

Additional Information for Media

2020 HIGHLIGHTS

- One-year weighted average net return of all client portfolios was 5.4%, meeting the benchmark.
- Client net returns ranged from 0.2% to 7.1%, reflecting differing asset allocation strategies (and in the case of one client, a portfolio in transition and not yet actively invested).
- Assets under management rose to \$73.3 billion (Dec. 31, 2020).
- Saved \$10 million in investment management fees, exceeding cost savings target by 25%.
- Managed client liquidity without any forced selling; rebalanced into equities and credit.
- Welcomed the Provincial Judges' Pension Board and WISE Trust (Workplace Insurance and Safety Employee Trust).
- First pooled investment product launched (IMCO Canadian Public Equities Pool).
- Reduced manager roster by approximately 50%, eliminated fund-of-funds and identified key external partners in each asset class.
- Approved Environmental, Social and Governance (ESG) strategy.

IMCO's Assets Under Management *(Dec. 31, 2020)*

	<i>\$ Billions</i>	<i>%</i>
Public Equities	\$26.3	36%
Fixed Income	\$14.1	19%
Real Estate	\$10.2	14%
Infrastructure	\$6.0	8%
Public Market Alternatives	\$3.8	5%
Diversified Markets	\$3.2	5%
Global Credit	\$4.6	6%
Private Equity	\$2.7	4%
Money Market and Other	\$2.4	3%
IMCO Total AUM	\$73.3	100%

More details about each asset class are available on www.imcoinvest.com.

PORTFOLIO HIGHLIGHTS

As of Jan. 1, 2020, IMCO began to manage client assets according to the IMCO investment strategies. This required a complex transition of portfolios, involving the disposition of some assets and purchase of others, and the termination of certain external manager relationships.

Bert Clark, President and CEO said:

“IMCO made excellent progress in advancing the targeted changes in 2020. We accomplished much of the planned transitions, even as we managed through material changes in the investment environment due to COVID-19. Significant changes in various portfolios are expected over the next two years as we continue to manage certain illiquid assets that are not intended to remain part of our investment portfolios in the future.”

Notable Areas of Performance

Private Equity (One-year net return: 34.2% / One-year benchmark: 9.3%): IMCO’s private equity outperformance compared to benchmark is a result of efforts to engage with strategic fund partners and companies to preserve value through the COVID-19 pandemic, and to create value by repositioning the portfolio through new fund commitments and direct investments.

Global Credit (One-year net return: 11.1% / One-year benchmark: 6.1%): The primary driver of outperformance in 2020 was risk positioning. As credit markets began to recover, IMCO reduced portfolio duration to benchmark levels and added credit risk through new investments.

Infrastructure (One-year net return: 1.6% / One-year benchmark -10.1%): IMCO’s global infrastructure portfolio delivered low absolute returns. However, the strong performance relative to the benchmark resulted from outperformance in telecommunications, utilities, and clean energy investments, coupled with fully valued and well-timed exits. Offsetting the outperformance in those sectors was overall underperformance in transportation and energy infrastructure that was negatively impacted by the implication of COVID-19.

Asset Classes in Transition

Real Estate (One-year net return: -12.1% / One-year benchmark: -7.4%): The pandemic had a significant negative impact on retail property valuations, due to widespread lockdowns and other operating restrictions. Despite this, IMCO stayed focused on its strategy of diversifying its real estate portfolio by geography and asset type and investing with key external partners.

Public Equities (One-year net return: 10.7% / One-year benchmark: 12.2%): In 2020, IMCO focused on transitioning clients’ public equities portfolios to new strategies that seek to deliver outperformance by combining high-concentration external manager mandates emphasizing security selection, with low-cost, diversifying index and factor mandates. While IMCO’s efforts to optimize the portfolio’s geographic and industry exposure added value, a historic overweight in the portfolio to value stocks, which significantly underperformed growth stocks (including large-cap technology names), was a key factor in the portfolio’s underperformance against the benchmark.

Public Market Alternatives (One-year net return: 2.2% / One-year benchmark: 1.8%): Narrowly exceeding its benchmark, IMCO’s public market alternative program was still in the process of

undergoing significant transition in 2020 and was affected by market volatility before new strategies were completely executed. All legacy fund-of-funds were terminated, but some mandates will take time to unwind as IMCO develops a revitalized pipeline of non-correlated managers.

INVESTMENT HIGHLIGHTS

Real Estate

- In multi-residential, IMCO committed \$60 million to the KingSett Affordable Housing LP Fund, managed by KingSett Capital Inc. The fund will build and own high-quality apartment assets in Toronto and Vancouver at a time when a much-needed new supply of purpose-built rental properties is needed in both cities, while also earning returns for our clients.
- In commercial, IMCO committed US\$325 million to Breakthrough Life Science Property Fund, which plans to assemble a portfolio of Class A life science properties in leading U.S. technology centres. The company is a joint venture between a global real estate company, Tishman Speyer, and Belco Capital, a biotechnology investor.
- In industrial, IMCO entered a joint venture with WPT Industrial Real Estate Investment Trust, committing \$150 million to increase exposure to industrial properties in strategic U.S. logistics markets.
- IMCO committed US\$150 million to Dermody Properties Industrial Fund III LP, managed by Dermody, a U.S. operator and developer of industrial properties that focuses on new industrial/logistics properties and acquires under-used existing properties in U.S. urban markets.
- IMCO disposed of 12 properties with a total value of approximately CAD\$648 million.

Global Infrastructure

- IMCO completed the timely sale of its interest in Viesgo, a Spanish electricity provider, to funds managed by Macquarie Infrastructure and Real Assets.
- IMCO increased its investment by an additional €250 million in euNetworks, a European provider of bandwidth infrastructure services that owns and operates fibre-based metropolitan networks.
- IMCO made its first private emerging market investment in committing to a global emerging market fund.

Global Credit

- IMCO committed US\$200 million to the Sagard Credit Partners II Fund, which focuses on customized debt financing solutions to companies in Canada and the United States. The first closing of the fund was in December 2020 with total commitments of US\$650 million. Sagard Credit Partners II will provide access to an attractive part of the private direct debt market: The North American middle market.

- A co-investment alongside Brookfield Asset Management Inc. in Superior Plus, a publicly traded North American propane supplier was executed in 2020. This marked the first co-investment for IMCO's global credit team.
- IMCO made a US\$350 million commitment to Oaktree Opportunities Fund XI. This represented an initial allocation to distressed debt in recognition of the coming distressed debt cycle initiated by the pandemic's impact on the economy and companies.

Private Equity

- IMCO closed three private equity fund commitments in 2020, totaling \$1 billion, to mid-market buyout funds that are managed by firms with solid track records: Kohlberg Investors IX, managed by Kohlberg & Company; Nordic Capital X, managed by Nordic Capital; and North Haven Capital Partners VII, managed by Morgan Stanley Capital Partners.
- A US\$50 million co-investment alongside Kohlberg & Company was completed, in the acquisition of PCI Pharmaceutical Services, a leading global provider of drug development & manufacturing, clinical trial services, and commercial packaging technology.
- IMCO partnered with TorQuest Partners in the acquisition of VersaCold Logistics Services, one of Canada's leading cold storage warehousing and food logistics companies. This is viewed as a strong co-investment opportunity in a business with a market-leading position, recurring revenue base, and multiple prospects for growth.

STRATEGIC AND OPERATING HIGHLIGHTS

Delivered on consolidation mandate through launch of pooled investment products

IMCO launched its first pooled investment product in 2020, marking the culmination of several years of work and a significant turning point in the transformation of IMCO client portfolios to a substantially more efficient model.

The first product, the IMCO Canadian Public Equities Pool, has assets of \$3.5 billion. (Subsequent to year-end, IMCO established the IMCO Global Public Equities Pool, with approximately \$17.3 billion in assets, as well as the IMCO Emerging Markets Public Equities Pool with approximately \$6 billion in assets. To date, IMCO has now pooled approximately \$26.8 billion of its client assets.)

Bert Clark, President and Chief Executive Officer said:

"IMCO is the only investment management organization purpose-built to serve Ontario's public sector. Asset pooling was a major reason for creating IMCO and it lowers costs and gives clients access to a broader range of investment strategies."

Employees were resilient throughout 2020 and demonstrated strong crisis management with a steadfast focus on ensuring business continuity

As the pandemic took hold around the globe, the safety of employees was a key focus. Effective risk management was also prioritized as IMCO collaborated with clients to consider the pandemic environment, possible repercussions, and opportunities in various asset classes.

Bert Clark, President and Chief Executive Officer said:

“We would not have been able to achieve what we achieved in 2020 without everyone going above and beyond in a year that was stressful both professionally and personally. We have assembled a talented team and I am grateful to them for all their hard work in 2020.”

Created value for public sector clients through cost savings

IMCO saved \$10 million in investment management fees throughout 2020, exceeding its cost savings target by 25%. Costs were approximately 10% lower than what IMCO clients would have incurred to manage similar portfolios.

Cost reductions were driven by the elimination of costly fund-of-funds structures. IMCO also reduced its external manager roster from 200 to 124, reflecting its ongoing focus on partnerships with best-in-class managers that provide IMCO’s clients with access to differentiated investment opportunities.

Bert Clark, President and Chief Executive Officer said:

“IMCO represents an innovative solution for the Ontario Government. We reduce overall costs by pooling public sector assets, while enabling public sector entities to focus on their core purpose of delivering services to Ontarians.”

Achieved progress on ESG strategy

IMCO’s board of directors approved the Environmental, Social and Governance (ESG) strategy, which recognizes the link between ESG factors and financial performance and focuses on climate change, inclusion and diversity and corporate governance. IMCO integrates ESG risks and opportunities across investment processes within all IMCO asset classes.

Key activities:

- IMCO voted client shares at 4,177 public company meetings in 58 markets in 2020, equal to 99.8% of company holdings.
- IMCO became a signatory to the Responsible Investment Association’s (RIA) Canadian Investor Statement on Diversity & Inclusion.

Bert Clark, President and Chief Executive Officer said:

“We believe that companies that have plans for a less carbon intensive future, strong corporate governance and support inclusion and diversity among their employees, will perform better over the long-term.”

ABOUT IMCO

The Investment Management Corporation of Ontario (IMCO) manages \$73.3 billion on behalf of its public sector clients. IMCO's mandate is unique as it is the only purpose-built organization to deliver investment management services to broader public sector institutions in Ontario. In addition to creating better access to a diverse range of asset classes and investment opportunities, IMCO delivers portfolio construction advice and sophisticated risk management capabilities to its clients.

As a non-share capital corporation, IMCO delivers services on a cost recovery basis. It is an independent organization, operating at arm's length from government and guided by a highly experienced and professional Board of Directors.

For more information, visit www.imcoinvest.com or follow IMCO on LinkedIn and Twitter @imcoinvest

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