, a Juris Doctor from Osgoode Hall and a B.Sc. (Honours) from Queen's University.

Miranda C. Hubbs

CORPORATE DIRECTOR

Director
since August 15, 2017

End of term
March 4, 2026

Committee membership
Investment and Risk (Chair) and Human Resources and Compensation Committees

Location
Toronto, Ontario, Canada

Miranda C. Hubbs is a corporate director and the former Executive Vice President and Managing Director of McLean Budden Ltd., one of Canada's largest institutional asset managers. She serves as a director of Nutrien Limited, Imperial Oil Limited and the Canadian Investment Regulatory Organization, and is Chair of the Canadian Red Cross. She is a member of the Institute of Corporate Directors Climate Strategy Advisory Board and the Global Risk Institute Sustainable Finance Advisory Committee. She is also on the Council of the Toronto Biennial of Art. Ms. Hubbs is a CFA charter holder, a SASB FSA credential holder, and has earned the CERT certificate in Cybersecurity Oversight from the Software Engineering Institute at Carnegie Mellon University. She holds a B.Sc. (Biology) from Western University and an MBA from the Schulich School of Business at York University.

Susan Kudzman

CORPORATE DIRECTOR

Director
since December 18, 2020

End of term
December 18, 2024

Committee membership
Governance, Human Resources and Compensation, and Investment and Risk Committees

Location
Montréal, Québec, Canada

Susan Kudzman retired as Executive Vice President, Chief Risk Officer and Corporate Affairs at Laurentian Bank of Canada. She previously held the position of Executive Vice President and Chief Risk Officer at Caisse de dépôt et placement du Québec. Ms. Kudzman is Chair of the Board of Yellow Pages Limited and Transat A.T. Inc. and serves on the board of Medavie Inc. She is involved in many community and philanthropic activities. Ms. Kudzman holds a BA in Actuarial Science and the titles of Fellow of the Canadian Institute of Actuaries, Fellow of the Society of Actuaries and Chartered Enterprise Risk Analyst.

Katherine Lee

CORPORATE DIRECTOR

Director
since June 25, 2018

End of term
December 16, 2026

Committee membership
Audit (Chair), Governance, and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Katherine Lee is currently a corporate director of BCE Inc. and Colliers International Group. She was the President and CEO of GE Capital Canada. Prior to this role, Ms. Lee served as CEO of GE Capital Real Estate in Canada from 2002 to 2010, building it to a full debt and equity operating company. Ms. Lee joined GE in 1994, where she held a number of positions, including Director, Mergers & Acquisitions for GE Capital's pension fund advisory services based in San Francisco, and Managing Director of GE Capital Real Estate Korea based in Seoul and Tokyo. She is active in the community, championing women's networks and Asia-Pacific forums. Ms. Lee earned a B.Comm. degree from the University of Toronto. She holds Chartered Professional Accountant (CPA) and Chartered Accountant (CA) designations.

Helen Mallovy Hicks

CORPORATE DIRECTOR

Director
since March 4, 2022

End of term
March 4, 2026

Committee membership
Audit and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Helen Mallovy Hicks is a member of the board of directors of Northland Power Inc. and Sun Life Financial Inc. In the not-for-profit sector, she serves on the board of directors of the Princess Margaret Cancer Foundation, where she chairs the Audit and Risk Committee. Ms. Mallovy Hicks is a former member of the Canadian Partnership Board of PricewaterhouseCoopers, the board of trustees of the Toronto Symphony Foundation, the board of directors of the Toronto Symphony Orchestra and the board of the Canadian Partnership Against Cancer, an independent organization funded by the federal government to accelerate action on cancer control for all Canadians. She is a former partner of PwC Canada, with global transaction and advisory experience and executive roles up to PwC Global Valuation Business Line Leader (2016 to 2021). She holds a B.Comm. from the University of Toronto, and obtained her CPA and CA designations in 1985 and her Chartered Business Valuator designation in 1991. She was subsequently named a Fellow of the Chartered Professional Accountants of Canada and a Fellow of the Canadian Institute of Chartered Business Valuators.

Maurice Tulloch

CORPORATE DIRECTOR

Director
since March 4, 2022

End of term
March 4, 2026

Committee membership
Audit and Investment and Risk Committees

Location
Toronto, Ontario, Canada

Maurice Tulloch serves as a member of the board of directors of Porch Group. Until his retirement in 2020, he held progressively senior positions, including Group CEO, at Aviva, a leading multinational insurance company. He joined the board of Aviva in 2017, while serving as CEO for Aviva's international businesses. Additionally, he held many senior executive leadership roles, including that of CEO, Aviva Canada, and Chairman, General Insurance. Mr. Tulloch has served on several external boards, including as Chair of the Property and Casualty Insurance Compensation Corporation, and Chair of ClimateWise. He has an MBA from Heriot-Watt University and has been a Chartered Professional Accountant and Certified Management Accountant since 1998.

Consolidated 10-year financial review

($ million)	**2024**	2023	2022	2021	2020	2019	2018	2017	2016	2015
Changes in net assets										
Net income (loss)[1]	**17,756**	10,182	22,472	31,581	(1,042)	11,110	13,511	15,179	807	13,708
Fund transfers	**3,480**	2,860	3,502	3,036	2,871	3,749	3,921	3,622	3,987	4,554
Increase (decrease) in net assets	**21,236**	13,042	25,974	34,617	1,829	14,859	17,432	18,801	4,794	18,262
Net investment assets under management										
Equity										
Public Market Equities[2]	**55,639**	53,440	59,142	60,201	48,368	51,035	51,813	55,227	47,511	56,276
Private Equity	**40,392**	37,238	35,375	31,748	24,038	23,539	19,382	15,868	12,520	10,103
Government Fixed Income[3]	**63,311**	51,013	46,446	42,965	33,388	34,389	27,783	24,043	24,603	22,646
Credit	**26,222**	26,113	21,892	14,474	13,295	10,475	8,857	4,418	640	–
Real Assets										
Real Estate	**27,229**	32,038	31,089	26,817	23,817	23,538	23,245	20,551	20,356	14,377
Infrastructure	**34,518**	29,362	23,506	18,389	18,302	16,818	14,972	11,149	8,701	7,080
Natural Resources	**15,196**	12,277	11,615	9,712	7,645	6,759	4,833	3,711	2,470	1,536
Complementary Portfolio	**2,351**	2,173	1,427	185	945	1,426	2,201	656	–	–
Net investments	**264,857**	243,654	230,492	204,491	169,798	167,979	153,086	135,623	116,801	112,018
Performance (%)										
Annual rate of return (net of expenses)	**7.2**	4.4	10.9	18.4	(0.6)	7.1	9.8	12.8	0.7	14.2
Benchmark	**6.4**	(2.8)	9.4	16.5	(1.6)	7.2	8.7	11.9	0.3	13.1

1 Reported as comprehensive income (loss) prior to fiscal year 2021.
2 Includes amounts related to absolute return strategies, funded through leverage.
3 Includes Cash & Cash Equivalents.

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Management's Responsibility for Financial Reporting

The consolidated financial statements of the Public Sector Pension Investment Board ("PSP Investments") as well as the financial statements of the Public Service, the Canadian Forces, the Royal Canadian Mounted Police, and the Reserve Force Pension Plan Accounts (the "financial statements") have been prepared by management and approved by the Board of Directors. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. Management is responsible for the contents of these financial statements and the financial information contained in the annual report. The consolidated financial statements include certain amounts based on Management's judgments and best estimates where deemed appropriate. The significant accounting policies used are disclosed in note 2 to the consolidated financial statements. The financial information presented throughout the Annual Report is consistent with the consolidated financial statements.

For fiscal year ended March 31, 2024 and March 31, 2023, we certify that the internal controls over financial reporting and disclosure controls and procedures are adequately designed and are operating effectively. We report any significant deficiencies to the Audit Committee ("Committee") of the Board of Directors of PSP Investments.

PSP Investments maintains records and systems of internal control and supporting procedures designed to provide reasonable assurance that PSP Investments' assets are safeguarded and controlled in accordance with the *Public Sector Pension Investment Board Act*.

The Committee assists the Board of Directors in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with management and the internal and external auditors to discuss the scope and findings of audits and other work that they may be requested to perform from time to time, to review financial information, and to discuss the effectiveness of internal controls. The Committee reviews the annual financial statements and recommends them to the Board of Directors for approval.

PSP Investments' external "joint" auditors, the Office of the Auditor General of Canada and Deloitte LLP (the "External Auditors"), have conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The External Auditors have full and unrestricted access to management and the Committee to discuss findings related to the integrity of PSP Investments' financial reporting and the adequacy of internal control systems.

Deborah K. Orida
President and Chief Executive Officer
May 14, 2024

Jean-François Bureau
Senior Vice President and Chief Financial and Risk Officer
May 14, 2024

Investment Certificate

The *Public Sector Pension Investment Board Act* (the “Act”) requires that a certificate be signed by a director on behalf of the Board of Directors, stating that the investments of the Public Sector Pension Investment Board (“PSP Investments”) held during the financial year were in accordance with the Act and PSP Investments’ investment policies, standards and procedures. Accordingly, the Investment Certificate follows:

“The investments of PSP Investments held during the year ended March 31, 2024, were in accordance with the Act and PSP Investments’ Statement of Investment Policies, Standards and Procedures”.

Martin Glynn
Chair of the Board
May 14, 2024

Public Sector Pension Investment Board

Independent Auditors' Report

To the President of the Treasury Board

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Public Sector Pension Investment Board (PSP Investments), which comprise the consolidated statements of financial position as at March 31, 2024 and 2023, and the consolidated statements of net income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PSP Investments as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of PSP Investments in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing PSP Investments' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PSP Investments or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PSP Investments' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSP Investments' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PSP Investments' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause PSP Investments to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Public Sector Pension Investment Board and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board and its wholly-owned subsidiaries to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Consolidated Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**302,674**	283,411
Other assets		**194**	184
Total assets		**302,868**	283,595
Liabilities			
Trade payable and other liabilities		**500**	523
Investment-related liabilities	4.1	**10,807**	15,715
Borrowings	4.1, 8.2	**27,010**	24,042
Total liabilities		**38,317**	40,280
Net assets		**264,551**	243,315
Equity			
Statutory rights Held by the Government of Canada with respect to:	9.1		
Public Service Pension Plan Account		**193,952**	177,962
Canadian Forces Pension Plan Account		**50,517**	46,802
Royal Canadian Mounted Police Pension Plan Account		**19,004**	17,546
Reserve Force Pension Plan Account		**1,078**	1,005
Total equity		**264,551**	243,315
Total liabilities and equity		**302,868**	283,595

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**20,208**	12,084
Investment-related expenses	2.1, 11, 14.2	**(1,751)**	(1,158)
Net investment income		**18,457**	10,926
Operating expenses	2.1, 12, 14.2	**(731)**	(744)
Recoveries of costs	2.1, 14.2	**30**	–
Net income		**17,756**	10,182

Consolidated Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**89,749**	86,889
Fund transfers received during the year	9.3	**3,480**	2,860
Balance at end of year		**93,229**	89,749
Retained earnings			
Balance at beginning of year		**153,566**	143,384
Net income		**17,756**	10,182
Balance at end of year		**171,322**	153,566
Total equity		**264,551**	243,315

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**17,756**	10,182
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**24**	25
Effect of exchange rate changes on cash and cash equivalents		**(15)**	(141)
Unrealized losses on borrowings		**35**	252
		17,800	10,318
Net changes in operating assets and liabilities			
Increase in investments		**(22,714)**	(20,879)
(Increase) decrease in other assets		**(16)**	1
(Decrease) increase in trade payables and other liabilities		**(23)**	96
(Decrease) increase in investment-related liabilities		**(4,909)**	5,178
Net cash flows used in operating activities		**(9,862)**	(5,286)
Cash flows from financing activities			
Proceeds from borrowings		**31,407**	28,159
Repayment of borrowings		**(28,466)**	(27,161)
Fund transfers received	9.3	**3,480**	2,860
Net cash flows provided by financing activities		**6,421**	3,858
Cash flows from investing activities			
Acquisitions of equipment		**(3)**	(5)
Net cash flows used in investing activities		**(3)**	(5)
Net change in cash and cash equivalents		**(3,444)**	(1,433)
Effect of exchange rate changes on cash and cash equivalents		**15**	141
Cash and cash equivalents at the beginning of the year		**7,037**	8,329
Cash and cash equivalents at the end of the year[1]		**3,608**	7,037
Supplementary disclosure of cash flow information			
Interest paid		**(1,305)**	(686)

The accompanying notes are an integral part of these Consolidated Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $3,547 million (March 31, 2023 – $6,998 million) included in investments (see Note 4.1), as well as $61 million (March 31, 2023 – $39 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $588 million (March 31, 2023 – $587 million).

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. They are herein referred to individually as a "Plan" and collectively as the "Plans".

The funds for which amounts are currently transferred to PSP Investments by the Government of Canada (individually a "Fund" and collectively the "Funds") relate to pension obligations under the Plans for service on or after April 1, 2000, and in the case of the Reserve Force Plan, for service on or after March 1, 2007 (collectively "Post-2000 Service"). The accounts managed by PSP Investments for the Funds are herein referred to individually as a "Plan Account" and collectively as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans and the ability of the Plans to meet their financial obligations.

Pursuant to the *Superannuation Acts*, the Government of Canada, which administers the Plans and their respective Funds, may at any time call upon the net assets of PSP Investments allocated to each Fund's Plan Account for amounts required for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Consolidated Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

The Consolidated Financial Statements of PSP Investments have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

PSP Investments qualifies as an investment entity as defined under IFRS 10 Consolidated Financial Statements and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 Financial Instruments ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 Investments in Associates and Joint Ventures and IFRS 9.

These Consolidated Financial Statements present the financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Funds, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plans, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

Plan Accounts and CGF

PSP Investments maintains records of net contributions for each Fund, as well as the allocation of its investments and the results of its operations to each of the Plan Accounts. Separate financial statements for each Plan Account are prepared. It also maintains separate accounting records of CGF's activities and prepares the financial statements of CGF.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Consolidated Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Consolidated Statements of Net Income.

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Consolidated Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Funds in their respective Plan Account when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Consolidated Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. The Consolidated Financial Statements of PSP Investments reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Consolidated Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	March 31, 2024	March 31, 2023
Public markets		
Canadian equity	**2,802**	4,483
Foreign equity	**42,012**	35,289
Private markets		
Real estate	**37,213**	41,143
Private equity	**39,616**	35,906
Infrastructure	**40,817**	35,952
Natural resources	**21,752**	18,662
Fixed income		
Cash and cash equivalents[1]	**3,547**	6,998
Money market securities[1]	**8,468**	8,337
Government and corporate bonds	**26,968**	23,217
Inflation-linked bonds	**17,969**	11,438
Private debt securities	**29,818**	30,362
Alternative investments	**25,871**	24,895
	296,853	276,682
Investment-related assets		
Amounts receivable from pending trades	**1,274**	2,541
Interest receivable	**631**	502
Dividends receivable	**270**	208
Securities purchased under reverse repurchase agreements	**2,290**	1,279
Derivative-related assets	**1,356**	2,199
	5,821	6,729
Investments representing financial assets at FVTPL[2]	**302,674**	283,411
Investment-related liabilities		
Amounts payable from pending trades	**(540)**	(1,079)
Interest payable	**(165)**	(116)
Securities sold short	**(3,212)**	(2,495)
Collateral payable	**(669)**	(957)
Securities sold under repurchase agreements	**(5,242)**	(9,433)
Derivative-related liabilities	**(979)**	(1,635)
Investment-related liabilities representing financial liabilities at FVTPL	**(10,807)**	(15,715)
Borrowings		
Capital market debt financing	**(27,010)**	(24,042)
Borrowings representing financial liabilities designated at FVTPL	**(27,010)**	(24,042)
Net investments	**264,857**	243,654

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $10,154 million out of $302,674 million were investments pledged as described in Note 5 (March 31, 2023 – $13,702 million out of $283,411 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	5,610	–	–	3,690	–	–
Warrants and rights	–	1	–	1	2	–
Options: Purchased	159	–	–	911	29	–
Written	–	–	–	1,194	–	(12)
OTC						
Swaps	22,288	494	(212)	20,687	658	(228)
Options: Purchased	–	–	–	84	–	–
Currency derivatives						
Listed						
Futures	378	–	–	229	–	–
OTC						
Forwards	58,608	218	(344)	107,457	704	(839)
Swaps	1,235	–	(34)	3,564	89	(33)
Options: Purchased	913	5	–	2,060	9	–
Written	1,059	–	(4)	2,663	–	(8)
Interest rate derivatives						
Listed						
Futures	10,893	–	–	2,200	–	–
Options: Purchased	41,603	18	–	48,521	8	–
Written	43,227	–	(16)	44,442	–	(7)
OTC						
Forwards	801	–	(4)	1,416	12	(4)
Swaps	2,446	5	(22)	3,481	33	(13)
Options: Purchased	53,660	599	–	65,627	641	–
Written	69,725	–	(326)	76,605	–	(480)
OTC-cleared						
Swaps	65,932	–	–	80,888	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	623	–	(17)	562	–	(11)
Written[1]	2,001	16	–	1,206	14	–
OTC-cleared						
Credit default swaps: Purchased	2,961	–	–	2,021	–	–
Total		1,356	(979)		2,199	(1,635)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Listed derivatives	**101,870**	**19**	**(16)**	101,188	39	(19)
OTC derivatives	**213,359**	**1,337**	**(963)**	285,412	2,160	(1,616)
OTC-cleared derivatives	**68,893**	**–**	**–**	82,909	–	–
Total		**1,356**	**(979)**		2,199	(1,635)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	March 31, 2024	March 31, 2023
Less than 3 months	**172,481**	229,680
3 to 12 months	**112,896**	148,978
Over 1 year	**98,745**	90,851

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	967	1,835	–	2,802
Foreign equity	39,161	511	2,340	42,012
Private markets				
Real estate	–	–	37,213	37,213
Private equity	–	–	39,616	39,616
Infrastructure	–	–	40,817	40,817
Natural resources	–	–	21,752	21,752
Fixed income				
Cash and cash equivalents	1,343	2,204	–	3,547
Money market securities	7,787	681	–	8,468
Government and corporate bonds	6,959	20,006	3	26,968
Inflation-linked bonds	17,860	109	–	17,969
Private debt securities	–	–	29,818	29,818
Alternative investments	–	15,869	10,002	25,871
	74,077	41,215	181,561	296,853
Investment-related assets				
Amounts receivable from pending trades	–	1,274	–	1,274
Interest receivable	–	631	–	631
Dividends receivable	–	270	–	270
Securities purchased under reverse repurchase agreements	–	2,290	–	2,290
Derivative-related assets	19	1,337	–	1,356
	19	5,802	–	5,821
Investments representing financial assets at FVTPL	74,096	47,017	181,561	302,674
Investment-related liabilities				
Amounts payable from pending trades	–	(540)	–	(540)
Interest payable	–	(165)	–	(165)
Securities sold short	(3,212)	–	–	(3,212)
Collateral payable	–	(669)	–	(669)
Securities sold under repurchase agreements	–	(5,242)	–	(5,242)
Derivative-related liabilities	(16)	(963)	–	(979)
Investment-related liabilities representing financial liabilities at FVTPL	(3,228)	(7,579)	–	(10,807)
Borrowings				
Capital market debt financing	–	(27,010)	–	(27,010)
Borrowings representing financial liabilities designated at FVTPL	–	(27,010)	–	(27,010)
Net investments	70,868	12,428	181,561	264,857

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	2,753	1,730	–	4,483
Foreign equity	33,276	1,032	981	35,289
Private markets				
Real estate	–	–	41,143	41,143
Private equity	–	–	35,906	35,906
Infrastructure	–	–	35,952	35,952
Natural resources	–	–	18,662	18,662
Fixed income				
Cash and cash equivalents[1]	3,301	3,697	–	6,998
Money market securities[1]	7,582	755	–	8,337
Government and corporate bonds	8,127	15,087	3	23,217
Inflation-linked bonds	11,438	–	–	11,438
Private debt securities	–	–	30,362	30,362
Alternative investments	–	15,402	9,493	24,895
	66,477	37,703	172,502	276,682
Investment-related assets				
Amounts receivable from pending trades	–	2,541	–	2,541
Interest receivable	–	502	–	502
Dividends receivable	–	208	–	208
Securities purchased under reverse repurchase agreements	–	1,279	–	1,279
Derivative-related assets	39	2,160	–	2,199
	39	6,690	–	6,729
Investments representing financial assets at FVTPL	66,516	44,393	172,502	283,411
Investment-related liabilities				
Amounts payable from pending trades	–	(1,079)	–	(1,079)
Interest payable	–	(116)	–	(116)
Securities sold short	(2,333)	(162)	–	(2,495)
Collateral payable	–	(957)	–	(957)
Securities sold under repurchase agreements	–	(9,433)	–	(9,433)
Derivative-related liabilities	(19)	(1,616)	–	(1,635)
Investment-related liabilities representing financial liabilities at FVTPL	(2,352)	(13,363)	–	(15,715)
Borrowings				
Capital market debt financing	–	(24,042)	–	(24,042)
Borrowings representing financial liabilities designated at FVTPL	–	(24,042)	–	(24,042)
Net investments	64,164	6,988	172,502	243,654

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $33 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**2,340**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**33,722**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% - 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% - 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% - 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**3,491**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**75,015**	DCF	Discount rate[2]	5.19% - 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**27,170**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**3**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**22,573**	DCF	Discount rate[2]	7.02% - 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**7,245**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**10,002**	NAV[1]	N/A	N/A
Total		**181,561**			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	981	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	37,675	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 - $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	3,468	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	65,129	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	25,391	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	3	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	22,957	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	7,405	NAV[1]	N/A	N/A
Alternative investments	Fund investments	9,493	NAV[1]	N/A	N/A
Total		172,502			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains	Transfer Into Level 3	Closing Balance
Public markets	**981**	**457**	**(136)**	**–**	**80**	**958**	**–**	**2,340**
Private markets	**131,663**	**14,058**	**(9,274)**	**–**	**2,204**	**685**	**62**	**139,398**
Fixed income	**30,365**	**6,068**	**(7,327)**	**–**	**288**	**427**	**–**	**29,821**
Alternative investments	**9,493**	**557**	**(1,093)**	**–**	**254**	**791**	**–**	**10,002**
Total	**172,502**	**21,140**	**(17,830)**	**–**	**2,826**	**2,861**	**62**	**181,561**

As at March 31, 2023, listed foreign equity securities with a fair value of $62 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)	Transfer Out of Level 3	Closing Balance
Public markets	1,352	37	(129)	–	27	(260)	(46)	981
Private markets	117,947	18,224	(10,103)	–	3,448	2,362	(215)	131,663
Fixed income	25,619	7,921	(4,338)	–	360	803	–	30,365
Alternative investments	8,455	690	(580)	–	107	821	–	9,493
Total	153,373	26,872	(15,150)	–	3,942	3,726	(261)	172,502

As at March 31, 2022, a public market investment of $46 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $215 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of such collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**4,117**	4,378
Collateral held[1]	**4,268**	4,583
Securities borrowed	**2,625**	1,929
Collateral pledged[2, 3]	**2,700**	2,049
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**5,250**	9,546
Collateral pledged[3]	**5,253**	9,486
Securities purchased under reverse repurchase agreements	**2,296**	1,296
Collateral held[4]	**2,292**	1,292
Derivative contracts		
Collateral pledged[3]	**2,201**	2,167
Collateral held[5]	**2,010**	1,864

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $548 million and $3,720 million, respectively (March 31, 2023 – $846 million and $3,737 million, respectively). All cash amounts are reinvested.
2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
3 The total of $10,154 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $13,702 million).
4 The collateral received is in the form of securities of which $587 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $566 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $307 million).
5 As part of collateral held, cash amounted to $121 million as at March 31, 2024 (March 31, 2023 – $113 million) and securities amounted to $1,889 million as at March 31, 2024 (March 31, 2023 – $1,751 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of PSP Investments' net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	3,547[1]	3,547
Money market securities	–	–	–	–	8,468[1]	8,468
Government and corporate bonds	460	10,133	9,564	6,568	243[2]	26,968
Inflation-linked bonds	–	9,164	5,127	3,678	–	17,969
Private debt securities	38	11,152	7,256	3,909	7,463[3]	29,818
Total fixed income	498	30,449	21,947	14,155	19,721	86,770

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	6,998[1, 4]	6,998
Money market securities	–	–	–	–	8,337[1, 4]	8,337
Government and corporate bonds	679	10,202	6,654	5,349	333[2]	23,217
Inflation-linked bonds	–	4,873	3,966	2,599	–	11,438
Private debt securities	1,038	6,696	11,386	4,148	7,094[3]	30,362
Total fixed income	1,717	21,771	22,006	12,096	22,762	80,352

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $184,212 million as at March 31, 2024 ($171,435 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $25,871 million as at March 31, 2024 ($24,895 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	367
Derivatives notional	750

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments were as follows as at:

		March 31, 2024
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**170,934**	**67.2**
Euro	**26,897**	**10.6**
Japanese Yen	**9,916**	**3.9**
British Pound	**9,466**	**3.7**
Indian Rupee	**5,743**	**2.3**
Australian Dollar	**4,357**	**1.7**
Mexican Peso	**4,149**	**1.6**
Brazilian Real	**3,135**	**1.2**
Swiss Franc	**2,424**	**1.0**
Singapore Dollar	**1,754**	**0.7**
Hong Kong Dollar	**1,677**	**0.7**
New Taiwan Dollar	**1,567**	**0.6**
Others	**12,251**	**4.8**
Total	**254,270**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $29,158 million (US $17,502 million, €3,085 million, £415 million, 1,111 million Mexican pesos, 136 million Australian dollars, 1,028 million Indian rupees and 3,146 million Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	154,354	66.0
Euro	28,217	12.1
Hong Kong Dollar	10,547	4.5
British Pound	8,630	3.7
Japanese Yen	5,669	2.4
Indian Rupee	3,767	1.6
Mexican Peso	3,679	1.6
New Taiwan Dollar	2,089	0.9
Singapore Dollar	2,025	0.9
Swiss Franc	1,879	0.8
South African Rand	1,693	0.7
Others	11,201	4.8
Total	233,750	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $32,663 million (US $20,533 million, €2,549 million, £416 million, 22 million South African rands, 1,807 million Mexican pesos, 236 million Australian dollars, 2,203 million Indian rupees and 4,253 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, PSP Investments' maximum exposure to credit risk amounted to $90 billion (March 31, 2023 – $83 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds**[1]	**Inflation-Linked Bonds**[1]	**Cash Equivalents**[1]	**Money Market Securities**[1]	**Reverse Repurchase Agreements**	**OTC Derivatives**[2]	**Private Debt Securities**[1]	**Total**[1]
AAA-AA	**17,368**	**17,909**	**2,532**	**7,787**	**1,044**	**38**	**–**	**46,678**
A	**7,772**	**–**	**488**	**135**	**1,045**	**1,299**	**–**	**10,739**
BBB	**1,261**	**110**	**–**	**–**	**201**	**–**	**76**	**1,648**
BB or below	**728**	**–**	**–**	**–**	**–**	**–**	**30,015**	**30,743**
No rating[3]	**81**	**–**	**–**	**–**	**–**	**–**	**66**	**147**
Total	**27,210**	**18,019**	**3,020**	**7,922**	**2,290**	**1,337**	**30,157**	**89,955**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	15,141	11,463	5,068	7,775	160	75	–	39,682
A	6,739	–	1,382	39	1,062	2,085	–	11,307
BBB	663	–	–	–	57	–	349	1,069
BB or below	753	–	–	–	–	–	30,023	30,776
No rating[3]	104	–	–	–	–	–	276	380
Total	23,400	11,463	6,450	7,814	1,279	2,160	30,648	83,214

[1] Includes interest receivable.
[2] As disclosed in Note 4.1.12.
[3] Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Consolidated Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Consolidated Statements of Financial Position	Less: Related Amounts Not Set Off in the Consolidated Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**2,290**	**–**	**2,290[1]**	**781**	**1,509**	**–**
OTC derivatives	**1,337**	**–**	**1,337[2]**	**878**	**439**	**20**
Total	**3,627**	**–**	**3,627**	**1,659**	**1,948**	**20**
March 31, 2023						
Reverse repurchase agreements	1,279	–	1,279[1]	1,221	58	–
OTC derivatives	2,160	–	2,160[2]	1,541	459	160
Total	3,439	–	3,439	2,762	517	160

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Consolidated Statements of Financial Position	Less: Related Amounts Not Set Off in the Consolidated Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**5,242**	**–**	**5,242[1]**	**781**	**4,461**	**–**
OTC derivatives	**963**	**–**	**963[2]**	**769**	**169**	**25**
Collateral payable	**121**	**–**	**121[3]**	**109**	**–**	**12**
Total	**6,326**	**–**	**6,326**	**1,659**	**4,630**	**37**
March 31, 2023						
Repurchase agreements	9,433	–	9,433[1]	1,221	8,212	–
OTC derivatives	1,616	–	1,616[2]	1,437	172	7
Collateral payable	113	–	113[3]	104	–	9
Total	11,162	–	11,162	2,762	8,384	16

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	**(540)**	**–**	**–**	**(540)**
Interest payable	**(141)**	**(24)**	**–**	**(165)**
Securities sold short	**(3,212)**	**–**	**–**	**(3,212)**
Collateral payable	**(669)**	**–**	**–**	**(669)**
Securities sold under repurchase agreements	**(4,904)**	**(338)**	**–**	**(5,242)**
Capital market debt financing[2]	**(6,295)**	**(4,691)**	**(16,024)**	**(27,010)**
Trade payable and other liabilities	**(353)**	**(5)**	**(142)**	**(500)**
Total	**(16,114)**	**(5,058)**	**(16,166)**	**(37,338)**

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	**602**	**291**	**463**	**1,356**
Derivative-related liabilities[1]	**(511)**	**(236)**	**(232)**	**(979)**
Total	**91**	**55**	**231**	**377**

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $30,832 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(1,079)	–	–	(1,079)
Interest payable	(104)	(12)	–	(116)
Securities sold short	(2,495)	–	–	(2,495)
Collateral payable	(957)	–	–	(957)
Securities sold under repurchase agreements	(8,772)	(661)	–	(9,433)
Capital market debt financing[2]	(3,740)	(4,853)	(15,449)	(24,042)
Trade payable and other liabilities	(373)	(4)	(146)	(523)
Total	(17,520)	(5,530)	(15,595)	(38,645)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	1,207	622	370	2,199
Derivative-related liabilities[1]	(921)	(512)	(202)	(1,635)
Total	286	110	168	564

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $26,862 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together "the Credit Facilities").

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments' capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments' capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**	**–**	4.41–4.44	40	40
USD	365 days or less	**4.73–5.49**	**5,503**	**5,428**	2.40–5.56	7,237	7,158
EUR	215 days or less	**3.85–3.93**	**716**	**710**	–	–	–
GBP	245 days or less	**5.18–5.24**	**525**	**521**	–	–	–
AUD	79 days or less	**4.28**	**132**	**132**	–	–	–
Total short-term notes			**6,876**	**6,791**		7,277	7,198

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	1,416	1,395
April 2024	7	CAD	3.29%	**1,187**	**1,187**	1,315	1,301
September 2024	G2	USD	0.50%	**1,692**	**1,655**	1,692	1,597
March 2025	G5	USD	SOFR[1]+24 bps	**1,353**	**1,353**	1,353	1,348
November 2025	11	CAD	3.00%	**1,160**	**1,135**	1,250	1,225
June 2026	13	CAD	0.90%	**1,423**	**1,324**	1,445	1,328
June 2026	G1	USD	1.00%	**1,353**	**1,246**	1,353	1,225
June 2027	G6	USD	3.50%	**1,353**	**1,309**	1,353	1,322
March 2028	14	CAD	1.50%	**975**	**890**	1,000	911
October 2028	G3	USD	1.63%	**1,353**	**1,194**	1,353	1,192
February 2029	A1	AUD	4.63%	**1,324**	**1,335**	–	–
June 2029	G8	CAD	3.75%	**1,400**	**1,391**	1,390	1,410
January 2030	12	CAD	2.05%	**1,250**	**1,130**	1,236	1,127
December 2030	G13[2]	CAD	4.40%	**1,000**	**1,025**	–	–
March 2032	G4[2]	CAD	2.60%	**1,000**	**898**	1,000	920
August 2032	G7	AUD	4.57%	**203**	**200**	208	208
January 2033	G9	AUD	4.82%	**177**	**177**	181	184
June 2033	G11	CAD	4.15%	**2,500**	**2,499**	–	–
March 2038	G10	EUR	3.68%	**146**	**154**	147	151
July 2043	G12	EUR	3.68%	**110**	**117**	–	–
Total medium-term notes				**20,959**	**20,219**	17,692	16,844
Total capital market debt financing				**27,835**	**27,010**	24,969	24,042

1 Secured Overnight Financing Rate
2 Green bonds

Unrealized losses in connection with borrowings amounted to $35 million for the year ended March 31, 2024 (unrealized losses of $252 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**361**	221
Medium-term notes	**511**	331
Total	**872**	552

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**24,042**	**31,407**	**(28,466)**	**(92)**	**119**	**27,010**
Borrowings	**24,042**	**31,407**	**(28,466)**	**(92)**	**119**	**27,010**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Gains	Fair Value[1] Losses	Closing Balance
Capital market debt financing	22,710	28,159	(27,161)	600	(266)	24,042
Borrowings	22,710	28,159	(27,161)	600	(266)	24,042

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Shares Issued

Pursuant to the Act, PSP Investments issued 10 shares having a par value of $10 each to the President of the Treasury Board, to be held on behalf of His Majesty[2] in Right of Canada. The Act does not attribute any voting, dividend, residual or other rights to these shares.

9.3. Fund Transfers

PSP Investments received fund transfers from the Government of Canada for the Funds for the years ended March 31 as follows:

(Canadian $ millions)	**2024**	2023
Public Service Pension Fund	**2,988**	2,428
Canadian Forces Pension Fund	**313**	135
Royal Canadian Mounted Police Pension Fund	**179**	297
Reserve Force Pension Fund	**–**	–
Total	**3,480**	2,860

[2] In accordance with the *Public Sector Pension Investment Board Act*, the shares shall be issued to the President of the Treasury Board to be held on behalf of Her Majesty in right of Canada. On September 8, 2022, following the passing of Queen Elizabeth II, King Charles the III acceded to the throne and became Sovereign of Canada.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**55,637**	53,440
Private Equity	**40,392**	37,238
Fixed Income	**56,247**	45,036
Credit Investments	**26,222**	26,113
Real Estate	**27,229**	32,038
Infrastructure	**34,518**	29,362
Natural Resources	**15,196**	12,277
Complementary Portfolio	**2,351**	2,173
Other[1]	**7,065**	5,977
Total	**264,857**	243,654

[1] Includes cash and money market securities not managed within the investment segments.

10. Segment Information (continued)

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	Investment Income (Loss)[1]	Expenses[2, 3]	Net Income (Loss)	Investment Income (Loss)[1]	Expenses[2]	Net Income (Loss)
Public Equity	**8,614**	**(639)**	**7,975**	(412)	(429)	(841)
Private Equity	**4,482**	**(113)**	**4,369**	1,204	(139)	1,065
Fixed Income	**1,504**	**(212)**	**1,292**	637	(160)	477
Credit Investments	**3,481**	**(120)**	**3,361**	3,073	(116)	2,957
Real Estate	**(4,452)**	**(444)**	**(4,896)**	540	(353)	187
Infrastructure	**4,795**	**(321)**	**4,474**	5,012	(343)	4,669
Natural Resources	**1,049**	**(261)**	**788**	1,593	(187)	1,406
Complementary Portfolio	**427**	**(11)**	**416**	(81)	(3)	(84)
Other[4]	**308**	**(331)**	**(23)**	518	(172)	346
Total	**20,208**	**(2,452)**	**17,756**	12,084	(1,902)	10,182

[1] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[2] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[3] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[4] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses are comprised of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Interest expense	**1,345**	802
Transaction costs	**159**	139
External investment management fees[5]	**54**	66
Other (net)	**193**	151
Total	**1,751**	1,158

[5] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $323 million for the year ended March 31, 2024 ($194 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $587 million for the year ended March 31, 2024 ($590 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses consisted of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Salaries and employee benefits	**467**	459
Professional and consulting fees	**120**	137
Premises and equipment	**19**	19
Market data and business applications	**70**	60
Depreciation of property and equipment	**24**	25
Custodial fees	**5**	5
Other operating expenses	**26**	39
Total	**731**	744

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.3.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14. Related Party Transactions (continued)

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel for the years ended March 31 was recorded in the Consolidated Statements of Net Income and was as follows:

(Canadian $ millions)	**2024**	2023
Short-term compensation and other benefits	**18**	17
Long-term compensation and other benefits	**9**	9
Total	**27**	26

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.3, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The commitments were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**3**	3
Real estate	**3,857**	4,584
Private equity	**11,374**	13,148
Infrastructure	**3,990**	5,904
Natural resources	**480**	673
Private debt securities	**8,644**	6,963
Alternative investments	**1,557**	2,047
Total	**29,905**	33,322

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Public Service Pension Plan Account

Independent Auditors' Report

To the President of the Treasury Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Public Service Pension Plan Account (the Public Service Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Service Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Public Service Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Public Service Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Public Service Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Public Service Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Service Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Service Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Public Service Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Public Service Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Public Service Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Public Service Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Public Service Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**221,901**	207,287
Other assets		**143**	135
Total assets		**222,044**	207,422
Liabilities			
Trade payable and other liabilities		**367**	382
Investment-related liabilities	4.1	**7,923**	11,494
Borrowings	4.1, 8.2	**19,802**	17,584
Total liabilities		**28,092**	29,460
Net assets		**193,952**	177,962
Equity	9	**193,952**	177,962
Total liabilities and equity		**222,044**	207,422

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**14,797**	8,834
Investment-related expenses	2.1, 11, 14.2	**(1,282)**	(846)
Net investment income		**13,515**	7,988
Operating expenses	2.1, 12, 14.2	**(535)**	(544)
Recoveries of costs	2.1, 14.2	**22**	–
Net income		**13,002**	7,444

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**66,271**	63,843
Fund transfers received during the year	9.2	**2,988**	2,428
Balance at end of year		**69,259**	66,271
Retained earnings			
Balance at beginning of year		**111,691**	104,247
Net income		**13,002**	7,444
Balance at end of year		**124,693**	111,691
Total equity		**193,952**	177,962

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**13,002**	7,444
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**18**	19
Effect of exchange rate changes on cash and cash equivalents		**(11)**	(103)
Unrealized losses on borrowings		**25**	184
		13,034	7,544
Net changes in operating assets and liabilities			
Increase in investments		**(17,132)**	(15,640)
(Increase) decrease in other assets		**(13)**	1
(Decrease) increase in trade payables and other liabilities		**(15)**	69
(Decrease) increase in investment-related liabilities		**(3,571)**	3,802
Net cash flows used in operating activities		**(7,697)**	(4,224)
Cash flows from financing activities			
Proceeds from borrowings		**22,988**	20,566
Repayment of borrowings		**(20,790)**	(19,802)
Fund transfers received	9.2	**2,988**	2,428
Net cash flows provided by financing activities		**5,186**	3,192
Cash flows from investing activities			
Acquisitions of equipment		**(2)**	(4)
Net cash flows used in investing activities		**(2)**	(4)
Net change in cash and cash equivalents		**(2,513)**	(1,036)
Effect of exchange rate changes on cash and cash equivalents		**11**	103
Cash and cash equivalents at the beginning of the year		**5,147**	6,080
Cash and cash equivalents at the end of the year[1]		**2,645**	5,147
Supplementary disclosure of cash flow information			
Interest paid		**(955)**	(501)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $2,600 million (March 31, 2023 – $5,118 million) included in investments (see Note 4.1), as well as $45 million (March 31, 2023 – $29 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $431 million (March 31, 2023 – $430 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act,* the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan (the "Plan"), the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Public Service Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Public Service Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**2,054**	3,279
Foreign equity	**30,801**	25,812
Private markets		
Real estate	**27,282**	30,092
Private equity	**29,044**	26,262
Infrastructure	**29,925**	26,295
Natural resources	**15,947**	13,649
Fixed income		
Cash and cash equivalents[1]	**2,600**	5,118
Money market securities[1]	**6,208**	6,098
Government and corporate bonds	**19,771**	16,981
Inflation-linked bonds	**13,174**	8,365
Private debt securities	**21,861**	22,207
Alternative investments	**18,967**	18,208
	217,634	202,366
Investment-related assets		
Amounts receivable from pending trades	**933**	1,859
Interest receivable	**463**	367
Dividends receivable	**198**	152
Securities purchased under reverse repurchase agreements	**1,679**	935
Derivative-related assets	**994**	1,608
	4,267	4,921
Investments representing financial assets at FVTPL[2]	**221,901**	207,287
Investment-related liabilities		
Amounts payable from pending trades	**(397)**	(789)
Interest payable	**(121)**	(85)
Securities sold short	**(2,355)**	(1,825)
Collateral payable	**(490)**	(700)
Securities sold under repurchase agreements	**(3,843)**	(6,899)
Derivative-related liabilities	**(717)**	(1,196)
Investment-related liabilities representing financial liabilities at FVTPL	**(7,923)**	(11,494)
Borrowings		
Capital market debt financing	**(19,802)**	(17,584)
Borrowings representing financial liabilities designated at FVTPL	**(19,802)**	(17,584)
Net investments	**194,176**	178,209

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $7,445 million out of $221,901 million were investments pledged as described in Note 5 (March 31, 2023 – $10,022 million out of $207,287 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	4,113	–	–	2,699	–	–
Warrants and rights	–	1	–	1	2	–
Options: Purchased	117	–	–	666	21	–
Written	–	–	–	873	–	(9)
OTC						
Swaps	16,340	362	(156)	15,130	481	(167)
Options: Purchased	–	–	–	62	–	–
Currency derivatives						
Listed						
Futures	277	–	–	168	–	–
OTC						
Forwards	42,968	160	(250)	78,594	514	(613)
Swaps	905	–	(25)	2,607	65	(24)
Options: Purchased	670	4	–	1,507	7	–
Written	776	–	(3)	1,948	–	(6)
Interest rate derivatives						
Listed						
Futures	7,986	–	–	1,609	–	–
Options: Purchased	30,501	13	–	35,488	5	–
Written	31,690	–	(12)	32,505	–	(5)
OTC						
Forwards	587	–	(3)	1,036	9	(3)
Swaps	1,793	4	(16)	2,546	24	(10)
Options: Purchased	39,340	438	–	48,000	469	–
Written	51,119	–	(239)	56,029	–	(351)
OTC-cleared						
Swaps	48,338	–	–	59,162	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	457	–	(13)	411	–	(8)
Written[1]	1,467	12	–	882	11	–
OTC-cleared						
Credit default swaps: Purchased	2,170	–	–	1,478	–	–
Total		994	(717)		1,608	(1,196)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**74,684**	**14**	**(12)**	74,009	28	(14)
OTC derivatives	**156,422**	**980**	**(705)**	208,752	1,580	(1,182)
OTC-cleared derivatives	**50,508**	**–**	**–**	60,640	–	–
Total		**994**	**(717)**		1,608	(1,196)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**126,452**	167,989
3 to 12 months	**82,768**	108,963
Over 1 year	**72,394**	66,449

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - (i) Quoted prices for similar assets or liabilities in active markets.
  - (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - (iii) Inputs other than quoted prices that are observable for the asset or liability.
  - (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	709	1,345	–	2,054
Foreign equity	28,711	375	1,715	30,801
Private markets				
Real estate	–	–	27,282	27,282
Private equity	–	–	29,044	29,044
Infrastructure	–	–	29,925	29,925
Natural resources	–	–	15,947	15,947
Fixed income				
Cash and cash equivalents	984	1,616	–	2,600
Money market securities	5,709	499	–	6,208
Government and corporate bonds	5,102	14,667	2	19,771
Inflation-linked bonds	13,094	80	–	13,174
Private debt securities	–	–	21,861	21,861
Alternative investments	–	11,634	7,333	18,967
	54,309	30,216	133,109	217,634
Investment-related assets				
Amounts receivable from pending trades	–	933	–	933
Interest receivable	–	463	–	463
Dividends receivable	–	198	–	198
Securities purchased under reverse repurchase agreements	–	1,679	–	1,679
Derivative-related assets	14	980	–	994
	14	4,253	–	4,267
Investments representing financial assets at FVTPL	54,323	34,469	133,109	221,901
Investment-related liabilities				
Amounts payable from pending trades	–	(397)	–	(397)
Interest payable	–	(121)	–	(121)
Securities sold short	(2,355)	–	–	(2,355)
Collateral payable	–	(490)	–	(490)
Securities sold under repurchase agreements	–	(3,843)	–	(3,843)
Derivative-related liabilities	(12)	(705)	–	(717)
Investment-related liabilities representing financial liabilities at FVTPL	(2,367)	(5,556)	–	(7,923)
Borrowings				
Capital market debt financing	–	(19,802)	–	(19,802)
Borrowings representing financial liabilities designated at FVTPL	–	(19,802)	–	(19,802)
Net investments	51,956	9,111	133,109	194,176

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	2,014	1,265	–	3,279
Foreign equity	24,339	755	718	25,812
Private markets				
Real estate	–	–	30,092	30,092
Private equity	–	–	26,262	26,262
Infrastructure	–	–	26,295	26,295
Natural resources	–	–	13,649	13,649
Fixed income				
Cash and cash equivalents[1]	2,414	2,704	–	5,118
Money market securities[1]	5,546	552	–	6,098
Government and corporate bonds	5,944	11,035	2	16,981
Inflation-linked bonds	8,365	–	–	8,365
Private debt securities	–	–	22,207	22,207
Alternative investments	–	11,265	6,943	18,208
	48,622	27,576	126,168	202,366
Investment-related assets				
Amounts receivable from pending trades	–	1,859	–	1,859
Interest receivable	–	367	–	367
Dividends receivable	–	152	–	152
Securities purchased under reverse repurchase agreements	–	935	–	935
Derivative-related assets	28	1,580	–	1,608
	28	4,893	–	4,921
Investments representing financial assets at FVTPL	48,650	32,469	126,168	207,287
Investment-related liabilities				
Amounts payable from pending trades	–	(789)	–	(789)
Interest payable	–	(85)	–	(85)
Securities sold short	(1,706)	(119)	–	(1,825)
Collateral payable	–	(700)	–	(700)
Securities sold under repurchase agreements	–	(6,899)	–	(6,899)
Derivative-related liabilities	(14)	(1,182)	–	(1,196)
Investment-related liabilities representing financial liabilities at FVTPL	(1,720)	(9,774)	–	(11,494)
Borrowings				
Capital market debt financing	–	(17,584)	–	(17,584)
Borrowings representing financial liabilities designated at FVTPL	–	(17,584)	–	(17,584)
Net investments	46,930	5,111	126,168	178,209

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $24 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets, was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	1,715	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	24,723	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% - 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% - 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% - 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 - $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	2,559	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	54,997	DCF	Discount rate[2]	5.19% - 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	19,919	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	2	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	16,549	DCF	Discount rate[2]	7.02% - 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	5,312	NAV[1]	N/A	N/A
Alternative investments	Fund investments	7,333	NAV[1]	N/A	N/A
Total		133,109			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	718	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	27,555	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	2,537	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	47,635	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	18,571	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	2	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	16,791	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	5,416	NAV[1]	N/A	N/A
Alternative investments	Fund investments	6,943	NAV[1]	N/A	N/A
Total		126,168			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains[1]	Transfer Into Level 3	Closing Balance
Public markets	**718**	**335**	**(100)**	**–**	**58**	**704**	**–**	**1,715**
Private markets	**96,298**	**10,290**	**(6,791)**	**–**	**1,614**	**741**	**46**	**102,198**
Fixed income	**22,209**	**4,442**	**(5,364)**	**–**	**210**	**366**	**–**	**21,863**
Alternative investments	**6,943**	**408**	**(800)**	**–**	**186**	**596**	**–**	**7,333**
Total	**126,168**	**15,475**	**(13,055)**	**–**	**2,068**	**2,407**	**46**	**133,109**

As at March 31, 2023, listed foreign equity securities with a fair value of $46 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	985	27	(92)	–	20	(188)	(34)	718
Private markets	86,098	13,311	(7,383)	–	2,519	1,910	(157)	96,298
Fixed income	18,701	5,786	(3,170)	–	263	629	–	22,209
Alternative investments	6,172	504	(424)	–	78	613	–	6,943
Total	111,956	19,628	(11,069)	–	2,880	2,964	(191)	126,168

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $34 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $157 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**3,018**	3,202
Collateral held[1]	**3,129**	3,352
Securities borrowed	**1,925**	1,411
Collateral pledged[2, 3]	**1,980**	1,499
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**3,849**	6,982
Collateral pledged[3]	**3,851**	6,938
Securities purchased under reverse repurchase agreements	**1,683**	948
Collateral held[4]	**1,680**	945
Derivative contracts		
Collateral pledged[3]	**1,614**	1,585
Collateral held[5]	**1,474**	1,363

[1] The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $402 million and $2,727 million, respectively (March 31, 2023 – $619 million and $2,733 million, respectively). All cash amounts are reinvested.
[2] The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
[3] The total of $7,445 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $10,022 million).
[4] The collateral received is in the form of securities of which $430 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $414 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $224 million).
[5] As part of collateral held, cash amounted to $89 million as at March 31, 2024 (March 31, 2023 – $83 million) and securities amounted to $1,385 million as at March 31, 2024 (March 31, 2023 – $1,280 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	2,600[1]	2,600
Money market securities	–	–	–	–	6,208[1]	6,208
Government and corporate bonds	337	7,430	7,011	4,815	178[2]	19,771
Inflation-linked bonds	–	6,719	3,759	2,696	–	13,174
Private debt securities	28	8,176	5,320	2,866	5,471[3]	21,861
Total fixed income	365	22,325	16,090	10,377	14,457	63,614

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	5,118[1, 4]	5,118
Money market securities	–	–	–	–	6,098[1, 4]	6,098
Government and corporate bonds	497	7,462	4,867	3,912	243[2]	16,981
Inflation-linked bonds	–	3,563	2,901	1,901	–	8,365
Private debt securities	759	4,898	8,328	3,034	5,188[3]	22,207
Total fixed income	1,256	15,923	16,096	8,847	16,647	58,769

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $135,053 million as at March 31, 2024 ($125,389 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $18,967 million as at March 31, 2024 ($18,208 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	269
Derivatives notional	550

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

		March 31, 2024
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**125,318**	**67.2**
Euro	**19,719**	**10.6**
Japanese Yen	**7,270**	**3.9**
British Pound	**6,940**	**3.7**
Indian Rupee	**4,210**	**2.3**
Australian Dollar	**3,194**	**1.7**
Mexican Peso	**3,042**	**1.6**
Brazilian Real	**2,298**	**1.2**
Swiss Franc	**1,777**	**1.0**
Singapore Dollar	**1,286**	**0.7**
Hong Kong Dollar	**1,229**	**0.7**
New Taiwan Dollar	**1,149**	**0.6**
Others	**8,982**	**4.8**
Total	**186,414**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $21,376 million for the Plan Account (US $12,831 million, €2,261 million, £305 million, 814 million Mexican pesos, 100 million Australian dollars, 754 million Indian rupees and 2,307 million Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	112,895	66.0
Euro	20,638	12.1
Hong Kong Dollar	7,714	4.5
British Pound	6,312	3.7
Japanese Yen	4,147	2.4
Indian Rupee	2,755	1.6
Mexican Peso	2,691	1.6
New Taiwan Dollar	1,528	0.9
Singapore Dollar	1,481	0.9
Swiss Franc	1,374	0.8
South African Rand	1,238	0.7
Others	8,192	4.8
Total	170,965	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $23,890 million for the Plan Account (US $15,018 million, €1,865 million, £304 million, 16 million South African rands, 1,322 million Mexican pesos, 172 million Australian dollars, 1,611 million Indian rupees and 3,111 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $66 billion (March 31, 2023 – $61 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**12,733**	**13,130**	**1,857**	**5,709**	**765**	**28**	**–**	**34,222**
A	**5,698**	**–**	**357**	**99**	**766**	**952**	**–**	**7,872**
BBB	**924**	**81**	**–**	**–**	**148**	**–**	**56**	**1,209**
BB or below	**534**	**–**	**–**	**–**	**–**	**–**	**22,003**	**22,537**
No rating[3]	**60**	**–**	**–**	**–**	**–**	**–**	**49**	**109**
Total	**19,949**	**13,211**	**2,214**	**5,808**	**1,679**	**980**	**22,108**	**65,949**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	11,074	8,384	3,707	5,686	117	55	–	29,023
A	4,929	–	1,011	29	776	1,525	–	8,270
BBB	485	–	–	–	42	–	255	782
BB or below	551	–	–	–	–	–	21,959	22,510
No rating[3]	76	–	–	–	–	–	202	278
Total	17,115	8,384	4,718	5,715	935	1,580	22,416	60,863

1 Includes interest receivable.
2 As disclosed in Note 4.1.12.
3 Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**1,679**	**–**	**1,679**[1]	**573**	**1,106**	**–**
OTC derivatives	**980**	**–**	**980**[2]	**644**	**322**	**14**
Total	**2,659**	**–**	**2,659**	**1,217**	**1,428**	**14**
March 31, 2023						
Reverse repurchase agreements	935	–	935[1]	893	42	–
OTC derivatives	1,580	–	1,580[2]	1,127	336	117
Total	2,515	–	2,515	2,020	378	117

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**3,843**	**–**	**3,843**[1]	**573**	**3,270**	**–**
OTC derivatives	**705**	**–**	**705**[2]	**564**	**123**	**18**
Collateral payable	**89**	**–**	**89**[3]	**80**	**–**	**9**
Total	**4,637**	**–**	**4,637**	**1,217**	**3,393**	**27**
March 31, 2023						
Repurchase agreements	6,899	–	6,899[1]	893	6,006	–
OTC derivatives	1,182	–	1,182[2]	1,051	127	4
Collateral payable	83	–	83[3]	76	–	7
Total	8,164	–	8,164	2,020	6,133	11

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	**(397)**	**–**	**–**	**(397)**
Interest payable	**(104)**	**(17)**	**–**	**(121)**
Securities sold short	**(2,355)**	**–**	**–**	**(2,355)**
Collateral payable	**(490)**	**–**	**–**	**(490)**
Securities sold under repurchase agreements	**(3,595)**	**(248)**	**–**	**(3,843)**
Capital market debt financing[2]	**(4,615)**	**(3,439)**	**(11,748)**	**(19,802)**
Trade payable and other liabilities	**(259)**	**(4)**	**(104)**	**(367)**
Total	**(11,815)**	**(3,708)**	**(11,852)**	**(27,375)**

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	**441**	**214**	**339**	**994**
Derivative-related liabilities[1]	**(374)**	**(173)**	**(170)**	**(717)**
Total	**67**	**41**	**169**	**277**

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $22,604 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(789)	–	–	(789)
Interest payable	(76)	(9)	–	(85)
Securities sold short	(1,825)	–	–	(1,825)
Collateral payable	(700)	–	–	(700)
Securities sold under repurchase agreements	(6,416)	(483)	–	(6,899)
Capital market debt financing[2]	(2,735)	(3,549)	(11,300)	(17,584)
Trade payable and other liabilities	(272)	(3)	(107)	(382)
Total	(12,813)	(4,044)	(11,407)	(28,264)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	883	455	270	1,608
Derivative-related liabilities[1]	(674)	(374)	(148)	(1,196)
Total	209	81	122	412

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $19,647 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		**March 31, 2024**			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**	**–**	4.41–4.44	29	29
USD	365 days or less	**4.73–5.49**	**4,034**	**3,979**	2.40–5.56	5,293	5,235
EUR	215 days or less	**3.85–3.93**	**525**	**521**	–	–	–
GBP	245 days or less	**5.18–5.24**	**385**	**382**	–	–	–
AUD	79 days or less	**4.28**	**97**	**97**	–	–	–
Total short-term notes			**5,041**	**4,979**		5,322	5,264

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				**March 31, 2024**		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	1,036	1,020
April 2024	7	CAD	3.29%	**870**	**870**	961	951
September 2024	G2	USD	0.50%	**1,240**	**1,213**	1,237	1,171
March 2025	G5	USD	SOFR[1]+24 bps	**992**	**992**	990	986
November 2025	11	CAD	3.00%	**850**	**832**	914	896
June 2026	13	CAD	0.90%	**1,043**	**971**	1,057	971
June 2026	G1	USD	1.00%	**992**	**913**	990	896
June 2027	G6	USD	3.50%	**992**	**959**	990	967
March 2028	14	CAD	1.50%	**715**	**652**	731	666
October 2028	G3	USD	1.63%	**992**	**875**	990	872
February 2029	A1	AUD	4.63%	**971**	**979**	–	–
June 2029	G8	CAD	3.75%	**1,026**	**1,020**	1,017	1,031
January 2030	12	CAD	2.05%	**916**	**829**	904	824
December 2030	G13[2]	CAD	4.40%	**733**	**752**	–	–
March 2032	G4[2]	CAD	2.60%	**733**	**659**	731	673
August 2032	G7	AUD	4.57%	**149**	**147**	152	152
January 2033	G9	AUD	4.82%	**129**	**129**	133	134
June 2033	G11	CAD	4.15%	**1,836**	**1,833**	–	–
March 2038	G10	EUR	3.68%	**107**	**113**	108	110
July 2043	G12	EUR	3.68%	**80**	**85**	–	–
Total medium-term notes				**15,366**	**14,823**	12,941	12,320
Total capital market debt financing				**20,407**	**19,802**	18,263	17,584

1 Secured Overnight Financing Rate
2 Green bonds

Unrealized losses in connection with borrowings amounted to $25 million for the year ended March 31, 2024 (unrealized losses of $184 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**264**	162
Medium-term notes	**374**	241
Total	**638**	403

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**17,584**	**22,988**	**(20,790)**	**(66)**	**86**	**19,802**
Borrowings	**17,584**	**22,988**	**(20,790)**	**(66)**	**86**	**19,802**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	16,577	20,566	(19,802)	439	(196)	17,584
Borrowings	16,577	20,566	(19,802)	439	(196)	17,584

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $2,988 million for the year ended March 31, 2024 ($2,428 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**40,791**	39,087
Private Equity	**29,613**	27,236
Fixed Income	**41,236**	32,938
Credit Investments	**19,224**	19,099
Real Estate	**19,962**	23,433
Infrastructure	**25,306**	21,476
Natural Resources	**11,141**	8,979
Complementary Portfolio	**1,724**	1,589
Other[1]	**5,179**	4,372
Total	**194,176**	178,209

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**6,307**	**(467)**	**5,840**	(301)	(314)	(615)
Private Equity	**3,282**	**(82)**	**3,200**	880	(101)	779
Fixed Income	**1,102**	**(156)**	**946**	466	(117)	349
Credit Investments	**2,549**	**(88)**	**2,461**	2,245	(84)	2,161
Real Estate	**(3,260)**	**(325)**	**(3,585)**	395	(258)	137
Infrastructure	**3,511**	**(235)**	**3,276**	3,664	(251)	3,413
Natural Resources	**768**	**(191)**	**577**	1,165	(137)	1,028
Complementary Portfolio	**313**	**(8)**	**305**	(59)	(2)	(61)
Other[5]	**225**	**(243)**	**(18)**	379	(126)	253
Total	**14,797**	**(1,795)**	**13,002**	8,834	(1,390)	7,444

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Interest expense	985	587
Transaction costs	116	101
External investment management fees[1]	40	48
Other (net)	141	110
Total	**1,282**	846

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $237 million for the year ended March 31, 2024 ($142 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $430 million for the year ended March 31, 2024 ($431 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Salaries and employee benefits	343	334
Professional and consulting fees	87	100
Premises and equipment	14	14
Market data and business applications	51	44
Depreciation of property and equipment	18	19
Custodial fees	3	4
Other operating expenses	19	29
Total	**535**	544

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	2024	2023
Public Service Pension Plan Account	73.2	73.0
Canadian Forces Pension Plan Account	19.2	19.4
Royal Canadian Mounted Police Pension Plan Account	7.2	7.2
Reserve Force Pension Plan Account	0.4	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ millions)	**2024**	2023
Short-term compensation and other benefits	**14**	12
Long-term compensation and other benefits	**6**	7
Total	**20**	19

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $1,992 million has been allocated to the Plan Account (March 31, 2023 – $1,933 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which $1 million has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**2**	2
Real estate	**2,828**	3,352
Private equity	**8,339**	9,619
Infrastructure	**2,925**	4,318
Natural resources	**352**	492
Private debt securities	**6,337**	5,092
Alternative investments	**1,142**	1,497
Total	**21,925**	24,372

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Canadian Forces Pension Plan Account

Independent Auditors' Report

To the Minister of National Defence

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account (the Canadian Forces Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Canadian Forces Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Canadian Forces Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Canadian Forces Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Canadian Forces Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Canadian Forces Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Canadian Forces Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Canadian Forces Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Canadian Forces Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Canadian Forces Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**57,798**	54,514
Other assets		**36**	36
Total assets		**57,834**	54,550
Liabilities			
Trade payable and other liabilities		**95**	101
Investment-related liabilities	4.1	**2,064**	3,023
Borrowings	4.1, 8.2	**5,158**	4,624
Total liabilities		**7,317**	7,748
Net assets		**50,517**	46,802
Equity	9	**50,517**	46,802
Total liabilities and equity		**57,834**	54,550

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**3,872**	2,328
Investment-related expenses	2.1, 11, 14.2	**(336)**	(224)
Net investment income		**3,536**	2,104
Operating expenses	2.1, 12, 14.2	**(140)**	(144)
Recoveries of costs	2.1, 14.2	**6**	–
Net income		**3,402**	1,960

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**16,642**	16,507
Fund transfers received during the year	9.2	**313**	135
Balance at end of year		**16,955**	16,642
Retained earnings			
Balance at beginning of year		**30,160**	28,200
Net income		**3,402**	1,960
Balance at end of year		**33,562**	30,160
Total equity		**50,517**	46,802

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**3,402**	1,960
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**5**	5
Effect of exchange rate changes on cash and cash equivalents		**(3)**	(27)
Unrealized losses on borrowings		**7**	50
		3,411	1,988
Net changes in operating assets and liabilities			
Increase in investments		**(3,953)**	(3,557)
Increase in other assets		**(2)**	–
(Decrease) increase in trade payables and other liabilities		**(6)**	19
(Decrease) increase in investment-related liabilities		**(958)**	977
Net cash flows used in operating activities		**(1,508)**	(573)
Cash flows from financing activities			
Proceeds from borrowings		**6,028**	5,444
Repayment of borrowings		**(5,500)**	(5,294)
Fund transfers received	9.2	**313**	135
Net cash flows provided by financing activities		**841**	285
Cash flows from investing activities			
Acquisitions of equipment		**(1)**	(2)
Net cash flows used in investing activities		**(1)**	(2)
Net change in cash and cash equivalents		**(668)**	(290)
Effect of exchange rate changes on cash and cash equivalents		**3**	27
Cash and cash equivalents at the beginning of the year		**1,354**	1,617
Cash and cash equivalents at the end of the year[1]		**689**	1,354
Supplementary disclosure of cash flow information			
Interest paid		**(251)**	(133)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $677 million (March 31, 2023 – $1,346 million) included in investments (see Note 4.1), as well as $12 million (March 31, 2023 – $8 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $113 million (March 31, 2023 – $113 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan (the "Plan"), and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Canadian Forces Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Canadian Forces Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**535**	862
Foreign equity	**8,022**	6,787
Private markets		
Real estate	**7,106**	7,914
Private equity	**7,565**	6,907
Infrastructure	**7,794**	6,915
Natural resources	**4,154**	3,590
Fixed income		
Cash and cash equivalents[1]	**677**	1,346
Money market securities[1]	**1,617**	1,604
Government and corporate bonds	**5,150**	4,466
Inflation-linked bonds	**3,431**	2,200
Private debt securities	**5,694**	5,840
Alternative investments	**4,940**	4,789
	56,685	53,220
Investment-related assets		
Amounts receivable from pending trades	**244**	488
Interest receivable	**121**	97
Dividends receivable	**52**	40
Securities purchased under reverse repurchase agreements	**437**	246
Derivative-related assets	**259**	423
	1,113	1,294
Investments representing financial assets at FVTPL[2]	**57,798**	54,514
Investment-related liabilities		
Amounts payable from pending trades	**(103)**	(209)
Interest payable	**(32)**	(22)
Securities sold short	**(613)**	(480)
Collateral payable	**(128)**	(184)
Securities sold under repurchase agreements	**(1,001)**	(1,814)
Derivative-related liabilities	**(187)**	(314)
Investment-related liabilities representing financial liabilities at FVTPL	**(2,064)**	(3,023)
Borrowings		
Capital market debt financing	**(5,158)**	(4,624)
Borrowings representing financial liabilities designated at FVTPL	**(5,158)**	(4,624)
Net investments	**50,576**	46,867

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

[2] As at March 31, 2024, $1,939 million out of $57,798 million were investments pledged as described in Note 5 (March 31, 2023 – $2,636 million out of $54,514 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	1,071	–	–	710	–	–
Options: Purchased	30	–	–	175	6	–
Written	–	–	–	230	–	(3)
OTC						
Swaps	4,256	94	(41)	3,979	127	(44)
Options: Purchased	–	–	–	16	–	–
Currency derivatives						
Listed						
Futures	72	–	–	44	–	–
OTC						
Forwards	11,191	42	(66)	20,670	136	(160)
Swaps	236	–	(6)	686	17	(6)
Options: Purchased	174	1	–	396	2	–
Written	202	–	(1)	512	–	(2)
Interest rate derivatives						
Listed						
Futures	2,080	–	–	423	–	–
Options: Purchased	7,944	4	–	9,334	1	–
Written	8,255	–	(3)	8,548	–	(1)
OTC						
Forwards	153	–	(1)	272	2	(1)
Swaps	467	1	(4)	670	6	(3)
Options: Purchased	10,247	114	–	12,623	123	–
Written	13,315	–	(62)	14,735	–	(92)
OTC-cleared						
Swaps	12,591	–	–	15,559	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	119	–	(3)	108	–	(2)
Written[1]	382	3	–	232	3	–
OTC-cleared						
Credit default swaps: Purchased	565	–	–	389	–	–
Total		259	(187)		423	(314)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**19,452**	**4**	**(3)**	19,464	7	(4)
OTC derivatives	**40,742**	**255**	**(184)**	54,899	416	(310)
OTC-cleared derivatives	**13,156**	**–**	**–**	15,948	–	–
Total		**259**	**(187)**		423	(314)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**32,936**	44,180
3 to 12 months	**21,558**	28,656
Over 1 year	**18,856**	17,475

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	185	350	–	535
Foreign equity	7,478	98	466	8,022
Private markets				
Real estate	–	–	7,106	7,106
Private equity	–	–	7,565	7,565
Infrastructure	–	–	7,794	7,794
Natural resources	–	–	4,154	4,154
Fixed income				
Cash and cash equivalents	256	421	–	677
Money market securities	1,487	130	–	1,617
Government and corporate bonds	1,329	3,820	1	5,150
Inflation-linked bonds	3,410	21	–	3,431
Private debt securities	–	–	5,694	5,694
Alternative investments	–	3,030	1,910	4,940
	14,145	7,870	34,670	56,685
Investment-related assets				
Amounts receivable from pending trades	–	244	–	244
Interest receivable	–	121	–	121
Dividends receivable	–	52	–	52
Securities purchased under reverse repurchase agreements	–	437	–	437
Derivative-related assets	4	255	–	259
	4	1,109	–	1,113
Investments representing financial assets at FVTPL	14,149	8,979	34,670	57,798
Investment-related liabilities				
Amounts payable from pending trades	–	(103)	–	(103)
Interest payable	–	(32)	–	(32)
Securities sold short	(613)	–	–	(613)
Collateral payable	–	(128)	–	(128)
Securities sold under repurchase agreements	–	(1,001)	–	(1,001)
Derivative-related liabilities	(3)	(184)	–	(187)
Investment-related liabilities representing financial liabilities at FVTPL	(616)	(1,448)	–	(2,064)
Borrowings				
Capital market debt financing	–	(5,158)	–	(5,158)
Borrowings representing financial liabilities designated at FVTPL	–	(5,158)	–	(5,158)
Net investments	13,533	2,373	34,670	50,576

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	529	333	–	862
Foreign equity	6,400	199	188	6,787
Private markets				
Real estate	–	–	7,914	7,914
Private equity	–	–	6,907	6,907
Infrastructure	–	–	6,915	6,915
Natural resources	–	–	3,590	3,590
Fixed income				
Cash and cash equivalents[1]	635	711	–	1,346
Money market securities[1]	1,459	145	–	1,604
Government and corporate bonds	1,563	2,902	1	4,466
Inflation-linked bonds	2,200	–	–	2,200
Private debt securities	–	–	5,840	5,840
Alternative investments	–	2,963	1,826	4,789
	12,786	7,253	33,181	53,220
Investment-related assets				
Amounts receivable from pending trades	–	488	–	488
Interest receivable	–	97	–	97
Dividends receivable	–	40	–	40
Securities purchased under reverse repurchase agreements	–	246	–	246
Derivative-related assets	7	416	–	423
	7	1,287	–	1,294
Investments representing financial assets at FVTPL	12,793	8,540	33,181	54,514
Investment-related liabilities				
Amounts payable from pending trades	–	(209)	–	(209)
Interest payable	–	(22)	–	(22)
Securities sold short	(449)	(31)	–	(480)
Collateral payable	–	(184)	–	(184)
Securities sold under repurchase agreements	–	(1,814)	–	(1,814)
Derivative-related liabilities	(4)	(310)	–	(314)
Investment-related liabilities representing financial liabilities at FVTPL	(453)	(2,570)	–	(3,023)
Borrowings				
Capital market debt financing	–	(4,624)	–	(4,624)
Borrowings representing financial liabilities designated at FVTPL	–	(4,624)	–	(4,624)
Net investments	12,340	1,346	33,181	46,867

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $6 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets, was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**446**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**6,439**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% – 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% – 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% – 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**667**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**14,325**	DCF	Discount rate[2]	5.19% – 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**5,188**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**1**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**4,310**	DCF	Discount rate[2]	7.02% – 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**1,384**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**1,910**	NAV[1]	N/A	N/A
Total		**34,670**			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	188	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	7,247	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	667	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	12,528	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	4,884	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	1	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	4,416	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	1,424	NAV[1]	N/A	N/A
Alternative investments	Fund investments	1,826	NAV[1]	N/A	N/A
Total		33,181			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Into Level 3	Closing Balance
Public markets	**188**	**87**	**(26)**	**–**	**15**	**182**	**–**	**446**
Private markets	**25,326**	**2,698**	**(1,778)**	**–**	**423**	**(62)**	**12**	**26,619**
Fixed income	**5,841**	**1,164**	**(1,404)**	**–**	**55**	**39**	**–**	**5,695**
Alternative investments	**1,826**	**107**	**(210)**	**–**	**49**	**138**	**–**	**1,910**
Total	**33,181**	**4,056**	**(3,418)**	**–**	**542**	**297**	**12**	**34,670**

As at March 31, 2023, listed foreign equity securities with a fair value of $12 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	262	7	(25)	–	5	(52)	(9)	188
Private markets	22,899	3,522	(1,951)	–	666	232	(42)	25,326
Fixed income	4,974	1,531	(837)	–	69	104	–	5,841
Alternative investments	1,642	133	(113)	–	21	143	–	1,826
Total	29,777	5,193	(2,926)	–	761	427	(51)	33,181

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $9 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $42 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**786**	842
Collateral held[1]	**815**	882
Securities borrowed	**501**	371
Collateral pledged[2, 3]	**516**	394
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**1,003**	1,836
Collateral pledged[3]	**1,003**	1,825
Securities purchased under reverse repurchase agreements	**438**	249
Collateral held[4]	**438**	248
Derivative contracts		
Collateral pledged[3]	**420**	417
Collateral held[5]	**384**	359

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $105 million and $710 million, respectively (March 31, 2023 – $163 million and $719 million, respectively). All cash amounts are reinvested.

2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.

3 The total of $1,939 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $2,636 million).

4 The collateral received is in the form of securities of which $112 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $109 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $59 million).

5 As part of collateral held, cash amounted to $23 million as at March 31, 2024 (March 31, 2023 – $22 million) and securities amounted to $361 million as at March 31, 2024 (March 31, 2023 – $337 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	677[1]	677
Money market securities	–	–	–	–	1,617[1]	1,617
Government and corporate bonds	88	1,936	1,826	1,254	46[2]	5,150
Inflation-linked bonds	–	1,750	979	702	–	3,431
Private debt securities	7	2,130	1,386	746	1,425[3]	5,694
Total fixed income	95	5,816	4,191	2,702	3,765	16,569

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	1,346[1, 4]	1,346
Money market securities	–	–	–	–	1,604[1, 4]	1,604
Government and corporate bonds	131	1,962	1,280	1,029	64[2]	4,466
Inflation-linked bonds	–	937	763	500	–	2,200
Private debt securities	200	1,288	2,190	798	1,364[3]	5,840
Total fixed income	331	4,187	4,233	2,327	4,378	15,456

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $35,176 million as at March 31, 2024 ($32,975 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $4,940 million as at March 31, 2024 ($4,789 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	70
Derivatives notional	143

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

	March 31, 2024	
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**32,641**	**67.2**
Euro	**5,136**	**10.6**
Japanese Yen	**1,893**	**3.9**
British Pound	**1,807**	**3.7**
Indian Rupee	**1,097**	**2.3**
Australian Dollar	**832**	**1.7**
Mexican Peso	**792**	**1.6**
Brazilian Real	**599**	**1.2**
Swiss Franc	**463**	**1.0**
Singapore Dollar	**335**	**0.7**
Hong Kong Dollar	**320**	**0.7**
New Taiwan Dollar	**299**	**0.6**
Others	**2,339**	**4.8**
Total	**48,553**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $5,568 million for the Plan Account (US $3,342 million, €589 million, £79 million, 212 million Mexican pesos, 26 million Australian dollars, 196 million Indian rupees and 601 million Japanese yen) which were not included in the foreign currency exposure table above.

	March 31, 2023	
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	29,690	66.0
Euro	5,428	12.1
Hong Kong Dollar	2,029	4.5
British Pound	1,660	3.7
Japanese Yen	1,091	2.4
Indian Rupee	725	1.6
Mexican Peso	708	1.6
New Taiwan Dollar	402	0.9
Singapore Dollar	390	0.9
Swiss Franc	361	0.8
South African Rand	326	0.7
Others	2,154	4.8
Total	44,964	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $6,283 million for the Plan Account (US $3,950 million, €490 million, £80 million, 4 million South African rands, 348 million Mexican pesos, 45 million Australian dollars, 424 million Indian rupees and 818 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $17 billion (March 31, 2023 – $16 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds**[1]	**Inflation-Linked Bonds**[1]	**Cash Equivalents**[1]	**Money Market Securities**[1]	**Reverse Repurchase Agreements**	**OTC Derivatives**[2]	**Private Debt Securities**[1]	**Total**[1]
AAA-AA	**3,316**	**3,420**	**484**	**1,487**	**199**	**7**	**–**	**8,913**
A	**1,484**	**–**	**93**	**26**	**200**	**248**	**–**	**2,051**
BBB	**241**	**21**	**–**	**–**	**38**	**–**	**14**	**314**
BB or below	**139**	**–**	**–**	**–**	**–**	**–**	**5,731**	**5,870**
No rating[3]	**16**	**–**	**–**	**–**	**–**	**–**	**13**	**29**
Total	**5,196**	**3,441**	**577**	**1,513**	**437**	**255**	**5,758**	**17,177**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	2,912	2,205	976	1,495	31	14	–	7,633
A	1,296	–	265	8	204	402	–	2,175
BBB	128	–	–	–	11	–	67	206
BB or below	145	–	–	–	–	–	5,774	5,919
No rating[3]	20	–	–	–	–	–	53	73
Total	4,501	2,205	1,241	1,503	246	416	5,894	16,006

1 Includes interest receivable.
2 As disclosed in Note 4.1.12.
3 Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**437**	**–**	**437**[1]	**149**	**288**	**–**
OTC derivatives	**255**	**–**	**255**[2]	**168**	**83**	**4**
Total	**692**	**–**	**692**	**317**	**371**	**4**
March 31, 2023						
Reverse repurchase agreements	246	–	246[1]	235	11	–
OTC derivatives	416	–	416[2]	296	89	31
Total	662	–	662	531	100	31

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**1,001**	**–**	**1,001**[1]	**149**	**852**	**–**
OTC derivatives	**184**	**–**	**184**[2]	**147**	**32**	**5**
Collateral payable	**23**	**–**	**23**[3]	**21**	**–**	**2**
Total	**1,208**	**–**	**1,208**	**317**	**884**	**7**
March 31, 2023						
Repurchase agreements	1,814	–	1,814[1]	235	1,579	–
OTC derivatives	310	–	310[2]	276	33	1
Collateral payable	22	–	22[3]	20	–	2
Total	2,146	–	2,146	531	1,612	3

1 As described in Note 4.1.10.
2 As described in Note 4.1.12.
3 As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(103)	–	–	(103)
Interest payable	(27)	(5)	–	(32)
Securities sold short	(613)	–	–	(613)
Collateral payable	(128)	–	–	(128)
Securities sold under repurchase agreements	(936)	(65)	–	(1,001)
Capital market debt financing[2]	(1,202)	(896)	(3,060)	(5,158)
Trade payable and other liabilities	(67)	(1)	(27)	(95)
Total	(3,076)	(967)	(3,087)	(7,130)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	115	56	88	259
Derivative-related liabilities[1]	(98)	(45)	(44)	(187)
Total	17	11	44	72

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $5,888 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(209)	–	–	(209)
Interest payable	(20)	(2)	–	(22)
Securities sold short	(480)	–	–	(480)
Collateral payable	(184)	–	–	(184)
Securities sold under repurchase agreements	(1,687)	(127)	–	(1,814)
Capital market debt financing[2]	(719)	(933)	(2,972)	(4,624)
Trade payable and other liabilities	(72)	(1)	(28)	(101)
Total	(3,371)	(1,063)	(3,000)	(7,434)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	232	120	71	423
Derivative-related liabilities[1]	(177)	(98)	(39)	(314)
Total	55	22	32	109

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $5,167 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**		4.41–4.44	8	8
USD	365 days or less	**4.73–5.49**	**1,051**	**1,036**	2.40–5.56	1,395	1,376
EUR	215 days or less	**3.85–3.93**	**137**	**136**	–	–	–
GBP	245 days or less	**5.18–5.24**	**100**	**100**	–	–	–
AUD	79 days or less	**4.28**	**25**	**25**	–	–	–
Total short-term notes			**1,313**	**1,297**		1,403	1,384

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	272	268
April 2024	7	CAD	3.29%	**227**	**227**	253	250
September 2024	G2	USD	0.50%	**323**	**316**	325	309
March 2025	G5	USD	SOFR[1]+24 bps	**258**	**258**	260	259
November 2025	11	CAD	3.00%	**222**	**217**	240	236
June 2026	13	CAD	0.90%	**272**	**253**	278	255
June 2026	G1	USD	1.00%	**258**	**238**	260	236
June 2027	G6	USD	3.50%	**258**	**250**	260	254
March 2028	14	CAD	1.50%	**186**	**170**	192	175
October 2028	G3	USD	1.63%	**258**	**228**	260	229
February 2029	A1	AUD	4.63%	**253**	**255**	–	–
June 2029	G8	CAD	3.75%	**267**	**266**	267	271
January 2030	12	CAD	2.05%	**239**	**216**	238	217
December 2030	G13[2]	CAD	4.40%	**191**	**196**	–	–
March 2032	G4[2]	CAD	2.60%	**191**	**172**	192	177
August 2032	G7	AUD	4.57%	**39**	**38**	40	40
January 2033	G9	AUD	4.82%	**34**	**34**	35	35
June 2033	G11	CAD	4.15%	**477**	**476**	–	–
March 2038	G10	EUR	3.68%	**28**	**29**	28	29
July 2043	G12	EUR	3.68%	**21**	**22**	–	–
Total medium-term notes				**4,002**	**3,861**	3,400	3,240
Total capital market debt financing				**5,315**	**5,158**	4,803	4,624

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $7 million for the year ended March 31, 2024 (unrealized losses of $50 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**69**	43
Medium-term notes	**98**	64
Total	**167**	107

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**4,624**	**6,028**	**(5,500)**	**(18)**	**24**	**5,158**
Borrowings	**4,624**	**6,028**	**(5,500)**	**(18)**	**24**	**5,158**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	4,409	5,444	(5,294)	115	(50)	4,624
Borrowings	4,409	5,444	(5,294)	115	(50)	4,624

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $313 million for the year ended March 31, 2024 ($135 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**10,625**	10,279
Private Equity	**7,713**	7,163
Fixed Income	**10,740**	8,663
Credit Investments	**5,007**	5,023
Real Estate	**5,199**	6,162
Infrastructure	**6,592**	5,648
Natural Resources	**2,902**	2,361
Complementary Portfolio	**449**	418
Other[1]	**1,349**	1,150
Total	**50,576**	46,867

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**1,651**	**(123)**	**1,528**	(79)	(83)	(162)
Private Equity	**859**	**(22)**	**837**	232	(27)	205
Fixed Income	**288**	**(40)**	**248**	123	(31)	92
Credit Investments	**667**	**(23)**	**644**	591	(22)	569
Real Estate	**(853)**	**(86)**	**(939)**	104	(68)	36
Infrastructure	**919**	**(62)**	**857**	965	(67)	898
Natural Resources	**201**	**(50)**	**151**	307	(36)	271
Complementary Portfolio	**82**	**(2)**	**80**	(15)	(1)	(16)
Other[5]	**58**	**(62)**	**(4)**	100	(33)	67
Total	**3,872**	**(470)**	**3,402**	2,328	(368)	1,960

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Interest expense	**259**	155
Transaction costs	**30**	27
External investment management fees[1]	**10**	13
Other (net)	**37**	29
Total	**336**	224

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $62 million for the year ended March 31, 2024 ($37 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $112 million for the year ended March 31, 2024 ($113 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ millions)	**2024**	2023
Salaries and employee benefits	**89**	88
Professional and consulting fees	**23**	27
Premises and equipment	**4**	4
Market data and business applications	**13**	12
Depreciation of property and equipment	**5**	5
Custodial fees	**1**	1
Other operating expenses	**5**	7
Total	**140**	144

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**3,562**	3,168
Long-term compensation and other benefits	**1,677**	1,816
Total	**5,239**	4,984

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $519 million has been allocated to the Plan Account (March 31, 2023 – $508 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which nil has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Foreign equity	**1**	1
Real estate	**737**	882
Private equity	**2,171**	2,529
Infrastructure	**762**	1,136
Natural resources	**92**	129
Private debt securities	**1,651**	1,339
Alternative investments	**297**	394
Total	**5,711**	6,410

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Royal Canadian Mounted Police Pension Plan Account

Independent Auditors' Report

To the Minister of Public Safety

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account (the Royal Canadian Mounted Police Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Royal Canadian Mounted Police Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Royal Canadian Mounted Police Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Royal Canadian Mounted Police Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Royal Canadian Mounted Police Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Royal Canadian Mounted Police Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Royal Canadian Mounted Police Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Royal Canadian Mounted Police Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Royal Canadian Mounted Police Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Royal Canadian Mounted Police Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ millions)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**21,742**	20,438
Other assets		**14**	13
Total assets		**21,756**	20,451
Liabilities			
Trade payable and other liabilities		**36**	38
Investment-related liabilities	4.1	**776**	1,133
Borrowings	4.1, 8.2	**1,940**	1,734
Total liabilities		**2,752**	2,905
Net assets		**19,004**	17,546
Equity	9	**19,004**	17,546
Total liabilities and equity		**21,756**	20,451

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Investment income		**1,456**	873
Investment-related expenses	2.1, 11, 14.2	**(126)**	(84)
Net investment income		**1,330**	789
Operating expenses	2.1, 12, 14.2	**(53)**	(53)
Recoveries of costs	2.1, 14.2	**2**	–
Net income		**1,279**	736

Statements of Changes in Equity

For the years ended March 31

(Canadian $ millions)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**6,506**	6,209
Fund transfers received during the year	9.2	**179**	297
Balance at end of year		**6,685**	6,506
Retained earnings			
Balance at beginning of year		**11,040**	10,304
Net income		**1,279**	736
Balance at end of year		**12,319**	11,040
Total equity		**19,004**	17,546

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ millions)	Notes	2024	2023
Cash flows from operating activities			
Net income		**1,279**	736
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**2**	2
Effect of exchange rate changes on cash and cash equivalents		**(1)**	(10)
Unrealized losses on borrowings		**3**	18
		1,283	746
Net changes in operating assets and liabilities			
Increase in investments		**(1,554)**	(1,607)
Increase in other assets		**(1)**	–
(Decrease) increase in trade payables and other liabilities		**(2)**	8
(Decrease) increase in investment-related liabilities		**(358)**	375
Net cash flows used in operating activities		**(632)**	(478)
Cash flows from financing activities			
Proceeds from borrowings		**2,262**	2,032
Repayment of borrowings		**(2,058)**	(1,951)
Fund transfers received	9.2	**179**	297
Net cash flows provided by financing activities		**383**	378
Net change in cash and cash equivalents		**(249)**	(100)
Effect of exchange rate changes on cash and cash equivalents		**1**	10
Cash and cash equivalents at the beginning of the year		**507**	597
Cash and cash equivalents at the end of the year[1]		**259**	507
Supplementary disclosure of cash flow information			
Interest paid		**(94)**	(50)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $255 million (March 31, 2023 – $505 million) included in investments (see Note 4.1), as well as $4 million (March 31, 2023 – $2 million) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $42 million (March 31, 2023 – $42 million).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the *"Superannuation Acts"*), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan (the "Plan"), and the pension plan established under the CFSA Regulations is the Reserve Force pension plan. The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after April 1, 2000 ("Post-2000 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the *Royal Canadian Mounted Police Superannuation Act*. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the *Royal Canadian Mounted Police Superannuation Act*, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2000 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose

As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation

PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2000 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses (continued)

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**201**	323
Foreign equity	**3,018**	2,545
Private markets		
Real estate	**2,673**	2,967
Private equity	**2,846**	2,589
Infrastructure	**2,932**	2,593
Natural resources	**1,563**	1,346
Fixed income		
Cash and cash equivalents[1]	**255**	505
Money market securities[1]	**608**	601
Government and corporate bonds	**1,937**	1,674
Inflation-linked bonds	**1,291**	825
Private debt securities	**2,142**	2,190
Alternative investments	**1,858**	1,795
	21,324	19,953
Investment-related assets		
Amounts receivable from pending trades	**92**	183
Interest receivable	**45**	36
Dividends receivable	**19**	15
Securities purchased under reverse repurchase agreements	**165**	92
Derivative-related assets	**97**	159
	418	485
Investments representing financial assets at FVTPL[2]	**21,742**	20,438
Investment-related liabilities		
Amounts payable from pending trades	**(38)**	(78)
Interest payable	**(12)**	(8)
Securities sold short	**(231)**	(180)
Collateral payable	**(48)**	(69)
Securities sold under repurchase agreements	**(377)**	(680)
Derivative-related liabilities	**(70)**	(118)
Investment-related liabilities representing financial liabilities at FVTPL	**(776)**	(1,133)
Borrowings		
Capital market debt financing	**(1,940)**	(1,734)
Borrowings representing financial liabilities designated at FVTPL	**(1,940)**	(1,734)
Net investments	**19,026**	17,571

1 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

2 As at March 31, 2024, $729 million out of $21,742 million were investments pledged as described in Note 5 (March 31, 2023 – $988 million out of $20,438 million).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	**403**	**–**	**–**	266	–	–
Options: Purchased	**11**	**–**	**–**	66	2	–
Written	**–**	**–**	**–**	86	–	(1)
OTC						
Swaps	**1,601**	**35**	**(15)**	1,492	47	(16)
Options: Purchased	**–**	**–**	**–**	6	–	–
Currency derivatives						
Listed						
Futures	**27**	**–**	**–**	17	–	–
OTC						
Forwards	**4,210**	**16**	**(26)**	7,748	52	(61)
Swaps	**89**	**–**	**(2)**	257	6	(2)
Options: Purchased	**66**	**–**	**–**	149	1	–
Written	**76**	**–**	**–**	192	–	(1)
Interest rate derivatives						
Listed						
Futures	**782**	**–**	**–**	159	–	–
Options: Purchased	**2,989**	**1**	**–**	3,498	1	–
Written	**3,106**	**–**	**(1)**	3,205	–	–
OTC						
Forwards	**58**	**–**	**–**	102	1	–
Swaps	**176**	**–**	**(2)**	251	2	(1)
Options: Purchased	**3,855**	**44**	**–**	4,733	46	–
Written	**5,006**	**–**	**(23)**	5,524	–	(35)
OTC-cleared						
Swaps	**4,736**	**–**	**–**	5,833	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	**45**	**–**	**(1)**	41	–	(1)
Written[1]	**144**	**1**	**–**	87	1	–
OTC-cleared						
Credit default swaps: Purchased	**213**	**–**	**–**	146	–	–
Total		**97**	**(70)**		159	(118)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ millions)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Listed derivatives	**7,318**	**1**	**(1)**	7,297	3	(1)
OTC derivatives	**15,326**	**96**	**(69)**	20,582	156	(117)
OTC-cleared derivatives	**4,949**	**–**	**–**	5,979	–	–
Total		**97**	**(70)**		159	(118)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Less than 3 months	**12,390**	16,563
3 to 12 months	**8,110**	10,743
Over 1 year	**7,093**	6,552

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - (i) Quoted prices for similar assets or liabilities in active markets.
  - (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - (iii) Inputs other than quoted prices that are observable for the asset or liability.
  - (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	69	132	–	201
Foreign equity	2,813	37	168	3,018
Private markets				
Real estate	–	–	2,673	2,673
Private equity	–	–	2,846	2,846
Infrastructure	–	–	2,932	2,932
Natural resources	–	–	1,563	1,563
Fixed income				
Cash and cash equivalents	96	159	–	255
Money market securities	559	49	–	608
Government and corporate bonds	500	1,437	–	1,937
Inflation-linked bonds	1,283	8	–	1,291
Private debt securities	–	–	2,142	2,142
Alternative investments	–	1,140	718	1,858
	5,320	2,962	13,042	21,324
Investment-related assets				
Amounts receivable from pending trades	–	92	–	92
Interest receivable	–	45	–	45
Dividends receivable	–	19	–	19
Securities purchased under reverse repurchase agreements	–	165	–	165
Derivative-related assets	1	96	–	97
	1	417	–	418
Investments representing financial assets at FVTPL	5,321	3,379	13,042	21,742
Investment-related liabilities				
Amounts payable from pending trades	–	(38)	–	(38)
Interest payable	–	(12)	–	(12)
Securities sold short	(231)	–	–	(231)
Collateral payable	–	(48)	–	(48)
Securities sold under repurchase agreements	–	(377)	–	(377)
Derivative-related liabilities	(1)	(69)	–	(70)
Investment-related liabilities representing financial liabilities at FVTPL	(232)	(544)	–	(776)
Borrowings				
Capital market debt financing	–	(1,940)	–	(1,940)
Borrowings representing financial liabilities designated at FVTPL	–	(1,940)	–	(1,940)
Net investments	5,089	895	13,042	19,026

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ millions)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	198	125	–	323
Foreign equity	2,401	74	70	2,545
Private markets				
Real estate	–	–	2,967	2,967
Private equity	–	–	2,589	2,589
Infrastructure	–	–	2,593	2,593
Natural resources	–	–	1,346	1,346
Fixed income				
Cash and cash equivalents[1]	238	267	–	505
Money market securities[1]	547	54	–	601
Government and corporate bonds	586	1,088	–	1,674
Inflation-linked bonds	825	–	–	825
Private debt securities	–	–	2,190	2,190
Alternative investments	–	1,110	685	1,795
	4,795	2,718	12,440	19,953
Investment-related assets				
Amounts receivable from pending trades	–	183	–	183
Interest receivable	–	36	–	36
Dividends receivable	–	15	–	15
Securities purchased under reverse repurchase agreements	–	92	–	92
Derivative-related assets	3	156	–	159
	3	482	–	485
Investments representing financial assets at FVTPL	4,798	3,200	12,440	20,438
Investment-related liabilities				
Amounts payable from pending trades	–	(78)	–	(78)
Interest payable	–	(8)	–	(8)
Securities sold short	(168)	(12)	–	(180)
Collateral payable	–	(69)	–	(69)
Securities sold under repurchase agreements	–	(680)	–	(680)
Derivative-related liabilities	(1)	(117)	–	(118)
Investment-related liabilities representing financial liabilities at FVTPL	(169)	(964)	–	(1,133)
Borrowings				
Capital market debt financing	–	(1,734)	–	(1,734)
Borrowings representing financial liabilities designated at FVTPL	–	(1,734)	–	(1,734)
Net investments	4,629	502	12,440	17,571

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $2 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee (“VC”). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund’s general partner. For interim reporting periods, fair value is obtained from information provided by the fund’s administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**168**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**2,422**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% – 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% – 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% – 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**251**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**5,389**	DCF	Discount rate[2]	5.19% – 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**1,952**	NAV[1]	N/A	N/A
Fixed income					
Private debt securities	Direct and co-investments	**1,622**	DCF	Discount rate[2]	7.02% – 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**520**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**718**	NAV[1]	N/A	N/A
Total		**13,042**			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ millions)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	70	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	2,717	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% – 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% – 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% – 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	250	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	4,697	DCF	Discount rate[2]	5.50% – 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	1,831	NAV[1]	N/A	N/A
Fixed income					
Private debt securities	Direct and co-investments	1,656	DCF	Discount rate[2]	4.25% – 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	534	NAV[1]	N/A	N/A
Alternative investments	Fund investments	685	NAV[1]	N/A	N/A
Total		12,440			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains[1]	Transfer Into Level 3	Closing Balance
Public markets	**70**	**33**	**(10)**	**–**	**6**	**69**	**–**	**168**
Private markets	**9,495**	**1,013**	**(669)**	**–**	**159**	**11**	**5**	**10,014**
Fixed income	**2,190**	**437**	**(528)**	**–**	**21**	**22**	**–**	**2,142**
Alternative investments	**685**	**40**	**(79)**	**–**	**18**	**54**	**–**	**718**
Total	**12,440**	**1,523**	**(1,286)**	**–**	**204**	**156**	**5**	**13,042**

As at March 31, 2023, listed foreign equity securities with a fair value of $5 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ millions)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	97	3	(11)	–	2	(18)	(3)	70
Private markets	8,459	1,315	(730)	–	249	217	(15)	9,495
Fixed income	1,837	572	(313)	–	26	68	–	2,190
Alternative investments	606	50	(42)	–	8	63	–	685
Total	10,999	1,940	(1,096)	–	285	330	(18)	12,440

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $3 million in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $15 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**296**	316
Collateral held[1]	**307**	331
Securities borrowed	**189**	139
Collateral pledged[2, 3]	**194**	148
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**377**	688
Collateral pledged[3]	**377**	684
Securities purchased under reverse repurchase agreements	**165**	93
Collateral held[4]	**165**	93
Derivative contracts		
Collateral pledged[3]	**158**	156
Collateral held[5]	**144**	134

[1] The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $39 million and $267 million, respectively (March 31, 2023 – $61 million and $270 million, respectively). All cash amounts are reinvested.

[2] The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.

[3] The total of $729 million of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $988 million).

[4] The collateral received is in the form of securities of which $42 million has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $41 million) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $22 million).

[5] As part of collateral held, cash amounted to $9 million as at March 31, 2024 (March 31, 2023 – $8 million) and securities amounted to $135 million as at March 31, 2024 (March 31, 2023 – $126 million). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	255[1]	255
Money market securities	–	–	–	–	608[1]	608
Government and corporate bonds	33	728	687	472	17[2]	1,937
Inflation-linked bonds	–	659	368	264	–	1,291
Private debt securities	3	801	521	281	536[3]	2,142
Total fixed income	36	2,188	1,576	1,017	1,416	6,233

						March 31, 2023
(Canadian $ millions)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	505[1, 4]	505
Money market securities	–	–	–	–	601[1, 4]	601
Government and corporate bonds	49	735	480	386	24[2]	1,674
Inflation-linked bonds	–	352	286	187	–	825
Private debt securities	75	483	821	299	512[3]	2,190
Total fixed income	124	1,570	1,587	872	1,642	5,795

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $13,233 million as at March 31, 2024 ($12,363 million as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $1,858 million as at March 31, 2024 ($1,795 million as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ millions)	CDOR
Non-derivative financial assets fair value	26
Derivatives notional	54

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

		March 31, 2024
Currency	**Fair Value (Canadian $ millions)**	**% of Total**
US Dollar	**12,279**	**67.2**
Euro	**1,932**	**10.6**
Japanese Yen	**712**	**3.9**
British Pound	**680**	**3.7**
Indian Rupee	**413**	**2.3**
Australian Dollar	**313**	**1.7**
Mexican Peso	**298**	**1.6**
Brazilian Real	**225**	**1.2**
Swiss Franc	**174**	**1.0**
Singapore Dollar	**126**	**0.7**
Hong Kong Dollar	**120**	**0.7**
New Taiwan Dollar	**113**	**0.6**
Others	**880**	**4.8**
Total	**18,265**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $2,095 million for the Plan Account (US $1,257 million, €222 million, £30 million, 80 million Mexican pesos, 10 million Australian dollars, 74 million Indian rupees and 226 million Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ millions)	% of Total
US Dollar	11,131	66.0
Euro	2,035	12.1
Hong Kong Dollar	761	4.5
British Pound	622	3.7
Japanese Yen	409	2.4
Indian Rupee	272	1.6
Mexican Peso	265	1.6
New Taiwan Dollar	151	0.9
Singapore Dollar	146	0.9
Swiss Franc	136	0.8
South African Rand	122	0.7
Others	808	4.8
Total	16,858	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $2,355 million for the Plan Account (US $1,481 million, €184 million, £30 million, 2 million South African rands, 130 million Mexican pesos, 17 million Australian dollars, 159 million Indian rupees and 307 million Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $6 billion (March 31, 2023 – $6 billion). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ millions)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**1,248**	**1,286**	**182**	**559**	**75**	**3**	**–**	**3,353**
A	**558**	**–**	**35**	**10**	**76**	**93**	**–**	**772**
BBB	**91**	**8**	**–**	**–**	**14**	**–**	**5**	**118**
BB or below	**52**	**–**	**–**	**–**	**–**	**–**	**2,156**	**2,208**
No rating[3]	**6**	**–**	**–**	**–**	**–**	**–**	**5**	**11**
Total	**1,955**	**1,294**	**217**	**569**	**165**	**96**	**2,166**	**6,462**

								March 31, 2023
(Canadian $ millions)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	1,092	827	367	560	12	5	–	2,863
A	486	–	99	3	76	151	–	815
BBB	48	–	–	–	4	–	25	77
BB or below	54	–	–	–	–	–	2,165	2,219
No rating[3]	7	–	–	–	–	–	20	27
Total	1,687	827	466	563	92	156	2,210	6,001

1 Includes interest receivable.
2 As disclosed in Note 4.1.12.
3 Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ millions)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**165**	**–**	**165**[1]	**56**	**109**	**–**
OTC derivatives	**96**	**–**	**96**[2]	**63**	**32**	**1**
Total	**261**	**–**	**261**	**119**	**141**	**1**
March 31, 2023						
Reverse repurchase agreements	92	–	92[1]	88	4	–
OTC derivatives	156	–	156[2]	111	33	12
Total	248	–	248	199	37	12

Financial Liabilities

(Canadian $ millions)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**377**	**–**	**377**[1]	**56**	**321**	**–**
OTC derivatives	**69**	**–**	**69**[2]	**55**	**12**	**2**
Collateral payable	**9**	**–**	**9**[3]	**8**	**–**	**1**
Total	**455**	**–**	**455**	**119**	**333**	**3**
March 31, 2023						
Repurchase agreements	680	–	680[1]	88	592	–
OTC derivatives	117	–	117[2]	104	13	–
Collateral payable	8	–	8[3]	7	–	1
Total	805	–	805	199	605	1

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(38)	–	–	(38)
Interest payable	(10)	(2)	–	(12)
Securities sold short	(231)	–	–	(231)
Collateral payable	(48)	–	–	(48)
Securities sold under repurchase agreements	(353)	(24)	–	(377)
Capital market debt financing[2]	(452)	(337)	(1,151)	(1,940)
Trade payable and other liabilities	(26)	–	(10)	(36)
Total	(1,158)	(363)	(1,161)	(2,682)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	43	21	33	97
Derivative-related liabilities[1]	(36)	(17)	(17)	(70)
Total	7	4	16	27

1 Liabilities are presented in the earliest period in which the counterparty can request payment.
2 The total undiscounted cash flows amounted to $2,215 million as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(78)	–	–	(78)
Interest payable	(7)	(1)	–	(8)
Securities sold short	(180)	–	–	(180)
Collateral payable	(69)	–	–	(69)
Securities sold under repurchase agreements	(632)	(48)	–	(680)
Capital market debt financing[2]	(270)	(350)	(1,114)	(1,734)
Trade payable and other liabilities	(27)	–	(11)	(38)
Total	(1,263)	(399)	(1,125)	(2,787)

(Canadian $ millions)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	87	45	27	159
Derivative-related liabilities[1]	(66)	(37)	(15)	(118)
Total	21	8	12	41

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $1,937 million as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together "the Credit Facilities").

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments' capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments' capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ millions)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**	**–**	4.41–4.44	3	3
USD	365 days or less	**4.73–5.49**	**395**	**391**	2.40–5.56	521	516
EUR	215 days or less	**3.85–3.93**	**51**	**51**	–	–	–
GBP	245 days or less	**5.18–5.24**	**38**	**37**	–	–	–
AUD	79 days or less	**4.28**	**10**	**9**	–	–	–
Total short-term notes			**494**	**488**		524	519

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ millions)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	102	101
April 2024	7	CAD	3.29%	**85**	**85**	95	94
September 2024	G2	USD	0.50%	**122**	**119**	122	116
March 2025	G5	USD	SOFR[1]+24 bps	**97**	**97**	98	97
November 2025	11	CAD	3.00%	**83**	**82**	90	88
June 2026	13	CAD	0.90%	**102**	**95**	104	96
June 2026	G1	USD	1.00%	**97**	**89**	98	88
June 2027	G6	USD	3.50%	**97**	**94**	98	95
March 2028	14	CAD	1.50%	**70**	**64**	72	66
October 2028	G3	USD	1.63%	**97**	**86**	98	86
February 2029	A1	AUD	4.63%	**95**	**96**	–	–
June 2029	G8	CAD	3.75%	**101**	**100**	100	102
January 2030	12	CAD	2.05%	**90**	**81**	89	81
December 2030	G13[2]	CAD	4.40%	**72**	**74**	–	–
March 2032	G4[2]	CAD	2.60%	**72**	**65**	72	66
August 2032	G7	AUD	4.57%	**15**	**14**	15	15
January 2033	G9	AUD	4.82%	**13**	**13**	13	13
June 2033	G11	CAD	4.15%	**179**	**179**	–	–
March 2038	G10	EUR	3.68%	**10**	**11**	11	11
July 2043	G12	EUR	3.68%	**8**	**8**	–	–
Total medium-term notes				**1,505**	**1,452**	1,277	1,215
Total capital market debt financing				**1,999**	**1,940**	1,801	1,734

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $3 million for the year ended March 31, 2024 (unrealized losses of $18 million for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ millions)	**2024**	2023
Short-term promissory notes	**26**	16
Medium-term notes	**37**	24
Total	**63**	40

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ millions)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**1,734**	**2,262**	**(2,058)**	**(7)**	**9**	**1,940**
Borrowings	**1,734**	**2,262**	**(2,058)**	**(7)**	**9**	**1,940**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ millions)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	1,629	2,032	(1,951)	43	(19)	1,734
Borrowings	1,629	2,032	(1,951)	43	(19)	1,734

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9. Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments received fund transfers from the Government of Canada of $179 million for the year ended March 31, 2024 ($297 million for the year ended March 31, 2023) for the Fund, recorded in the Plan Account.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Public Equity	**3,996**	3,856
Private Equity	**2,902**	2,685
Fixed Income	**4,040**	3,247
Credit Investments	**1,884**	1,883
Real Estate	**1,956**	2,310
Infrastructure	**2,480**	2,117
Natural Resources	**1,092**	885
Complementary Portfolio	**169**	157
Other[1]	**507**	431
Total	**19,026**	17,571

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ millions)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**620**	**(46)**	**574**	(30)	(31)	(61)
Private Equity	**323**	**(8)**	**315**	87	(10)	77
Fixed Income	**108**	**(15)**	**93**	46	(11)	35
Credit Investments	**251**	**(9)**	**242**	222	(8)	214
Real Estate	**(321)**	**(32)**	**(353)**	39	(25)	14
Infrastructure	**345**	**(23)**	**322**	362	(26)	336
Natural Resources	**76**	**(19)**	**57**	116	(14)	102
Complementary Portfolio	**31**	**(1)**	**30**	(6)	–	(6)
Other[5]	**23**	**(24)**	**(1)**	37	(12)	25
Total	**1,456**	**(177)**	**1,279**	873	(137)	736

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ millions)	2024	2023
Interest expense	**97**	58
Transaction costs	**11**	10
External investment management fees[1]	**4**	5
Other (net)	**14**	11
Total	**126**	84

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $23 million for the year ended March 31, 2024 ($14 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% and of the total invested and/or committed amount, totaled $42 million for the year ended March 31, 2024 ($43 million for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ thousands)	2024	2023
Salaries and employee benefits	**33,785**	32,886
Professional and consulting fees	**8,624**	9,843
Premises and equipment	**1,372**	1,330
Market data and business applications	**5,014**	4,336
Depreciation of property and equipment	**1,727**	1,826
Custodial fees	**340**	358
Other operating expenses	**1,782**	2,862
Total	**52,644**	53,441

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	2024	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**1,335**	1,170
Long-term compensation and other benefits	**629**	671
Total	**1,964**	1,841

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $195 million has been allocated to the Plan Account (March 31, 2023 - $191 million) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which nil has been allocated to the Plan Account (March 31, 2023 – nil) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ millions)	**March 31, 2024**	March 31, 2023
Real estate	**277**	331
Private equity	**816**	947
Infrastructure	**287**	426
Natural resources	**35**	49
Private debt securities	**621**	502
Alternative investments	**112**	148
Total	**2,148**	2,403

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

Independent Auditors' Report

To the Minister of National Defence

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account (the Reserve Force Pension Plan Account), which comprise the statements of financial position as at March 31, 2024 and 2023, and the statements of net income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Reserve Force Pension Plan Account as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Reserve Force Pension Plan Account in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Reserve Force Pension Plan Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Reserve Force Pension Plan Account or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Reserve Force Pension Plan Account's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reserve Force Pension Plan Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reserve Force Pension Plan Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Reserve Force Pension Plan Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
May 14, 2024

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board and its wholly-owned subsidiaries.

In our opinion, the transactions of the Public Sector Pension Investment Board – Reserve Force Pension Plan Account that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Public Sector Pension Investment Board – Reserve Force Pension Plan Account's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Public Sector Pension Investment Board – Reserve Force Pension Plan Account to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. A125494

Montréal, Canada
May 14, 2024

Statements of Financial Position

As at

(Canadian $ thousands)	Notes	**March 31, 2024**	March 31, 2023
Assets			
Investments	4.1	**1,233,276**	1,170,828
Other assets		**792**	762
Total assets		**1,234,068**	1,171,590
Liabilities			
Trade payable and other liabilities		**2,041**	2,160
Investment-related liabilities	4.1	**44,036**	64,921
Borrowings	4.1, 8.2	**110,053**	99,322
Total liabilities		**156,130**	166,403
Net assets		**1,077,938**	1,005,187
Equity	9	**1,077,938**	1,005,187
Total liabilities and equity		**1,234,068**	1,171,590

The accompanying notes are an integral part of these Financial Statements.

Statements of Net Income

For the years ended March 31

(Canadian $ thousands)	Notes	2024	2023
Investment income		**82,831**	50,073
Investment-related expenses	2.1, 11, 14.2	**(7,193)**	(4,812)
Net investment income		**75,638**	45,261
Operating expenses	2.1, 12, 14.2	**(3,009)**	(3,102)
Recoveries of costs	2.1, 14.2	**122**	–
Net income		**72,751**	42,159

Statements of Changes in Equity

For the years ended March 31

(Canadian $ thousands)	Note	2024	2023
Fund transfers			
Balance at beginning of year		**329,631**	329,631
Fund transfers received during the year	9.2	**–**	–
Balance at end of year		**329,631**	329,631
Retained earnings			
Balance at beginning of year		**675,556**	633,397
Net income		**72,751**	42,159
Balance at end of year		**748,307**	675,556
Total equity		**1,077,938**	1,005,187

The accompanying notes are an integral part of these Financial Statements.

Statements of Cash Flows

For the years ended March 31

(Canadian $ thousands)	Notes	2024	2023
Cash flows from operating activities			
Net income		**72,751**	42,159
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**99**	107
Effect of exchange rate changes on cash and cash equivalents		**(60)**	(588)
Unrealized losses on borrowings		**166**	1,075
		72,956	42,753
Net changes in operating assets and liabilities			
Increase in investments		**(76,908)**	(73,247)
(Increase) decrease in other assets		**(60)**	8
(Decrease) increase in trade payables and other liabilities		**(119)**	375
(Decrease) increase in investment-related liabilities		**(20,897)**	20,848
Net cash flows used in operating activities		**(25,028)**	(9,263)
Cash flows from financing activities			
Proceeds from borrowings		**129,047**	117,211
Repayment of borrowings		**(118,442)**	(114,274)
Net cash flows provided by financing activities		**10,605**	2,937
Cash flows from investing activities			
Acquisitions of equipment		**(7)**	(22)
Net cash flows used in investing activities		**(7)**	(22)
Net change in cash and cash equivalents		**(14,430)**	(6,348)
Effect of exchange rate changes on cash and cash equivalents		**60**	588
Cash and cash equivalents at the beginning of the year		**29,072**	34,832
Cash and cash equivalents at the end of the year[1]		**14,702**	29,072
Supplementary disclosure of cash flow information			
Interest paid		**(5,374)**	(2,859)

The accompanying notes are an integral part of these Financial Statements.

[1] As at March 31, 2024, cash and cash equivalents were comprised of $14,451 thousand (March 31, 2023 – $28,911 thousand) included in investments (see Note 4.1), as well as $251 thousand (March 31, 2023 – $161 thousand) held for administrative purposes and included in Other assets. As at March 31, 2024, cash included in Cash and cash equivalents amounted to $2,398 thousand (March 31, 2023 – $2,425 thousand).

Notes to the Financial Statements

For the years ended March 31, 2024 and 2023

1. Corporate Information

The Public Sector Pension Investment Board ("PSP Investments") is a Crown corporation created under the *Public Sector Pension Investment Board Act* (the "Act") to manage and invest amounts that are transferred to it pursuant to the *Superannuation Acts* (defined below), for the funds (as defined in the Act) of the pension plans established under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* ("CFSA"), the *Royal Canadian Mounted Police Superannuation Act* (collectively the "*Superannuation Acts*"), and certain regulations under the CFSA (the "CFSA Regulations"). The pension plans established under the *Superannuation Acts* consist of the Public Service pension plan, the Canadian Forces pension plan, and the Royal Canadian Mounted Police pension plan, and the pension plan established under the CFSA Regulations is the Reserve Force pension plan (the "Plan"). The Plan and the other pension plans are herein referred to collectively as the "Plans".

The fund for which amounts are currently transferred to PSP Investments by the Government of Canada (the "Fund") relates to pension obligations under the Plan for service on or after March 1, 2007 ("Post-2007 Service"). The account managed by PSP Investments for the Fund is herein referred to as the "Plan Account". PSP Investments maintains records of the net contributions for the Fund, as well as the allocation of its investments and the results of its operations for the Fund in the Plan Account. PSP Investments also manages a plan account for the funds of the other Plans, and these and the Plan Account are collectively referred to herein as the "Plan Accounts".

PSP Investments is responsible for managing amounts that are transferred to it for the Fund in the best interests of the beneficiaries and contributors under the CFSA Regulations. The amounts are to be invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plan and the Plan's ability to meet its financial obligations.

Pursuant to the CFSA and the CFSA Regulations, the Government of Canada, which administers the Plan and the Fund, may at any time call upon the net assets of PSP Investments allocated to the Fund's Plan Account for amounts required for the purpose of paying benefits under the Plan in respect of Post-2007 Service.

Following the federal budget announcement on March 28, 2023, that PSP Investments was selected to act as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), a subsidiary of Canada Development Investment Corporation ("CDEV"), itself a Crown corporation, the Act was amended in June 2023 to allow a subsidiary of PSP Investments to act as the investment manager of CGF, as further described in Note 14.2. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023, for the purpose of providing investment management services to CGF, on a cost recovery basis for no profit. The costs associated with the establishment and operation of this subsidiary and with the provision of investment management services to CGF are to be reimbursed by CGF.

PSP Investments and the majority of its subsidiaries are exempt from Part I tax under paragraphs 149(1)*(d)* and 149(1)*(d.2)* of the *Income Tax Act* (Canada), respectively. In certain foreign jurisdictions, income and capital gains remain taxable.

PSP Investments' registered office is located at 135 Laurier Avenue West, Ottawa, Ontario, Canada and its principal business office is at 1250 René-Lévesque Boulevard West, Montréal, Québec, Canada.

2. Material Accounting Policy Information

The material accounting policy information that is relevant to the preparation of these Financial Statements throughout all periods presented is summarized below.

2.1. Basis of Presentation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

PSP Investments qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and, consequently, does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Instead, PSP Investments measures its investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), including those that are formed by PSP Investments and that qualify as investment entities ("investment entity subsidiaries"). PSP Investments also measures its investments in associates, joint ventures and financial assets and financial liabilities at FVTPL in accordance with IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9.

2. Material Accounting Policy Information (continued)

2.1. Basis of Presentation (continued)

These Financial Statements present the Plan Account's financial position and results of operations of PSP Investments and its subsidiaries that solely provide it with services that relate to its investment activities, as allocated to the Plan Account. They reflect the economic activity of PSP Investments as it pertains to the investment of the net contributions transferred to it for the Fund in respect of Post-2007 Service, as well as investment management services rendered by CGFIM for investments held by CGF, as further described in Note 14.2. Accordingly, they do not reflect all of the assets or the details of the pension contributions, payments and liabilities under the Plan, nor any of the assets and liabilities of CGF.

CGFIM provides investment management services to CGF, a government-related entity, in exchange for consideration to recover costs as described in Note 1. Consideration is received to the extent costs are incurred, as reflected in investment-related and operating expenses, while recoveries of costs are also recognized on that basis, as this is the best estimate of amounts earned over the period the investment management services are performed.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 14, 2024.

2.2. Investment Entity Status

PSP Investments has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose
As further described in Note 1, PSP Investments' mandate is to manage and invest the amounts that are transferred to it in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. Consequently, PSP Investments' business purpose is to invest with a view of achieving a maximum rate of return from capital appreciation and income from investments, without undue risk of loss.

(ii) Performance evaluation
PSP Investments measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 14, since PSP Investments is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by PSP Investments originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, the Act provides a framework to ensure that PSP Investments operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, PSP Investments will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The specific material accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Borrowings, as described under Note 8, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSP Investments becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the Statements of Financial Position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in investment income in the Statements of Net Income.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.1. Financial Instruments (continued)

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSP Investments has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

  and

- PSP Investments has transferred substantially all the risks and rewards of the asset, or
- In cases where PSP Investments has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSP Investments evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of PSP Investments and its consolidated subsidiaries is the Canadian dollar, which is the currency of the primary economic environment in which each entity within the consolidated group operates. PSP Investments' performance and that of its consolidated subsidiaries is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Foreign Currency Translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

2.3.5. Securities Lending and Securities Borrowing and Related Collateral

PSP Investments participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSP Investments does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 4.1.9.

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSP Investments and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.6. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements and Related Collateral

PSP Investments is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSP Investments is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities. The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSP Investments is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

2.3.7. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statements of Financial Position only if PSP Investments has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.8. Equity

The statutory rights of the Government of Canada pursuant to the *Superannuation Acts* are described under Note 1 and are classified as equity instruments on the following basis:

- Under such rights the Government of Canada is entitled to PSP Investments' net assets at any time for the purposes set out in the *Superannuation Acts*. Such rights do not contain any additional obligations for PSP Investments to deliver amounts to the Government of Canada. The Government of Canada can elect to reduce fund transfers to PSP Investments or call upon its net assets for the purpose of paying benefits under the relevant Plan in respect of Post-2007 Service, or generally, for the purpose of reducing any non-permitted surplus in the Fund of such Plan. Should the Government of Canada call on the net assets of PSP Investments, amounts in question would be accounted for as a financial liability with a related reduction of net assets at that time.
- Such rights are the most subordinate claim on PSP Investments' net assets.
- The total expected cash flows attributable to such rights, at any time, is solely based on the fair value of the net assets of PSP Investments at that time. Further, the fair value of the net assets of PSP Investments in its entirety represents the amounts that the Government of Canada may call upon at any time.

2.3.9. Investment Income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

2. Material Accounting Policy Information (continued)

2.3. Summary of Material Accounting Policy Information (continued)

2.3.10. Investment-Related Expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSP Investments. These fees are paid directly by PSP Investments and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSP Investments for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 11.

2.3.11. Fund Transfers

Amounts are recorded for the Fund when received from the Government of Canada.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and certain fixed income securities. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 7.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. These Financial Statements reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and Future Changes in Accounting Standards

PSP Investments has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are aggregated, in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows, as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Public markets		
Canadian equity	**11,416**	18,520
Foreign equity	**171,189**	145,785
Private markets		
Real estate	**151,627**	169,971
Private equity	**161,419**	148,336
Infrastructure	**166,314**	148,525
Natural resources	**88,629**	77,095
Fixed income		
Cash and cash equivalents[1]	**14,451**	28,911
Money market securities[1]	**34,505**	34,442
Government and corporate bonds	**109,882**	95,915
Inflation-linked bonds	**73,216**	47,251
Private debt securities	**121,498**	125,433
Alternative investments	**105,413**	102,847
	1,209,559	1,143,031
Investment-related assets		
Amounts receivable from pending trades	**5,189**	10,497
Interest receivable	**2,571**	2,073
Dividends receivable	**1,101**	860
Securities purchased under reverse repurchase agreements	**9,333**	5,282
Derivative-related assets	**5,523**	9,085
	23,717	27,797
Investments representing financial assets at FVTPL[2]	**1,233,276**	1,170,828
Investment-related liabilities		
Amounts payable from pending trades	**(2,203)**	(4,455)
Interest payable	**(673)**	(481)
Securities sold short	**(13,087)**	(10,308)
Collateral payable	**(2,725)**	(3,954)
Securities sold under repurchase agreements	**(21,361)**	(38,970)
Derivative-related liabilities	**(3,987)**	(6,753)
Investment-related liabilities representing financial liabilities at FVTPL	**(44,036)**	(64,921)
Borrowings		
Capital market debt financing	**(110,053)**	(99,322)
Borrowings representing financial liabilities designated at FVTPL	**(110,053)**	(99,322)
Net investments	**1,079,187**	1,006,585

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.
[2] As at March 31, 2024, $41,376 thousand out of $1,233,276 thousand were investments pledged as described in Note 5 (March 31, 2023 – $56,609 thousand out of $1,170,828 thousand).

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.1. Public Markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.2. Private Markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail, and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

The process for fair value measurement of private markets investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Fixed Income

4.1.3.1. Cash and Cash Equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.3. Fixed Income (continued)

4.1.3.2. Money Market Securities, Bonds and Private Debt Securities (continued)

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 4.2.3.

The fair value measurement of fund investments included as part of private debt securities is described in Note 4.2.2.

4.1.4. Alternative Investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds. The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. Management reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

4.1.5. Amounts Receivable and Payable from Pending Trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

4.1.6. Interest and Dividends Receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

4.1.7. Interest Payable

With respect to the borrowings described in Note 4.1.11, interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

4.1.8. Securities Sold Short

Securities sold short reflect PSP Investments' obligation to purchase securities pursuant to short selling transactions. In such transactions, PSP Investments sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

4.1.9. Collateral Payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

4.1.10. Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

As described in Note 2.3.6, PSP Investments is party to repurchase and reverse repurchase agreements. Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

4.1.11. Borrowings under the Capital Market Debt Program

PSP Investments' capital market debt program is described in Note 8.2. Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSP Investments' medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSP Investments' credit quality.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSP Investments uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSP Investments uses the following types of derivative financial instruments:

Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

Warrants and Rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Determination of Fair Value of Derivative Financial Instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

Notional Values and Fair Values of Derivative-Related Assets and Liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

The following table summarizes the derivatives portfolio as at:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ thousands)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Equity and commodity derivatives						
Listed						
Futures	**22,860**	**–**	**–**	15,242	–	–
Warrants and rights	**–**	**4**	**–**	4	9	–
Options: Purchased	**648**	**–**	**–**	3,762	120	–
Written	**–**	**–**	**–**	4,933	–	(49)
OTC						
Swaps	**90,816**	**2,013**	**(865)**	85,461	2,720	(941)
Options: Purchased	**–**	**–**	**–**	349	–	–
Currency derivatives						
Listed						
Futures	**1,542**	**–**	**–**	948	–	–
OTC						
Forwards	**238,805**	**888**	**(1,398)**	443,932	2,906	(3,465)
Swaps	**5,032**	**–**	**(138)**	14,724	366	(136)
Options: Purchased	**3,721**	**22**	**–**	8,512	38	–
Written	**4,315**	**–**	**(17)**	11,001	–	(34)
Interest rate derivatives						
Listed						
Futures	**44,384**	**–**	**–**	9,089	–	–
Options: Purchased	**169,516**	**73**	**–**	200,451	31	–
Written	**176,129**	**–**	**(67)**	183,600	–	(29)
OTC						
Forwards	**3,264**	**–**	**(15)**	5,851	51	(17)
Swaps	**9,966**	**22**	**(88)**	14,379	135	(55)
Options: Purchased	**218,645**	**2,435**	**–**	271,117	2,649	–
Written	**284,094**	**–**	**(1,330)**	316,470	–	(1,983)
OTC-cleared						
Swaps	**268,651**	**–**	**–**	334,165	–	–
Credit derivatives						
OTC						
Credit default swaps: Purchased	**2,539**	**–**	**(69)**	2,320	–	(44)
Written[1]	**8,154**	**66**	**–**	4,982	60	–
OTC-cleared						
Credit default swaps: Purchased	**12,063**	**–**	**–**	8,349	–	–
Total		**5,523**	**(3,987)**		9,085	(6,753)

[1] PSP Investments, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

4. Financial Assets and Financial Liabilities (continued)

4.1. Classes of Financial Assets and Financial Liabilities (continued)

4.1.12. Derivative-Related Assets and Liabilities (continued)

Total derivative-related assets and liabilities are comprised of:

	March 31, 2024			March 31, 2023		
		Fair Value			Fair Value	
(Canadian $ thousands)	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities
Listed derivatives	415,079	77	(67)	418,029	160	(78)
OTC derivatives	869,351	5,446	(3,920)	1,179,098	8,925	(6,675)
OTC-cleared derivatives	280,714	–	–	342,514	–	–
Total		5,523	(3,987)		9,085	(6,753)

The terms to maturity based on notional value for the derivatives were as follows as at:

(Canadian $ thousands)	March 31, 2024	March 31, 2023
Less than 3 months	702,791	948,859
3 to 12 months	460,007	615,459
Over 1 year	402,346	375,323

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial assets and financial liabilities described under Note 4.1 are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSP Investments can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:

  (i) Quoted prices for similar assets or liabilities in active markets.

  (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.

  (iii) Inputs other than quoted prices that are observable for the asset or liability.

  (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSP Investments determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy:

(Canadian $ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	3,941	7,475	–	11,416
Foreign equity	159,567	2,084	9,538	171,189
Private markets				
Real estate	–	–	151,627	151,627
Private equity	–	–	161,419	161,419
Infrastructure	–	–	166,314	166,314
Natural resources	–	–	88,629	88,629
Fixed income				
Cash and cash equivalents	5,471	8,980	–	14,451
Money market securities	31,729	2,776	–	34,505
Government and corporate bonds	28,354	81,517	11	109,882
Inflation-linked bonds	72,771	445	–	73,216
Private debt securities	–	–	121,498	121,498
Alternative investments	–	64,660	40,753	105,413
	301,833	167,937	739,789	1,209,559
Investment-related assets				
Amounts receivable from pending trades	–	5,189	–	5,189
Interest receivable	–	2,571	–	2,571
Dividends receivable	–	1,101	–	1,101
Securities purchased under reverse repurchase agreements	–	9,333	–	9,333
Derivative-related assets	77	5,446	–	5,523
	77	23,640	–	23,717
Investments representing financial assets at FVTPL	301,910	191,577	739,789	1,233,276
Investment-related liabilities				
Amounts payable from pending trades	–	(2,203)	–	(2,203)
Interest payable	–	(673)	–	(673)
Securities sold short	(13,087)	–	–	(13,087)
Collateral payable	–	(2,725)	–	(2,725)
Securities sold under repurchase agreements	–	(21,361)	–	(21,361)
Derivative-related liabilities	(67)	(3,920)	–	(3,987)
Investment-related liabilities representing financial liabilities at FVTPL	(13,154)	(30,882)	–	(44,036)
Borrowings				
Capital market debt financing	–	(110,053)	–	(110,053)
Borrowings representing financial liabilities designated at FVTPL	–	(110,053)	–	(110,053)
Net investments	288,756	50,642	739,789	1,079,187

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.1. Classification (continued)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy:

(Canadian $ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Public markets				
Canadian equity	11,375	7,145	–	18,520
Foreign equity	137,468	4,265	4,052	145,785
Private markets				
Real estate	–	–	169,971	169,971
Private equity	–	–	148,336	148,336
Infrastructure	–	–	148,525	148,525
Natural resources	–	–	77,095	77,095
Fixed income				
Cash and cash equivalents[1]	13,638	15,273	–	28,911
Money market securities[1]	31,325	3,117	–	34,442
Government and corporate bonds	33,573	62,331	11	95,915
Inflation-linked bonds	47,250	1	–	47,251
Private debt securities	–	–	125,433	125,433
Alternative investments	–	63,630	39,217	102,847
	274,629	155,762	712,640	1,143,031
Investment-related assets				
Amounts receivable from pending trades	–	10,497	–	10,497
Interest receivable	–	2,073	–	2,073
Dividends receivable	–	860	–	860
Securities purchased under reverse repurchase agreements	–	5,282	–	5,282
Derivative-related assets	160	8,925	–	9,085
	160	27,637	–	27,797
Investments representing financial assets at FVTPL	274,789	183,399	712,640	1,170,828
Investment-related liabilities				
Amounts payable from pending trades	–	(4,455)	–	(4,455)
Interest payable	–	(481)	–	(481)
Securities sold short	(9,638)	(670)	–	(10,308)
Collateral payable	–	(3,954)	–	(3,954)
Securities sold under repurchase agreements	–	(38,970)	–	(38,970)
Derivative-related liabilities	(78)	(6,675)	–	(6,753)
Investment-related liabilities representing financial liabilities at FVTPL	(9,716)	(55,205)	–	(64,921)
Borrowings				
Capital market debt financing	–	(99,322)	–	(99,322)
Borrowings representing financial liabilities designated at FVTPL	–	(99,322)	–	(99,322)
Net investments	265,073	28,872	712,640	1,006,585

[1] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

As at March 31, 2023, foreign equity securities with a fair value of $138 thousand were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by PSP Investments.

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.2. Process for Level 3 Fair Value Determination

The valuation process is monitored and governed by an internal valuation committee ("VC"). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

For the year ended March 31, 2024, the fair value of investments classified as Level 3 in Private Markets was determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For the year ended March 31, 2023, such fair value was determined at least semi-annually. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, management ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, management ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to Private Markets and fund investments are made as appropriate. Such adjustments are based on a number of factors including public market trading comparables, investment specific characteristics as well as market conditions and uncertainties at that time.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial Assets	Type of Investment	Fair Value (Canadian $ thousands)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	**9,538**	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	**137,404**	Discounted cash flow (DCF)	Discount rate[2, 3]	2.90% – 18.00% (7.80%)
				Terminal capitalization rate[2, 3]	3.20% – 12.25% (6.08%)
			Direct capitalization	Capitalization rate[2, 4]	2.51% – 10.00% (4.85%)
				Stabilized occupancy rate[4, 5]	98.00% – 100.00% (99.57%)
			Sales comparison approach	Price per square foot[4, 5]	$4.28 – $1,827.48 ($165.83)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**14,223**	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	**305,654**	DCF	Discount rate[2]	5.19% – 18.50% (9.58%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**110,708**	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	**11**	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	**91,976**	DCF	Discount rate[2]	7.02% – 30.09% (12.24%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	**29,522**	NAV[1]	N/A	N/A
Alternative investments	Fund investments	**40,753**	NAV[1]	N/A	N/A
Total		**739,789**			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4 There is no predictable direct relationship between this input and any other significant unobservable input.
5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.3. Level 3 Significant Inputs (continued)

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial Assets	Type of Investment	Fair Value (Canadian $ thousands)	Significant Valuation Techniques	Significant Unobservable Inputs	Range (Weighted Average)
Public markets					
Foreign equity	Direct investments	4,052	NAV[1]	N/A	N/A
Private markets					
Real estate	Direct and co-investments	155,644	Discounted cash flow (DCF)	Discount rate[2, 3]	3.30% - 19.00% (7.40%)
				Terminal capitalization rate[2, 3]	3.56% - 12.00% (5.60%)
			Direct capitalization	Capitalization rate[2, 4]	2.35% - 10.00% (4.62%)
				Stabilized occupancy rate[4, 5]	98.00% - 100.00% (99.55%)
			Sales comparison approach	Price per square foot[4, 5]	$3.42 – $1,750.44 ($256.48)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	14,327	NAV[1]	N/A	N/A
Other private markets	Direct and co-investments	269,062	DCF	Discount rate[2]	5.50% - 20.00% (9.68%)
			Market comparables	N/A	N/A
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	104,894	NAV[1]	N/A	N/A
Fixed income					
Corporate bonds	Asset-backed term notes	11	Third-party pricing[1]	N/A	N/A
Private debt securities	Direct and co-investments	94,843	DCF	Discount rate[2]	4.25% - 23.48% (12.56%)
			NAV[1]	N/A	N/A
			Transaction price	N/A	N/A
	Fund investments	30,590	NAV[1]	N/A	N/A
Alternative investments	Fund investments	39,217	NAV[1]	N/A	N/A
Total		712,640			

[1] In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSP Investments.
[2] An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
[3] An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
[4] There is no predictable direct relationship between this input and any other significant unobservable input.
[5] An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

4. Financial Assets and Financial Liabilities (continued)

4.2. Fair Value Hierarchy (continued)

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024:

(Canadian $ thousands)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Into Level 3	Closing Balance
Public markets	**4,052**	**1,862**	**(550)**	**–**	**326**	**3,848**	**–**	**9,538**
Private markets	**543,927**	**57,763**	**(38,021)**	**–**	**9,039**	**(4,977)**	**258**	**567,989**
Fixed income	**125,444**	**24,918**	**(30,048)**	**–**	**1,186**	**9**	**–**	**121,509**
Alternative investments	**39,217**	**2,288**	**(4,491)**	**–**	**1,043**	**2,696**	**–**	**40,753**
Total	**712,640**	**86,831**	**(73,110)**	**–**	**11,594**	**1,576**	**258**	**739,789**

As at March 31, 2023, listed foreign equity securities with a fair value of $258 thousand were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023:

(Canadian $ thousands)	Opening Balance	Purchases	Sales	Settlements	Realized Gains	Unrealized Gains (Losses)[1]	Transfer Out of Level 3	Closing Balance
Public markets	5,649	153	(529)	–	112	(1,139)	(194)	4,052
Private markets	493,270	75,805	(41,994)	–	14,328	3,417	(899)	543,927
Fixed income	107,140	32,960	(18,026)	–	1,494	1,876	–	125,444
Alternative investments	35,362	2,870	(2,416)	–	445	2,956	–	39,217
Total	641,421	111,788	(62,965)	–	16,379	7,110	(1,093)	712,640

[1] Includes Plan Account allocation adjustments.

As at March 31, 2022, a public market investment of $194 thousand in a non-listed fund that held listed securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSP Investments and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of $899 thousand was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSP Investments are unregistered and can only be sold upon their registration.

4.2.5. Level 3 Sensitivity Analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 4.2.3. Although such assumptions reflect management's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2024 (March 31, 2023 – 4% increase and 4% decrease) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSP Investments. In the case of fund investments, the fair value is determined as indicated in Note 4.2.2.

5. Collateral Pledged and Received

PSP Investments is party to agreements that involve pledging and holding collateral, as outlined in Notes 2.3.5, 2.3.6 and 7.2.1. The following table illustrates the fair values of the Plan Account's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Securities lending and borrowing		
Securities lent	**16,775**	18,087
Collateral held[1]	**17,391**	18,935
Securities borrowed	**10,697**	7,969
Collateral pledged[2, 3]	**11,002**	8,466
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**21,392**	39,435
Collateral pledged[3]	**21,404**	39,189
Securities purchased under reverse repurchase agreements	**9,355**	5,354
Collateral held[4]	**9,337**	5,337
Derivative contracts		
Collateral pledged[3]	**8,970**	8,954
Collateral held[5]	**8,192**	7,701

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102%, and in the case of securities denominated in different currencies 105%. In exchange for securities lent, cash and securities received as at March 31, 2024, were $2,233 thousand and $15,158 thousand, respectively (March 31, 2023 –$3,495 thousand and $15,440 thousand, respectively). All cash amounts are reinvested.
2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.
3 The total of $41,376 thousand of collateral pledged was recognized as financial assets as disclosed in Note 4.1 (March 31, 2023 – $56,609 thousand).
4 The collateral received is in the form of securities of which $2,391 thousand has been used in connection with short selling transactions as at March 31, 2024 (March 31, 2023 – $2,339 thousand) and nil has been used in connection with securities sold under repurchase agreements (March 31, 2023 – $1,267 thousand).
5 As part of collateral held, cash amounted to $495 thousand as at March 31, 2024 (March 31, 2023 – $468 thousand) and securities amounted to $7,697 thousand as at March 31, 2024 (March 31, 2023 – $7,233 thousand). All cash collateral is reinvested.

6. Interests in Other Entities

6.1. Subsidiaries, Joint Ventures and Associates

As an investment entity, PSP Investments does not consolidate its subsidiaries other than those that solely provide services that relate to its investment activities. PSP Investments measures its investments in its subsidiaries, joint ventures and associates at FVTPL as described in Note 2.1.

For purposes of preparing this note, management assesses control, joint control and significant influence as follows:

(i) Control and significant influence

A subsidiary is an entity which is controlled by PSP Investments. PSP Investments determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which PSP Investments has significant influence, as in certain cases, PSP Investments does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSP Investments determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSP Investments' ownership interest, other contractual arrangements, or a combination thereof.

(ii) Joint control

PSP Investments determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSP Investments. As at March 31, 2024, 145 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (March 31, 2023 – 128 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa).

In addition, PSP Investments controlled 92 investees directly or through its investment entity subsidiaries as at March 31, 2024 (March 31, 2023 – 84 investees).

6. Interests in Other Entities (continued)

6.1. Subsidiaries, Joint Ventures and Associates (continued)

The following tables present, in descending order, the most significant investees held directly or indirectly by PSP Investments where it has control, joint control or significant influence.

				March 31, 2024
Entity's name	**Financial Asset Class**	**Principal Place of Business**	**Ownership Interest Held by PSP Investments (%)**	**Relationship to PSP Investments**
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**
Andante InvesteeCo Inc.	**Infrastructure**	**Oceania**	**30**	**Jointly controlled**
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

				March 31, 2023
Entity's name	Financial Asset Class	Principal Place of Business	Ownership Interest Held by PSP Investments (%)	Relationship to PSP Investments
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	22	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
Willow Topco Limited	Infrastructure	Europe	74	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Revera inc.	Real Estate	North America	100	Controlled
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Alliant	Private Equity	North America	12	Associate

In addition to the above, PSP Investments consolidates wholly owned subsidiaries that solely provide services that relate to its investment activities. Such services consist of investment management, as well as, financing of private market investments within the context of PSP Investments' capital market debt program described in Note 8.2.

6.2. Structured Entities

PSP Investments holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose PSP Investments to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 16 and commitments under Note 17.

7. Investment Risk Management

PSP Investments is required to act in the best interests of the contributors and beneficiaries under the Plans and for maximizing returns without undue risk of loss. In pursuit of this objective, PSP Investments established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSP Investments is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSP Investments' risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSP Investments' various investment strategies. Investment risks include market, credit and liquidity risks.

7.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

7.1.1. Measurement of Market Risk

As at March 31, 2024, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to PSP Investments' active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, PSP Investments uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically PSP Investments would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at the end of the period:

(%)	**March 31, 2024**	March 31, 2023
Active VaR	**5.0**	4.8
Absolute VaR	**19.2**	19.6

Stress Testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSP Investments uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the Plan Account's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 4.1, with the most significant exposure to interest rate risk were as follows as at:

						March 31, 2024
(Canadian $ thousands)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	14,451[1]	14,451
Money market securities	–	–	–	–	34,505[1]	34,505
Government and corporate bonds	1,873	41,288	38,968	26,761	992[2]	109,882
Inflation-linked bonds	–	37,340	20,891	14,985	–	73,216
Private debt securities	153	45,444	29,566	15,927	30,408[3]	121,498
Total fixed income	2,026	124,072	89,425	57,673	80,356	353,552

						March 31, 2023
(Canadian $ thousands)	Less than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Other	Total
Cash and cash equivalents	–	–	–	–	28,911[1, 4]	28,911
Money market securities	–	–	–	–	34,442[1, 4]	34,442
Government and corporate bonds	2,805	42,147	27,491	22,097	1,375[2]	95,915
Inflation-linked bonds	–	20,129	16,386	10,736	–	47,251
Private debt securities	4,289	27,665	47,036	17,138	29,305[3]	125,433
Total fixed income	7,094	89,941	90,913	49,971	94,033	331,952

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.
2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.
3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.
4 During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $750,594 thousand as at March 31, 2024 ($708,232 thousand as at March 31, 2023) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 4.1.4, which amounted to $105,413 thousand as at March 31, 2024 ($102,847 thousand as at March 31, 2023), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 4.1.10 and 4.1.12, respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7.1.1.

The terms to maturity of PSP Investments' capital market debt financing are disclosed in Note 8.2.

Interest Rate Benchmark Reform

PSP Investments holds a number of financial instruments that will mature after the date the Interbank Offered Rate ("IBOR") to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates ("ARRs") to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSP Investments has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSP Investments has adhered to the International Swaps and Derivatives Association ("ISDA") Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2024, only instruments referencing Canadian Dollar Offered Rate ("CDOR") and expected to mature after June 28, 2024, remain.

(Canadian $ thousands)	CDOR
Non-derivative financial assets fair value	1,497
Derivatives notional	3,058

7. Investment Risk Management (continued)

7.1. Market Risk (continued)

7.1.3. Foreign Currency Risk

PSP Investments is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSP Investments may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the Plan Account were as follows as at:

		March 31, 2024
Currency	Fair Value (Canadian $ thousands)	% of Total
US Dollar	**696,488**	**67.2**
Euro	**109,593**	**10.6**
Japanese Yen	**40,403**	**3.9**
British Pound	**38,568**	**3.7**
Indian Rupee	**23,399**	**2.3**
Australian Dollar	**17,753**	**1.7**
Mexican Peso	**16,906**	**1.6**
Brazilian Real	**12,772**	**1.2**
Swiss Franc	**9,877**	**1.0**
Singapore Dollar	**7,148**	**0.7**
Hong Kong Dollar	**6,833**	**0.7**
New Taiwan Dollar	**6,386**	**0.6**
Others	**49,918**	**4.8**
Total	**1,036,044**	**100.0**

As at March 31, 2024, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $118,805 thousand for the Plan Account (US $71,312 thousand, €12,569 thousand, £1,693 thousand, 4,525 thousand Mexican pesos, 553 thousand Australian dollars, 4,190 thousand Indian rupees and 12,820 thousand Japanese yen) which were not included in the foreign currency exposure table above.

		March 31, 2023
Currency	Fair Value (Canadian $ thousands)	% of Total
US Dollar	637,667	66.0
Euro	116,572	12.1
Hong Kong Dollar	43,571	4.5
British Pound	35,653	3.7
Japanese Yen	23,421	2.4
Indian Rupee	15,563	1.6
Mexican Peso	15,199	1.6
New Taiwan Dollar	8,630	0.9
Singapore Dollar	8,366	0.9
Swiss Franc	7,763	0.8
South African Rand	6,995	0.7
Others	46,273	4.8
Total	965,673	100.0

As at March 31, 2023, PSP Investments and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $134,938 thousand for the Plan Account (US $84,828 thousand, €10,532 thousand, £1,717 thousand, 91 thousand South African rands, 7,466 thousand Mexican pesos, 974 thousand Australian dollars, 9,101 thousand Indian rupees and 17,572 thousand Japanese yen) which were not included in the foreign currency exposure table above.

7. Investment Risk Management (continued)

7.2. Credit Risk

PSP Investments is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSP Investments relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSP Investments. To perform this evaluation for public issuers and counterparties, PSP Investments relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSP Investments uses the lowest of the available ratings. For private issuers, PSP Investments assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSP Investments uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2024, the Plan Account's maximum exposure to credit risk amounted to $367 million (March 31, 2023 – $344 million). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 16 as well as investments in funds classified as alternative investments in Note 4.1. Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSP Investments periodically produces a concentration report by credit rating for credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at:

								March 31, 2024
(Canadian $ thousands)	**Government and Corporate Bonds[1]**	**Inflation-Linked Bonds[1]**	**Cash Equivalents[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements**	**OTC Derivatives[2]**	**Private Debt Securities[1]**	**Total[1]**
AAA-AA	**70,769**	**72,973**	**10,317**	**31,729**	**4,253**	**154**	**–**	**190,195**
A	**31,669**	**–**	**1,987**	**551**	**4,260**	**5,292**	**–**	**43,759**
BBB	**5,136**	**448**	**–**	**–**	**820**	**–**	**309**	**6,713**
BB or below	**2,965**	**–**	**–**	**–**	**–**	**–**	**122,298**	**125,263**
No rating[3]	**331**	**–**	**–**	**–**	**–**	**–**	**270**	**601**
Total	**110,870**	**73,421**	**12,304**	**32,280**	**9,333**	**5,446**	**122,877**	**366,531**

								March 31, 2023
(Canadian $ thousands)	Government and Corporate Bonds[1]	Inflation-Linked Bonds[1]	Cash Equivalents[1, 4]	Money Market Securities[1, 4]	Reverse Repurchase Agreements	OTC Derivatives[2]	Private Debt Securities[1]	Total[1]
AAA-AA	62,550	47,355	20,936	32,118	660	308	–	163,927
A	27,840	–	5,710	162	4,387	8,617	–	46,716
BBB	2,739	–	–	–	235	–	1,441	4,415
BB or below	3,111	–	–	–	–	–	124,039	127,150
No rating[3]	429	–	–	–	–	–	1,138	1,567
Total	96,669	47,355	26,646	32,280	5,282	8,925	126,618	343,775

[1] Includes interest receivable.
[2] As disclosed in Note 4.1.12.
[3] Includes securities for public issuers and counterparties, that are either not rated by credit rating agencies or rated by a single credit rating agency.
[4] During the year ended March 31, 2024, cash and cash equivalents were reclassified out of money market securities and presented separately in order to better reflect their unique nature and characteristics. Accordingly, comparative figures were reclassified to present cash and cash equivalents separately and to decrease money market securities by the same amount.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.1. Counterparty Risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSP Investments requires that counterparties provide adequate collateral and meet its credit rating requirements. PSP Investments frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSP Investments has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSP Investments' policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSP Investments to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSP Investments to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSP Investments does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2.3.5 and 2.3.6 describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSP Investments and its counterparties is disclosed in Note 5.

In the case of the securities lending program, PSP Investments' exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

Management is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, management measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

7.2.2. Offsetting

PSP Investments is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the Statements of Financial Position. Securities repurchase and reverse repurchase agreements described in Notes 2.3.6 and 5 are subject to similar arrangements however they are not offset as the conditions for offsetting are not met.

7. Investment Risk Management (continued)

7.2. Credit Risk (continued)

7.2.2. Offsetting (continued)

The following tables present the financial assets and liabilities described above:

Financial Assets

(Canadian $ thousands)	Gross Amount of Recognized Financial Assets	Less: Gross Amount of Recognized Financial Liabilities Set Off	Net Amount of Financial Assets Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Liabilities	Collateral Held and Not Recognized	
March 31, 2024						
Reverse repurchase agreements	**9,333**	**–**	**9,333**[1]	**3,184**	**6,147**	**2**
OTC derivatives	**5,446**	**–**	**5,446**[2]	**3,579**	**1,789**	**78**
Total	**14,779**	**–**	**14,779**	**6,763**	**7,936**	**80**
March 31, 2023						
Reverse repurchase agreements	5,282	–	5,282[1]	5,045	237	–
OTC derivatives	8,925	–	8,925[2]	6,366	1,898	661
Total	14,207	–	14,207	11,411	2,135	661

Financial Liabilities

(Canadian $ thousands)	Gross Amount of Recognized Financial Liabilities	Less: Gross Amount of Recognized Financial Assets Set Off	Net Amount of Financial Liabilities Presented in the Statements of Financial Position	Less: Related Amounts Not Set Off in the Statements of Financial Position		Net
				Recognized Financial Assets	Collateral Pledged and Not Derecognized	
March 31, 2024						
Repurchase agreements	**21,361**	**–**	**21,361**[1]	**3,184**	**18,177**	**–**
OTC derivatives	**3,920**	**–**	**3,920**[2]	**3,133**	**685**	**102**
Collateral payable	**495**	**–**	**495**[3]	**446**	**–**	**49**
Total	**25,776**	**–**	**25,776**	**6,763**	**18,862**	**151**
March 31, 2023						
Repurchase agreements	38,970	–	38,970[1]	5,045	33,925	–
OTC derivatives	6,675	–	6,675[2]	5,937	713	25
Collateral payable	468	–	468[3]	429	–	39
Total	46,113	–	46,113	11,411	34,638	64

[1] As described in Note 4.1.10.
[2] As described in Note 4.1.12.
[3] As described in Note 4.1.9. The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 4.1 as part of collateral payable.

7. Investment Risk Management (continued)

7.3. Liquidity Risk

Liquidity risk corresponds to the risk that PSP Investments will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSP Investments' cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. Management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, base levels of liquidity are maintained for deployment in case of market disruption. Further, see Note 2.3.8 for liquidity related to PSP Investments' net assets.

PSP Investments has the ability to raise additional capital through the use of its capital market debt program. This program allows PSP Investments to issue short-term promissory notes and medium-term notes. Note 8.2 provides additional information on the usage of the capital market debt program. Furthermore, PSP Investments maintains credit facilities for general corporate purposes. Note 8.1 provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 4.1.12.

Financial Liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	**(2,203)**	**–**	**–**	**(2,203)**
Interest payable	**(577)**	**(96)**	**–**	**(673)**
Securities sold short	**(13,087)**	**–**	**–**	**(13,087)**
Collateral payable	**(2,725)**	**–**	**–**	**(2,725)**
Securities sold under repurchase agreements	**(19,982)**	**(1,379)**	**–**	**(21,361)**
Capital market debt financing[2]	**(25,647)**	**(19,114)**	**(65,292)**	**(110,053)**
Trade payable and other liabilities	**(1,440)**	**(22)**	**(579)**	**(2,041)**
Total	**(65,661)**	**(20,611)**	**(65,871)**	**(152,143)**

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	**2,450**	**1,187**	**1,886**	**5,523**
Derivative-related liabilities[1]	**(2,079)**	**(964)**	**(944)**	**(3,987)**
Total	**371**	**223**	**942**	**1,536**

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $125,628 thousand as at March 31, 2024.

7. Investment Risk Management (continued)

7.3. Liquidity Risk (continued)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 and excluding the impact of guarantees and indemnities disclosed in Note 16:

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Non-derivative-related financial liabilities[1]				
Amounts payable from pending trades	(4,455)	–	–	(4,455)
Interest payable	(433)	(48)	–	(481)
Securities sold short	(10,308)	–	–	(10,308)
Collateral payable	(3,954)	–	–	(3,954)
Securities sold under repurchase agreements	(36,239)	(2,731)	–	(38,970)
Capital market debt financing[2]	(15,450)	(20,049)	(63,823)	(99,322)
Trade payable and other liabilities	(1,540)	(18)	(602)	(2,160)
Total	(72,379)	(22,846)	(64,425)	(159,650)

(Canadian $ thousands)	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Derivative-related financial instruments				
Derivative-related assets	4,987	2,570	1,528	9,085
Derivative-related liabilities[1]	(3,803)	(2,115)	(835)	(6,753)
Total	1,184	455	693	2,332

[1] Liabilities are presented in the earliest period in which the counterparty can request payment.
[2] The total undiscounted cash flows amounted to $110,973 thousand as at March 31, 2023.

8. Borrowings

8.1. Credit Facilities

PSP Investments maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together “the Credit Facilities”).

The Credit Facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these Credit Facilities are available at variable interest rates such as the prime rate and the US base rate.

These Credit Facilities were not drawn upon as at March 31, 2024 and 2023.

8.2. Capital Market Debt Financing

PSP Investments’ capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly-owned subsidiary of PSP Investments. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSP Investments in accordance with its corporate leverage policy.

The maximum amount authorized by the Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

PSP Investments’ capital market debt financing was in compliance with the limits authorized by the Board of Directors during the years ended March 31, 2024 and 2023.

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

The following outlines the terms as well as the fair value of the short-term notes issued under the capital market debt program as at:

(Canadian $ thousands)		March 31, 2024			March 31, 2023		
Currency	**Term at Issuance**	**Interest Rate (%)**	**Capital Amounts Payable at Maturity**	**Fair Value**	Interest Rate (%)	Capital Amounts Payable at Maturity	Fair Value
CAD	180 days or less	**–**	**–**	**–**	4.41–4.44	165	165
USD	365 days or less	**4.73–5.49**	**22,421**	**22,117**	2.40–5.56	29,895	29,571
EUR	215 days or less	**3.85–3.93**	**2,917**	**2,893**	–	–	–
GBP	245 days or less	**5.18–5.24**	**2,138**	**2,123**	–	–	–
AUD	79 days or less	**4.28**	**540**	**537**	–	–	–
Total short-term notes			**28,016**	**27,670**		30,060	29,736

The following outlines the terms as well as the fair value of the medium-term notes issued under the capital market debt program allocated to the Plan Account as at:

(Canadian $ thousands)				March 31, 2024		March 31, 2023	
Maturity	**Series**	**Currency**	**Interest Rate**	**Capital Amounts Payable at Maturity**	**Fair Value**	Capital Amounts Payable at Maturity	Fair Value
November 2023	9	CAD	2.09%	**–**	**–**	5,850	5,763
April 2024	7	CAD	3.29%	**4,835**	**4,835**	5,430	5,374
September 2024	G2	USD	0.50%	**6,892**	**6,742**	6,989	6,595
March 2025	G5	USD	SOFR[1]+24 bps	**5,514**	**5,514**	5,591	5,571
November 2025	11	CAD	3.00%	**4,727**	**4,623**	5,164	5,063
June 2026	13	CAD	0.90%	**5,798**	**5,395**	5,970	5,484
June 2026	G1	USD	1.00%	**5,514**	**5,076**	5,591	5,061
June 2027	G6	USD	3.50%	**5,514**	**5,332**	5,591	5,461
March 2028	14	CAD	1.50%	**3,973**	**3,625**	4,131	3,764
October 2028	G3	USD	1.63%	**5,514**	**4,866**	5,591	4,925
February 2029	A1	AUD	4.63%	**5,396**	**5,441**	–	–
June 2029	G8	CAD	3.75%	**5,704**	**5,669**	5,742	5,824
January 2030	12	CAD	2.05%	**5,093**	**4,605**	5,106	4,657
December 2030	G13[2]	CAD	4.40%	**4,075**	**4,178**	–	–
March 2032	G4[2]	CAD	2.60%	**4,075**	**3,660**	4,131	3,802
August 2032	G7	AUD	4.57%	**827**	**815**	861	859
January 2033	G9	AUD	4.82%	**719**	**719**	749	759
June 2033	G11	CAD	4.15%	**10,186**	**10,187**	–	–
March 2038	G10	EUR	3.68%	**596**	**626**	607	624
July 2043	G12	EUR	3.68%	**447**	**475**	–	–
Total medium-term notes				**85,399**	**82,383**	73,094	69,586
Total capital market debt financing				**113,415**	**110,053**	103,154	99,322

[1] Secured Overnight Financing Rate
[2] Green bonds

Unrealized losses in connection with borrowings amounted to $166 thousand for the year ended March 31, 2024 (unrealized losses of $1,075 thousand for the year ended March 31, 2023).

8. Borrowings (continued)

8.2. Capital Market Debt Financing (continued)

Interest expense, for the years ended March 31, was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term promissory notes	**1,484**	919
Medium-term notes	**2,097**	1,375
Total	**3,581**	2,294

8.3. Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024.

				Non-cash Changes		
(Canadian $ thousands)	**Opening Balance**	**Proceeds from Borrowings**	**Repayment of Borrowings**	**Foreign Exchange Gains**	**Fair Value[1] Losses**	**Closing Balance**
Capital market debt financing	**99,322**	**129,047**	**(118,442)**	**(403)**	**529**	**110,053**
Borrowings	**99,322**	**129,047**	**(118,442)**	**(403)**	**529**	**110,053**

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023.

				Non-cash Changes		
(Canadian $ thousands)	Opening Balance	Proceeds from Borrowings	Repayment of Borrowings	Foreign Exchange Losses	Fair Value[1] Gains	Closing Balance
Capital market debt financing	94,976	117,211	(114,274)	2,482	(1,073)	99,322
Borrowings	94,976	117,211	(114,274)	2,482	(1,073)	99,322

[1] Includes interest on short-term promissory notes, which added to cost approximates their fair value.

9 Equity

9.1. Statutory Rights Held by the Government of Canada

Pursuant to the *Superannuation Acts*, the Government of Canada is entitled to PSP Investments' net assets allocated to each of the Plan Accounts for the purposes set out in the *Superannuation Acts*. The allocation of PSP Investments' net assets and net income to each of the Plan Accounts at a point in time is based on the allocation policy outlined in Note 13.

9.2. Fund Transfers

PSP Investments did not receive any fund transfers from the Government of Canada for the year ended March 31, 2024 (no transfers for the year ended March 31, 2023) for the Fund.

10. Segment Information

In order to fulfil its mandate, PSP Investments manages a diversified global portfolio composed of investments in various asset classes and has implemented an investment approach that focuses on the total fund approach rather than only on individual asset classes. The total fund approach guides the long-term investment strategy and focuses on managing total fund allocations and exposures in terms of asset classes, sectors and risk factors.

Accordingly, PSP Investments' investment segments are presented below to reflect the way in which asset classes are managed and how results are reviewed by the entity's senior management for purposes of performance management and decision making. These investment segments include their respective share of investment-related assets and investment-related liabilities as well as borrowings, which are reported separately by nature of the underlying investments as disclosed in Note 4.1. Further, to support PSP Investments' investment approach, a Complementary Portfolio is managed in addition to the individual asset classes' portfolios, which enables PSP Investments to capture investment opportunities that fit the mandate but that are outside the scope of the individual asset classes' investment framework.

10. Segment Information (continued)

Investment segments consist of investments held through direct and co-ownership positions as well as through fund managers and include:

- Public Equity – invests in public market equities and other similar securities.
- Private Equity – invests in private entities with similar objectives.
- Fixed Income – invests in government and corporate fixed income.
- Credit Investments – invests in non-investment grade primary and secondary credit investments.
- Real Estate – invests in real estate assets mainly in retirement and residential, office, retail and other industrial sectors.
- Infrastructure – invests in private entities with a focus on assets in transportation, power generation, telecommunications and other regulated businesses.
- Natural Resources – invests in real assets with a focus on assets in timberlands, agriculture and upstream oil and gas.
- Complementary Portfolio – focuses on investments that are not within the mandate of existing asset classes but are deemed beneficial for the total fund.

The following table presents net investments by investment segment as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Public Equity	**226,708**	220,772
Private Equity	**164,580**	153,837
Fixed Income	**229,181**	186,052
Credit Investments	**106,843**	107,878
Real Estate	**110,946**	132,355
Infrastructure	**140,647**	121,304
Natural Resources	**61,918**	50,717
Complementary Portfolio	**9,579**	8,978
Other[1]	**28,785**	24,692
Total	**1,079,187**	1,006,585

[1] Includes cash and money market securities not managed within the investment segments.

The following table presents net income (loss) by investment segment for the years ended March 31:

	2024			2023		
(Canadian $ thousands)	**Investment Income (Loss)[2]**	**Expenses[3, 4]**	**Net Income (Loss)**	Investment Income (Loss)[2]	Expenses[3]	Net Income (Loss)
Public Equity	**35,307**	**(2,627)**	**32,680**	(1,707)	(1,788)	(3,495)
Private Equity	**18,373**	**(466)**	**17,907**	4,988	(579)	4,409
Fixed Income	**6,166**	**(872)**	**5,294**	2,639	(665)	1,974
Credit Investments	**14,270**	**(498)**	**13,772**	12,730	(483)	12,247
Real Estate	**(18,247)**	**(1,830)**	**(20,077)**	2,235	(1,469)	766
Infrastructure	**19,656**	**(1,322)**	**18,334**	20,775	(1,425)	19,350
Natural Resources	**4,301**	**(1,074)**	**3,227**	6,603	(780)	5,823
Complementary Portfolio	**1,750**	**(43)**	**1,707**	(335)	(11)	(346)
Other[5]	**1,255**	**(1,348)**	**(93)**	2,145	(714)	1,431
Total	**82,831**	**(10,080)**	**72,751**	50,073	(7,914)	42,159

[2] As described in Note 11, embedded within investment income are other fees paid by certain pooled fund investments and management fees not paid directly by PSP Investments.
[3] Includes all investment-related and operating expenses as disclosed in Notes 11 and 12, respectively.
[4] Total expenses exclude all investment-related and operating expenses associated with management services rendered to CGF.
[5] Includes income (loss) and expenses relating to cash and cash equivalents, as well as to money market securities not managed within the investment segments.

11. Investment-Related Expenses

Investment-related expenses allocated to the Plan Account are comprised of the following for the years ended March 31:

(Canadian $ thousands)	**2024**	2023
Interest expense	**5,527**	3,338
Transaction costs	**652**	577
External investment management fees[1]	**223**	272
Other (net)	**791**	625
Total	**7,193**	4,812

[1] Consists of amounts incurred for investments in public markets that are paid directly by PSP Investments. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to $1,315 thousand for the year ended March 31, 2024 ($802 thousand for the year ended March 31, 2023). Such fees are embedded in the fair value of the funds.

Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSP Investments. Such fees, which generally vary between 0.2% and 2.5% of the total invested and/or committed amount, totaled $2,391 thousand for the year ended March 31, 2024 ($2,436 thousand for the year ended March 31, 2023). Such fees are embedded in the fair value of the investments.

12. Operating Expenses

Operating expenses allocated to the Plan Account consisted of the following for the years ended March 31:

(Canadian $ thousands)	**2024**	2023
Salaries and employee benefits	**1,936**	1,917
Professional and consulting fees	**494**	574
Premises and equipment	**79**	78
Market data and business applications	**287**	253
Depreciation of property and equipment	**99**	107
Custodial fees	**19**	21
Other operating expenses	**95**	152
Total	**3,009**	3,102

13. Allocation of Net Income

PSP Investments' net income is allocated to each Plan Account as follows:

13.1. Investment Income

The investment income is allocated proportionately based upon the net investments of each Plan Account at the time the income was earned.

13.2. Expenses

The Act requires that the costs of operation of PSP Investments be charged to the Plan Accounts. Under section 4(3) of the Act, the President of the Treasury Board shall determine to which Plan Account these costs will be charged, in consultation with the Minister of National Defence and the Minister of Public Safety and Emergency Preparedness. An allocation policy was developed which allocates the direct costs of investment activities, such as external investment management fees and custodial fees, to each Plan Account, based upon the net investments of each Plan Account at the time the expense was incurred.

Operating expenses excluding the direct cost of investment activities listed above, for the years ended March 31, were allocated in proportion to the annual amount of net investments of each Plan Account as follows:

(%)	**2024**	2023
Public Service Pension Plan Account	**73.2**	73.0
Canadian Forces Pension Plan Account	**19.2**	19.4
Royal Canadian Mounted Police Pension Plan Account	**7.2**	7.2
Reserve Force Pension Plan Account	**0.4**	0.4
Total	**100.0**	100.0

14. Related Party Transactions

14.1. Certain Investees

As outlined in Note 2.1, investments in unconsolidated subsidiaries, jointly controlled investees and associates are measured at FVTPL. Transactions between PSP Investments and such entities or subsidiaries of such entities are related party transactions. PSP Investments enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1 as well as guarantees, indemnities and commitments described under Notes 16 and 17, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net income as those with unrelated parties.

Transactions between PSP Investments and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

14.2. The Government of Canada and Government-Related Entities

Since PSP Investments is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities").

(i) The Government of Canada

The only transactions undertaken between PSP Investments and the Government of Canada consist of the fund transfers outlined in Note 9.2.

(ii) Government-Related Entities

PSP Investments may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 4.1. Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on net assets and net income as those with unrelated parties. Consequently, PSP Investments is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

As disclosed in Note 1 and Note 2.1, PSP Investments provides investment services to CGF, a government-related entity. The only transactions undertaken between PSP Investments and CGF consist of investment management services, which are rendered in the normal course of operations.

14.3. Compensation of Key Management Personnel

Members of key management personnel are related parties of PSP Investments. Key management personnel are those persons having authority and responsibility for planning, directing and controlling PSP Investments' activities, directly or indirectly and consist of members of the Board of Directors, PSP Investments' senior management team and officers. Compensation earned by key management personnel allocated to the Plan Account for the years ended March 31 was recorded in the Statements of Net Income and was as follows:

(Canadian $ thousands)	**2024**	2023
Short-term compensation and other benefits	**77**	68
Long-term compensation and other benefits	**36**	39
Total	**113**	107

As disclosed in Note 16, PSP Investments may also be required to indemnify certain members of key management personnel for costs incurred, such as claims, actions or litigations in connection with the exercise of specific aspects of their duties.

15. Capital Management

As an investment company, PSP Investments' objectives in managing its capital are:

- To invest fund transfers, outlined in Note 9.2, in the best interests of the beneficiaries and contributors under the *Superannuation Acts*. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the Plans established under the *Superannuation Acts* and the ability of the Plans to meet their financial obligations. The funds are also invested in accordance with the Investment Risk Management policies which are outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSP Investments has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 8.2 provides information on the capital market debt financing and Note 7.3 provides information on PSP Investments' liquidity.

The capital structure of PSP Investments consists of fund transfers and capital market debt financing. PSP Investments has no externally imposed restrictions on capital.

16. Guarantees and Indemnities

PSP Investments provides indemnification to its directors, its officers, its employees and to certain PSP Investments representatives asked to serve as directors or officers of entities in which PSP Investments or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the Act, PSP Investments may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSP Investments has not received any claims or made any payment for such indemnities.

In certain cases, PSP Investments also provides indemnification to third parties in the normal course of business. As a result, PSP Investments may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSP Investments has not received any claims nor made any payments for such indemnities.

PSP Investments unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 8.

In certain investment transactions, PSP Investments and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2024 and 2023, PSP Investments and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSP Investments or its investment entity subsidiaries could assume obligations of up to $2,717 million as at March 31, 2024 (March 31, 2023 – $2,643 million), of which $11,069 thousand has been allocated to the Plan Account (March 31, 2023 - $10,920 thousand) plus applicable interest and other related costs. The arrangements mature between May 2024 and June 2042 as of March 31, 2024 (March 31, 2023 – between June 2023 and June 2042).
- Additionally, PSP Investments and its investment entity subsidiaries issued letters of credit totalling $1 million as at March 31, 2024 (March 31, 2023 – $1 million), of which $4 thousand has been allocated to the Plan Account (March 31, 2023 – $3 thousand) in relation to investment transactions.

17. Commitments

PSP Investments and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSP Investments' commitments that would be assumed by the Plan Account was as follows as at:

(Canadian $ thousands)	**March 31, 2024**	March 31, 2023
Foreign equity	**12**	12
Real estate	**15,716**	18,936
Private equity	**46,344**	54,323
Infrastructure	**16,256**	24,389
Natural resources	**1,957**	2,781
Private debt securities	**35,221**	28,764
Alternative investments	**6,345**	8,456
Total	**121,851**	137,661

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2024 (March 31, 2023 – 2041).

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