

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

September 30, 1999

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income / (Loss)

September 30, 1999

(unaudited)

	Three months ended September 30, 1999	Six months ended September 30, 1999
INVESTMENT ACTIVITIES		
Investment loss	\$ (13,048,817)	\$ (4,453,775)
Investment expenses	(81,754)	(122,104)
	<u>(13,130,571)</u>	<u>(4,575,879)</u>
ADMINISTRATIVE ACTIVITIES		
Salaries and other operating expenses	282,276	519,529
Professional and consulting fees	119,296	587,136
Directors' expenses	78,284	210,708
	<u>479,856</u>	<u>1,317,373</u>
NET LOSS FROM OPERATIONS	\$ (13,610,427)	\$ (5,893,252)

Statement of Changes in Net Assets

September 30, 1999

(unaudited)

	Three months ended September 30, 1999	Six months ended September 30, 1999
NET ASSETS, BEGINNING OF PERIOD	\$ 532,576,637	\$ 12,144,462
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (Note 3)	300,974,000	813,689,000
Net loss from operations	(13,610,427)	(5,893,252)
INCREASE IN NET ASSETS FOR THE PERIOD	287,363,573	807,795,748
NET ASSETS, END OF PERIOD	\$ 819,940,210	\$ 819,940,210

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

September 30, 1999

(unaudited)

	<u>Fair Value</u>	<u>Cost</u>	<u>% of Portfolio (At Cost)</u>
CANADIAN EQUITIES			
(Managed by TD Quantitative Capital)			
Emerald Canadian Equity Funds - 32,156,149 units (invested to substantially replicate the performance of the Toronto Stock Exchange 300 Composite Index)	\$ 663,536,729	\$ 658,775,421	
Total Canadian equities	663,536,729	658,775,421	81%
NON-CANADIAN EQUITIES			
(Managed by Barclays Global Investors)			
Barclays Global Investors Canada Limited US Equity Index Fund (Canada) - 7,444,802 units	77,372,079	80,693,999	
EAFE Equity Index Fund B - 1,476,649 units (collectively invested to substantially replicate the performance of the Morgan Stanley Capital International World Index ex-Canada)	77,442,707	75,315,598	
Total Non-Canadian equities	154,814,786	156,009,597	19%
TOTAL EQUITIES	\$ 818,351,515	\$ 814,785,018	100%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

September 30, 1999

(unaudited)

ORGANIZATION

The Canada Pension Plan Investment Board (the "Investment Board") was formed pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The shares of the Investment Board are owned by Her Majesty in right of Canada.

The Investment Board is responsible for managing amounts that are transferred to it under section 111 of the *Canada Pension Plan* in the best interests of the beneficiaries and contributors under that Act. The amounts are to be invested with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan (the "CPP") and the ability of the CPP to meet its financial obligations.

The Investment Board commenced operations October 1, 1998.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements present the financial position and operations of the Investment Board as a separate legal entity, and therefore include only a portion of the assets (as described in Note 2) and none of the pension liabilities of the CPP. The statements have been prepared in accordance with generally accepted accounting principles and the requirements of the Act and the accompanying Regulations.

Valuation of investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value for the investments represents unit values in pooled and mutual funds which reflect the market prices of the underlying securities.

2. INVESTMENTS

The Investment Board has prepared an Interim Statement of Investment Policies, Standards and Procedures (the "Statement") which sets out the manner in which assets shall be invested. In determining the asset mix, the Investment Board must take into consideration certain assets of the CPP which are held outside of the Investment Board. As of September 30, 1999, these assets totalled approximately \$30.7 billion (at cost) and consisted of government debt obligations. As a result, and in accordance with the Statement, 100% of the Investment Board's investments are allocated to equities with approximately 80% allocated to Canadian equities and the remainder to non-Canadian equities.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

September 30, 1999

(unaudited)

2. INVESTMENTS (continued)

The Regulations under the Act require the Investment Board's Canadian equities to substantially replicate the composition of one or more broad market indices. The Toronto Stock Exchange 300 Composite Index has been selected as an appropriate market index for the Canadian equities. Under the terms of the Statement, the Investment Board's investments in non-Canadian equities should also substantially replicate broad market indices. The Morgan Stanley Capital International World Index ex-Canada has been selected for this purpose. Investments are not hedged against foreign currency movements.

3. CANADA PENSION PLAN TRANSFERS

During the quarter, a total of \$512,715,000 was transferred to the Investment Board under Section 111 of the *Canada Pension Plan*.