

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

December 31, 1999

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income

December 31, 1999

(unaudited)

	Three months ended December 31, 1999	Three months ended December 31, 1998	Nine months ended December 31, 1999
INVESTMENT ACTIVITIES			
Investment income	\$ 230,357,991	\$ -	\$ 225,904,216
Investment expenses	(130,024)	-	(252,128)
	<u>230,227,967</u>	<u>-</u>	<u>225,652,088</u>
ADMINISTRATIVE ACTIVITIES			
Salaries and other operating expenses	452,079	86,963	971,608
Professional and consulting fees	287,079	184,342	874,215
Directors' expenses	91,289	94,283	301,997
	<u>830,447</u>	<u>365,588</u>	<u>2,147,820</u>
Recovery of start-up expenditures (Note 3)	-	(365,588)	-
NET INCOME FROM OPERATIONS	\$ 229,397,520	\$ -	\$ 223,504,268

Statement of Changes in Net Assets

December 31, 1999

(unaudited)

	Three months ended December 31, 1999	Three months ended December 31, 1998	Nine months ended December 31, 1999
NET ASSETS, BEGINNING OF PERIOD	\$ 819,940,210	\$ -	\$ 12,144,462
CHANGES IN NET ASSETS			
Canada Pension Plan transfers (Note 4)	663,232,000	-	1,476,921,000
Net income from operations	229,397,520	-	223,504,268
INCREASE IN NET ASSETS FOR THE PERIOD	892,629,520	-	1,700,425,268
NET ASSETS, END OF PERIOD	\$ 1,712,569,730	\$ -	\$ 1,712,569,730

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

December 31, 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 - 33,370,009 units (invested to substantially replicate the performance of the Toronto Stock Exchange 300 Composite Index)	\$ 826,050,068	\$ 686,975,729	
Canadian Equity Account (physical securities invested to substantially replicate the performance of the Toronto Stock Exchange 300 Composite Index)	574,162,524	520,567,386	
	1,400,212,592	1,207,543,115	81%
NON-CANADIAN EQUITIES (Managed by Barclays Global Investors)			
Barclays Global Investors Canada Limited US Equity Index Fund (Canada) - 13,153,498 units	155,079,854	144,831,297	
EAFE Equity Index Fund B - 2,571,804 units (collectively invested to substantially replicate the performance of the Morgan Stanley Capital International World Index ex-Canada)	155,538,212	136,720,309	
Total Non-Canadian equities	310,618,066	281,551,606	19%
TOTAL EQUITIES	\$ 1,710,830,658	\$ 1,489,094,721	100%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

December 31, 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. The Investment Board has a fiscal year end of March 31st.

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.

Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments.

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 December 31, 1999, these assets totalled approximately \$30.3 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

December 31, 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 indexes. 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 indexes. The Morgan Stanley Capital International World Index ex-Canada has been selected for this purpose. Investments are not hedged against foreign currency movements.

3. ALLOCATION FROM THE CPP ACCOUNT FOR START-UP EXPENDITURES

As permitted under Section 57 of the Act, during fiscal 1999 the Investment Board received an allocation of funds from the CPP for start-up expenditures. A total of \$365,588 in start-up expenditures was incurred in the three-month period ended December 31, 1998 and recovered from the CPP.

4. CANADA PENSION PLAN TRANSFERS

During the quarter, a total of \$663,232,000 (nil for the three months ended December 31, 1998; \$1,476,921,000 for the nine months ended December 31, 1999) was transferred to the Investment Board under Section 111 of the *Canada Pension Plan*.