



Condensed Interim Consolidated
Financial Statements of
Canada Pension Plan Investment Board

DECEMBER 31, 2019



Condensed Interim Consolidated Balance Sheet

(Unaudited)

<i>(CAD millions)</i>	As at December 31, 2019	As at March 31, 2019
Assets		
Investments	\$ 525,963	\$ 494,567
Pending trades receivable	2,947	4,692
Premises and equipment	465	387
Other assets	290	244
Total assets	529,665	499,890
Liabilities		
Investment liabilities	105,876	102,864
Pending trades payable	2,737	4,401
Accounts payable and accrued liabilities	621	645
Total liabilities	109,234	107,910
Net assets	\$ 420,431	\$ 391,980
Net assets, represented by:		
Share capital	\$ -	\$ -
Accumulated net income from operations	275,546	247,624
Accumulated net transfers from the Canada Pension Plan	144,885	144,356
Net assets	\$ 420,431	\$ 391,980

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

Condensed Interim Consolidated Statement of Comprehensive Income

(Unaudited)

<i>(CAD millions)</i>	For the three months ended		For the nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investment income	\$ 15,413	\$ 4,811	\$ 30,447	\$ 15,320
Investment management fees	(398)	(362)	(1,280)	(1,270)
Transaction costs	(168)	(175)	(365)	(398)
Net investment income (note 4)	\$ 14,847	\$ 4,274	\$ 28,802	\$ 13,652
Personnel costs	216	196	610	545
General operating expenses	84	103	270	273
Operating expenses	300	299	880	818
Net income from operations and comprehensive income	\$ 14,547	\$ 3,975	\$ 27,922	\$ 12,834

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

Condensed Interim Consolidated Statement of Changes in Net Assets

(Unaudited)

	For the three months ended				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
<i>(CAD millions)</i>					
As at October 1, 2019	10	\$ -	\$ 148,489	\$ 260,999	\$ 409,488
Total net income for the period		-	-	14,547	14,547
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	6,656	-	6,656
Transfers to the Canada Pension Plan		-	(10,260)	-	(10,260)
Balance at December 31, 2019	10	\$ -	\$ 144,885	\$ 275,546	\$ 420,431

	For the nine months ended				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
<i>(CAD millions)</i>					
As at April 1, 2018	10	\$ -	\$ 140,520	\$ 215,614	\$ 356,134
Total net income for the period		-	-	12,834	12,834
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	26,587	-	26,587
Transfers to the Canada Pension Plan		-	(27,064)	-	(27,064)
Balance at December 31, 2018	10	\$ -	\$ 140,043	\$ 228,448	\$ 368,491
As at April 1, 2019	10	\$ -	\$ 144,356	\$ 247,624	\$ 391,980
Total net income for the period		-	-	27,922	27,922
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	30,286	-	30,286
Transfers to the Canada Pension Plan		-	(29,757)	-	(29,757)
Balance at December 31, 2019	10	\$ -	\$ 144,885	\$ 275,546	\$ 420,431

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

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

<i>(CAD millions)</i>	For the nine months ended	
	December 31, 2019	December 31, 2018
Cash flows from operating activities		
Net income from operations	\$ 27,922	\$ 12,834
Adjustments for non-cash items:		
Amortization of premises and equipment	31	15
Realized and unrealized (gains) losses on debt financing liabilities	(441)	1,153
Adjustments for net changes in operating assets and liabilities:		
(Increase) in investments	(31,963)	(26,788)
Decrease (Increase) in pending trades receivable	1,745	(1,492)
Decrease (increase) in other assets	51	(29)
Increase in investment-related liabilities	1,655	11,440
(Decrease) Increase in pending trades payable	(1,664)	1,541
(Decrease) in accounts payable and accrued liabilities	(109)	(202)
Net cash flows (used in) operating activities	(2,773)	(1,528)
Cash flows from financing activities		
Transfers from the Canada Pension Plan	30,286	26,587
Transfers to the Canada Pension Plan	(29,757)	(27,064)
Proceeds from debt financing liabilities ¹	19,724	26,206
Repayments of debt financing liabilities ¹	(17,926)	(23,279)
Net cash flows provided by financing activities	2,327	2,450
Cash flows from investing activities		
Acquisitions of premises and equipment	(24)	(34)
Net cash flows (used in) investing activities	(24)	(34)
Net (decrease) increase in cash and cash equivalents	(470)	888
Effect of exchange rate changes on cash and cash equivalents	(79)	305
Cash and cash equivalents at the beginning of the period	8,706	8,296
Cash and cash equivalents at the end of the period	8,157	9,489
Cash and cash equivalents at the end of the period are comprised of:		
Cash held for operating purposes ²	185	149
Cash and cash equivalents held for investment purposes ³	7,972	9,340
Total	\$ 8,157	\$ 9,489

¹ The comparative cash flow figures have been revised for the reclassification of net cash flow of \$2,927 million from operating activities related to proceeds from and repayments of debt financing liabilities.

² Presented as a component of other assets on the Condensed Interim Consolidated Balance Sheet.

³ Presented as a component of investments on the Condensed Interim Consolidated Balance Sheet and money market securities on the Condensed Interim Consolidated Schedule of Investment Portfolio.

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

Condensed Interim Consolidated Schedule of Investment Portfolio

(Unaudited)

<i>(CAD millions)</i>	As at December 31, 2019	As at March 31, 2019
Equities		
Public equities	\$ 140,786	\$ 141,189
Private equities	109,404	96,659
Total equities	250,190	237,848
Fixed income		
Bonds	100,886	85,604
Other debt	29,860	27,325
Money market securities	10,823	9,829
Total fixed income	141,569	122,758
Absolute return strategies	25,809	25,512
Real assets		
Real estate	42,485	45,846
Infrastructure	35,049	33,131
Energy and resources	9,090	8,002
Power and renewables	5,391	5,075
Total real assets	92,015	92,054
Investment receivables		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	10,096	11,174
Derivative assets	3,483	3,192
Other	2,801	2,029
Total investment receivables	16,380	16,395
Total investments	\$ 525,963	\$ 494,567
Investment liabilities		
Securities sold under repurchase agreements and cash collateral received on securities lent	(47,372)	(39,491)
Securities sold short	(22,146)	(29,027)
Debt financing liabilities	(32,218)	(30,861)
Derivative liabilities	(2,454)	(2,330)
Other	(1,686)	(1,155)
Total investment liabilities	(105,876)	(102,864)
Pending trades receivable	2,947	4,692
Pending trades payable	(2,737)	(4,401)
Net investments	\$ 420,297	\$ 391,994

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

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

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Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

General information

Canada Pension Plan Investment Board (CPP Investments) was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (CPPIB Act). CPP Investments is responsible for assisting the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries under the legislation *Canada Pension Plan* (CPP Act). In December 2016, Royal Assent was given to Bill C-26 titled *An Act to Amend the Canada Pension Plan, the CPPIB Act and the Income Tax Act*. With that, the CPP Act defines two separate parts of the CPP. The “base CPP” refers to the existing benefits and contributions. The “additional CPP” refers to the additional benefits and additional contributions that began on January 1, 2019. All references to “CPP” mean base CPP and additional CPP collectively.

The Condensed Interim Consolidated Financial Statements (Interim Financial Statements) provide information on the net assets managed by CPP Investments and do not include the liabilities and other assets of the CPP.

The Interim Financial Statements for the three and nine months ended December 31, 2019 were approved by the Board of Directors and authorized for issue on February 13, 2020.

1. Summary of significant accounting policies

1.1. Basis of presentation

The Interim Financial Statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* and do not include all of the information and disclosures required in the Annual Consolidated Financial Statements. The Interim Financial Statements should be read in conjunction with CPP Investments’ 2019 Annual Consolidated Financial Statements included on pages 116 to 152 in CPP Investments’ 2019 Annual Report. The Interim Financial Statements follow the same accounting policies and methods as the most recent Annual Consolidated Financial Statements. CPP Investments adopted International Financial Reporting Standard (IFRS) 16, *Leases*, effective April 1, 2019, the impact of which is not material.

1.2. Subsidiaries

CPP Investments qualifies as an investment entity as it meets the definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements*. As a consequence, the Interim Financial Statements represent the results of operations of CPP Investments and its wholly owned subsidiaries that were created to provide investment-related services to support its operations. Operating subsidiaries of this nature include those that provide investment advisory services or subsidiaries that were created to provide financing to CPP Investments.

Subsidiaries that are managed by CPP Investments to hold investments are referred to herein as investment holding subsidiaries. Such subsidiaries are not consolidated in these Interim Financial Statements but instead are measured and reported at fair value. Fair value for unconsolidated investment holding subsidiaries is based on the fair value of the underlying investments and investment liabilities held by the investment holding subsidiary together with its accumulated net income from operations less dividends paid.

2. Fair value measurement

This note categorizes the fair values of investments and investment liabilities within the three levels of the fair value hierarchy. For investment valuations that require significant judgment, the note further provides the roll-forward of these investments during the period and the range of valuation techniques and inputs used.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.1. Fair value hierarchy

<i>(CAD millions)</i>	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	Quoted Market Price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
Investments				
Equities				
Public equities	\$ 126,377	\$ 14,186	\$ 223	\$ 140,786
Private equities	-	-	109,404	109,404
Total equities	126,377	14,186	109,627	250,190
Fixed income				
Bonds	58,056	42,830	-	100,886
Other debt	-	5,945	23,915	29,860
Money market securities	-	10,823	-	10,823
Total fixed income	58,056	59,598	23,915	141,569
Absolute return strategies	-	23,283	2,526	25,809
Real assets				
Real estate	-	-	42,485	42,485
Infrastructure	-	-	35,049	35,049
Energy and resources	-	-	9,090	9,090
Power and renewables	-	-	5,391	5,391
Total real assets	-	-	92,015	92,015
Investment receivables				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	10,096	-	10,096
Derivative assets	2	3,477	4	3,483
Other	-	2,801	-	2,801
Total investment receivables	2	16,374	4	16,380
Total investments	\$ 184,435	\$ 113,441	\$ 228,087	\$ 525,963
Investment liabilities				
Securities sold under repurchase agreements and cash collateral received on securities lent	-	(47,372)	-	(47,372)
Securities sold short	(22,146)	-	-	(22,146)
Debt financing liabilities	(26,141)	(6,077)	-	(32,218)
Derivative liabilities	(65)	(2,389)	-	(2,454)
Other	-	(1,686)	-	(1,686)
Total investment liabilities	(48,352)	(57,524)	-	(105,876)
Pending trades receivable ¹	-	2,947	-	2,947
Pending trades payable ¹	-	(2,737)	-	(2,737)
Net investments	\$ 136,083	\$ 56,127	\$ 228,087	\$ 420,297

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2019				Total
	Level 1	Level 2	Level 3		
	Quoted Market Price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs		
(CAD millions)					
Investments					
Equities					
Public equities	\$ 129,212	\$ 11,769	\$ 208	\$ 141,189	
Private equities	-	-	96,659	96,659	
Total equities	129,212	11,769	96,867	237,848	
Fixed income					
Bonds	49,912	35,692	-	85,604	
Other debt	-	5,215	22,110	27,325	
Money market securities	-	9,829	-	9,829	
Total fixed income	49,912	50,736	22,110	122,758	
Absolute return strategies	-	23,588	1,924	25,512	
Real assets					
Real estate	-	-	45,846	45,846	
Infrastructure	-	-	33,131	33,131	
Energy and resources	-	-	8,002	8,002	
Power and renewables	-	-	5,075	5,075	
Total real assets	-	-	92,054	92,054	
Investment receivables					
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	11,174	-	11,174	
Derivative assets	2	3,189	1	3,192	
Other	-	1,962	67	2,029	
Total investment receivables	2	16,325	68	16,395	
Total investments	\$ 179,126	\$ 102,418	\$ 213,023	\$ 494,567	
Investment liabilities					
Securities sold under repurchase agreements and cash collateral received on securities lent	-	(39,491)	-	(39,491)	
Securities sold short	(29,027)	-	-	(29,027)	
Debt financing liabilities	(26,538)	(4,323)	-	(30,861)	
Derivative liabilities	(48)	(2,282)	-	(2,330)	
Other	-	(1,155)	-	(1,155)	
Total investment liabilities	(55,613)	(47,251)	-	(102,864)	
Pending trades receivable ¹	-	4,692	-	4,692	
Pending trades payable ¹	-	(4,401)	-	(4,401)	
Net investments	\$ 123,513	\$ 55,458	\$ 213,023	\$ 391,994	

¹ Pending trades receivable and payable are measured at amortized cost, which is a reasonable approximation of fair value.

2.2. Transfers between Level 1 and Level 2

During the nine months ended December 31, 2019, there were no transfers from Level 1 to Level 2 (for the year ended March 31, 2019 - \$11 million) and \$9 million of transfers from Level 2 to Level 1 (for the year ended March 31, 2019 - \$338 million). Transfers between Level 1 and Level 2 depend on the availability of quoted market prices in active markets and valuations using inputs other than quoted prices that are observable. These transfers have been recognized at the end of period values.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.3. Level 3 reconciliation

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy:

Reconciliation of changes in fair value for Level 3 investments

For the nine months ended December 31, 2019								
<i>(CAD millions)</i>	Fair value as at April 1, 2019	Gain (loss) included in investment income	Purchases	Sales ¹	Transfers into Level 3 ²	Transfers out of Level 3 ²	Fair value as at December 31, 2019	Change in unrealized gains (losses) on investments still held at December 31, 2019 ^{3,4}
Investments								
Equities								
Public equities	\$ 208	\$ 25	\$ -	\$ (10)	\$ -	\$ -	\$ 223	\$ 22
Private equities	96,659	8,351	15,638	(10,685)	1	(560)	109,404	8,151
Total equities	96,867	8,376	15,638	(10,695)	1	(560)	109,627	8,173
Fixed income								
Other debt	22,110	(857)	9,047	(5,592)	-	(793)	23,915	(880)
Absolute return strategies	1,924	34	-	(52)	620	-	2,526	35
Real assets								
Real estate	45,846	(52)	2,463	(5,772)	-	-	42,485	(721)
Infrastructure	33,131	(492)	3,941	(1,531)	-	-	35,049	(695)
Energy and resources	8,002	(84)	1,833	(661)	-	-	9,090	(85)
Power and renewables	5,075	63	271	(18)	-	-	5,391	60
Total real assets	92,054	(565)	8,508	(7,982)	-	-	92,015	(1,441)
Investment receivables								
Derivative assets	1	3	-	-	-	-	4	3
Other	67	32	-	(99)	-	-	-	-
Total investment receivables	68	35	-	(99)	-	-	4	3
Total	\$ 213,023	\$ 7,023	\$ 33,193	\$ (24,420)	\$ 621	\$ (1,353)	\$ 228,087	\$ 5,890

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the year ended March 31, 2019								
<i>(CAD millions)</i>	Fair value as at April 1, 2018	Gain (loss) included in investment income	Purchases	Sales ¹	Transfers into Level 3 ²	Transfers out of Level 3 ²	Fair value as at March 31, 2019	Change in unrealized gains (losses) on investments still held at March 31, 2019 ^{3,4}
Investments								
Equities								
Public equities	\$ 273	\$ 20	\$ -	\$ (85)	\$ -	\$ -	\$ 208	\$ 15
Private equities	74,563	12,712	22,191	(11,816)	1	(992)	96,659	6,488
Total equities	74,836	12,732	22,191	(11,901)	1	(992)	96,867	6,503
Fixed income								
Other debt	16,626	(162)	12,851	(6,911)	246	(540)	22,110	115
Absolute return strategies								
	1,585	68	550	(279)	-	-	1,924	57
Real assets								
Real estate	44,712	1,705	2,868	(3,439)	-	-	45,846	1,524
Infrastructure	27,450	3,257	2,952	(528)	-	-	33,131	3,301
Energy and resources	5,729	49	2,829	(605)	-	-	8,002	28
Power and renewables	2,949	8	2,387	(269)	-	-	5,075	9
Total real assets	80,840	5,019	11,036	(4,841)	-	-	92,054	4,862
Investment receivables								
Derivative assets								
	-	2	-	(1)	-	-	1	1
Other	6	(32)	93	-	-	-	67	(32)
Total investment receivables	6	(30)	93	(1)	-	-	68	(31)
Total	\$ 173,893	\$ 17,627	\$ 46,721	\$ (23,933)	\$ 247	\$ (1,532)	\$ 213,023	\$ 11,506

¹ Includes return of capital.

² Transfers into and out of Level 3 are deemed to have occurred at the end of period values.

³ Includes the entire change in fair value for the period for those investments that were transferred into Level 3 during the period, and excludes the entire change in fair value for the period for those investments that were transferred out of Level 3 during the period.

⁴ Included in investment income.

During the nine months ended December 31, 2019 and the year ended March 31, 2019, transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.4. Level 3 – Significant unobservable inputs

The following presents fair values of the investments held by CPP Investments and its investment holding subsidiaries categorized within Level 3 of the fair value hierarchy, valuation techniques used to determine their fair values, and ranges and weighted averages of unobservable inputs:

As at December 31, 2019					
<i>(CAD millions)</i>	Fair value	Primary valuation techniques used ^{1,2}	Significant unobservable inputs	Range of input values ³	Weighted average ³
Public equities					
Fund investments	\$ 223	Net asset value provided by investment manager	-	-	-
Private equities					
Direct	43,825	Earnings multiples of comparable companies	EBITDA multiple	4.5X-38.9X	16.2X
	12,477	Discounted cash flow Value provided by investment manager	Discount rate	7.0%-13.0%	12.2%
Fund investments	53,102	Net asset value provided by investment manager	-	-	-
Other debt					
Direct private debt	11,665	Discounted cash flow Value provided by investment manager	Discount rate	4.8%-39.4%	10.7%
	1,917		-	-	-
Direct private real estate debt	5,275	Discounted cash flow	Discount rate	4.4%-10.0%	6.4%
Asset-backed securities	2,539	Comparable pricing	Price	85.7%-101.3%	99.7%
Fund investments	2,519	Net asset value provided by investment manager	-	-	-
Absolute return strategies					
Fund investments	2,526	Net asset value provided by investment manager	-	-	-
Real estate					
Direct	18,188	Discounted cash flow	Discount rate	5.0%-14.3%	6.7%
	21,640	Net asset value provided by investment manager	Terminal capitalization rate	3.3%-10.5%	5.5%
Fund investments	2,657	Net asset value provided by investment manager	-	-	-
Infrastructure					
Direct	35,049	Discounted cash flow	Discount rate	7.0%-13.8%	8.4%
Energy and Resources					
Direct	9,090	Discounted cash flow	Discount rate	9.0%-15.0%	11.1%
Power and Renewables					
Direct	5,391	Discounted cash flow	Discount rate	7.9%-14.2%	10.3%
Investment receivables					
Derivative assets	4	Option model	Market volatility	30.0%	30.0%
Total	\$ 228,087				

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

As at March 31, 2019					
<i>(CAD millions)</i>	Fair value	Primary valuation techniques used ^{1,2}	Significant unobservable inputs	Range of input values ³	Weighted average ³
Public equities					
Fund investments	\$ 208	Net asset value provided by investment manager	-	-	-
Private equities					
Direct	38,106	Earnings multiples of comparable companies	EBITDA multiple	6.1X-16.9X	13.0X
	9,340	Discounted cash flow Value provided by investment manager	Discount rate	11.6%-13.0%	12.6%
Fund investments	49,213	Net asset value provided by investment manager	-	-	-
Other debt					
Direct private debt	10,534	Discounted cash flow Value provided by investment manager	Discount rate	6.9%-29.4%	11.5%
	2,191		-	-	-
Direct private real estate debt	5,084	Discounted cash flow	Discount rate	4.5%-11.0%	6.7%
Asset-backed securities	2,010	Comparable pricing	Price	97.7%-103.7%	99.5%
Fund investments	2,291	Net asset value provided by investment manager	-	-	-
Absolute return strategies					
Fund investments	1,924	Net asset value provided by investment manager	-	-	-
Real estate					
Direct	17,862	Discounted cash flow	Discount rate	5.0%-14.3%	6.7%
	25,353	Discounted cash flow	Terminal capitalization rate	3.7%-10.5%	5.5%
		Net asset value provided by investment manager	-	-	-
Fund investments	2,631	Net asset value provided by investment manager	-	-	-
Infrastructure					
Direct	33,080	Discounted cash flow	Discount rate	7.0%-11.9%	8.7%
Fund investments	51	Net asset value provided by investment manager	-	-	-
Energy and Resources					
Direct	8,002	Discounted cash flow	Discount rate	9.0%-15.0%	11.0%
Power and Renewables					
Direct	5,075	Discounted cash flow	Discount rate	7.9%-14.4%	10.4%
Investment receivables					
Derivative assets	1	Option model	Market volatility	30.0%	30.0%
Other	67	Discounted cash flow	Discount rate	9.2%-10.4%	10.1%
Total	\$ 213,023				

¹ In certain cases, external valuations are prepared by a third party and hence, valuation information is not available.

² May include certain recently acquired investments held at cost, which approximates fair value.

³ The range of input values represents the highest and lowest inputs used to value the investments in a particular asset class. The weighted average of the input values is calculated based on the relative fair values of the investments within the asset class. The diversity of investments reported within each asset class, such as the geographic location and industry sector of the investments, may result in certain ranges of inputs being wide and unevenly distributed across the range.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.5. Sensitivity analysis of valuations using unobservable inputs

Significant changes in any of the above unobservable inputs would result in a significantly higher or lower fair value measurement. The interrelationship of significant unobservable inputs and fair value measurement for the most significant key inputs identified in the table above is as follows:

- An increase (decrease) in the EBITDA multiple will result in a higher (lower) fair value.
- An increase (decrease) in the discount rate and terminal capitalization rate will result in a lower (higher) fair value.

The fair value of these direct investments classified within Level 3 of the fair value hierarchy above are based on accepted industry valuation methods that may include the use of estimates made by management, appraisers or both where significant judgment is required. By using valuation methods based on reasonable alternative assumptions, different fair values could result. With all other variables held constant, the use of reasonable alternative assumptions would result in a decrease of \$6,000 million (March 31, 2019 - \$7,900 million) or increase of \$5,300 million (March 31, 2019 - \$5,600 million) in net assets. This sensitivity analysis is subject to the exercise of judgment and excludes investments where fair values are provided by investment managers as the underlying assumptions used are not available to CPP Investments.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

3. Derivatives

3.1. Fair value of derivatives

The fair value of derivative contracts is as follows:

<i>(CAD millions)</i>	As at December 31, 2019		As at March 31, 2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Equity contracts				
Futures	\$ -	\$ -	\$ -	\$ -
Swaps	2,418	(1,688)	2,164	(1,596)
Options:				
Over-the-counter – purchased	9	-	1	-
Over-the-counter – written	-	(37)	-	(41)
Warrants	4	-	1	-
Total equity contracts	2,431	(1,725)	2,166	(1,637)
Foreign exchange contracts				
Forwards	259	(343)	88	(135)
Options:				
Over-the-counter – purchased	103	-	1	-
Over-the-counter – written	-	(74)	-	(12)
Total foreign exchange contracts	362	(417)	89	(147)
Interest rate contracts				
Futures	-	-	-	-
Forwards	-	-	-	-
Swaps	633	(129)	692	(206)
Options:				
Exchange-traded – purchased	-	-	2	-
Exchange-traded – written	-	-	-	(1)
Over-the-counter – purchased	25	-	1	-
Over-the-counter – written	-	(79)	-	(46)
Total interest rate contracts	658	(208)	695	(253)
Credit contracts				
Purchased credit default swaps	3	(26)	7	(229)
Written credit default swaps	27	(3)	235	(8)
Options:				
Over-the-counter – purchased	-	-	-	-
Over-the-counter – written	-	(10)	-	(9)
Total credit contracts	30	(39)	242	(246)
Commodity contracts				
Futures	-	-	-	-
Options:				
Exchange-traded – purchased	2	-	-	-
Exchange-traded – written	-	(65)	-	(47)
Total commodity contracts	2	(65)	-	(47)
Total	\$ 3,483	\$ (2,454)	\$ 3,192	\$ (2,330)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

3.2. Notional amounts of derivatives by terms to maturity

The terms to maturity of the notional amounts of derivatives are as follows:

(CAD millions)	Terms to maturity					As at March 31, 2019
	As at December 31, 2019					
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	
Equity contracts						Total
Futures	\$ 14,968	\$ 128	\$ -	\$ -	\$ 15,096	\$ 6,386
Swaps	127,434	5,844	-	-	133,278	108,367
Options:						
Over-the-counter – purchased	659	10	-	-	669	1
Over-the-counter – written	2,234	-	-	-	2,234	1,918
Warrants	1	10	22	-	33	26
Total equity contracts	145,296	5,992	22	-	151,310	116,698
Foreign exchange contracts						
Forwards	913	26,807	2,783	-	30,503	16,969
Options:						
Over-the-counter – purchased	3,386	921	-	-	4,307	375
Over-the-counter – written	7,636	53	-	-	7,689	4,282
Total foreign exchange contracts	11,935	27,781	2,783	-	42,499	21,626
Interest rate contracts						
Futures	7,953	-	-	-	7,953	4,110
Forwards	1,221	-	-	-	1,221	2,707
Swaps	78,270	32,958	12,552	15,233	139,013	93,429
Options:						
Exchange-traded – purchased	-	-	-	-	-	26,719
Exchange-traded – written	-	-	-	-	-	26,719
Over-the-counter – purchased	3,138	154	-	-	3,292	675
Over-the-counter – written	9,280	961	-	-	10,241	4,809
Total interest rate contracts	99,862	34,073	12,552	15,233	161,720	159,168
Credit contracts						
Purchased credit default swaps	1,060	8,019	-	-	9,079	13,772
Written credit default swaps	1,133	16,251	902	-	18,286	15,337
Options:						
Over-the-counter – purchased	130	-	-	-	130	-
Over-the-counter – written	6,484	-	-	-	6,484	4,676
Total credit contracts	8,807	24,270	902	-	33,979	33,785
Commodity contracts						
Futures	3,040	-	-	-	3,040	3,408
Options:						
Exchange-traded – purchased	56	-	-	-	56	-
Exchange-traded – written	3,075	-	-	-	3,075	1,847
Total commodity contracts	6,171	-	-	-	6,171	5,255
Total	\$ 272,071	\$ 92,116	\$ 16,259	\$ 15,233	\$ 395,679	\$ 336,532

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(Unaudited)

4. Net investment income

4.1. Net investment income by nature

<i>(CAD millions)</i>	For the three months ended	
	December 31, 2019	December 31, 2018
Interest, dividends, and other investment income ¹	\$ 1,107	\$ 1,131
Realized gains on private equities and real assets ²	639	33
Unrealized (losses) gains on private equities and real assets ²	(610)	1,384
Unrealized gains on investment holding subsidiaries ² (note 4.2)	6,325	8,581
Realized and unrealized gains (losses) on public and other investments ^{2,3}	7,952	(6,318)
Total investment income	15,413	4,811
Investment management fees ⁴	(398)	(362)
Transaction costs ⁵	(168)	(175)
Net investment income	\$ 14,847	\$ 4,274

¹ Net of interest expense on debt financing liabilities of \$158 million (December 31, 2018 - \$141 million).

² Includes foreign currency gains or losses.

³ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

⁴ Includes investment management fees of \$300 million (December 31, 2018 - \$291 million) incurred by investment holding subsidiaries.

⁵ Includes transaction costs of \$82 million (December 31, 2018 - \$115 million) incurred by investment holding subsidiaries.

<i>(CAD millions)</i>	For the nine months ended	
	December 31, 2019	December 31, 2018
Interest, dividends, and other investment income ¹	\$ 3,791	\$ 3,937
Realized gains on private equities and real assets ²	456	44
Unrealized (losses) gains on private equities and real assets ²	(997)	2,208
Unrealized gains on investment holding subsidiaries ² (note 4.2)	12,935	15,885
Realized and unrealized gains (losses) on public and other investments ^{2,3}	14,262	(6,754)
Total investment income	30,447	15,320
Investment management fees ⁴	(1,280)	(1,270)
Transaction costs ⁵	(365)	(398)
Net investment income	\$ 28,802	\$ 13,652

¹ Net of interest expense on debt financing liabilities of \$481 million (December 31, 2018 - \$355 million).

² Includes foreign currency gains or losses.

³ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

⁴ Includes investment management fees of \$883 million (December 31, 2018 - \$875 million) incurred by investment holding subsidiaries.

⁵ Includes transaction costs of \$147 million (December 31, 2018 - \$173 million) incurred by investment holding subsidiaries.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

4.2. Supplemental information on investment income

The unrealized gains generated from investment holding subsidiaries are a composite of the following income and expenses:

<i>(CAD millions)</i>	For the three months ended	
	December 31, 2019	December 31, 2018
Interest, dividends, and other investment income	\$ 1,299	\$ 985
Realized gains on private equities and real assets ¹	3,531	1,662
Unrealized gains on private equities and real assets ¹	947	6,208
Realized and unrealized gains (losses) on public and other investments ^{1,2}	548	(274)
Dividends paid to CPP Investments	-	-
Investment income from investment holding subsidiaries	\$ 6,325	\$ 8,581

<i>(CAD millions)</i>	For the nine months ended	
	December 31, 2019	December 31, 2018
Interest, dividends, and other investment income	\$ 3,561	\$ 3,406
Realized gains on private equities and real assets ¹	6,049	4,220
Unrealized gains on private equities and real assets ¹	2,170	7,492
Realized and unrealized gains on public and other investments ^{1,2}	1,156	767
Dividends paid to CPP Investments	(1)	-
Investment income from investment holding subsidiaries	\$ 12,935	\$ 15,885

¹ Includes foreign currency gains or losses.

² Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

5. Segment information

5.1. Investment segments

5.1.1. Net income (loss) from operations by investment segment

<i>(CAD millions)</i>	For the three months ended December 31, 2019							Total
	Total Portfolio Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets		
Investment income	\$ 7,537	\$ 625	\$ 1,193	\$ 340	\$ 3,542	\$ 2,176	\$ 15,413	
Expenses ¹	(64)	(240)	(63)	(54)	(230)	(215)	(866)	
Net income from operations	\$ 7,473	\$ 385	\$ 1,130	\$ 286	\$ 3,312	\$ 1,961	\$ 14,547	

<i>(CAD millions)</i>	For the three months ended December 31, 2018							Total
	Total Portfolio Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets		
Investment income (loss)	\$ (4,412)	\$ (359)	\$ (1,438)	\$ 1,884	\$ 4,845	\$ 4,291	\$ 4,811	
Expenses ¹	(69)	(246)	(54)	(47)	(215)	(205)	(836)	
Net income (loss) from operations	\$ (4,481)	\$ (605)	\$ (1,492)	\$ 1,837	\$ 4,630	\$ 4,086	\$ 3,975	

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine months ended December 31, 2019								
(CAD millions)	Total Portfolio Management	Capital Markets		Active Equities	Credit Investments	Private Equity	Real Assets	Total
		and Factor Investing						
Investment income	\$ 13,554	\$ 1,017	\$ 3,507	\$ 1,218	\$ 9,404	\$ 1,747	\$ 30,447	
Expenses ¹	(209)	(875)	(193)	(137)	(632)	(479)	(2,525)	
Net income from operations	\$ 13,345	\$ 142	\$ 3,314	\$ 1,081	\$ 8,772	\$ 1,268	\$ 27,922	

For the nine months ended December 31, 2018								
(CAD millions)	Total Portfolio Management	Capital Markets		Active Equities	Credit Investments	Private Equity	Real Assets	Total
		and Factor Investing						
Investment income (loss)	\$ (3,492)	\$ (16)	\$ 262	\$ 2,980	\$ 9,833	\$ 5,753	\$ 15,320	
Expenses ¹	(195)	(857)	(188)	(119)	(583)	(544)	(2,486)	
Net income (loss) from operations	\$ (3,687)	\$ (873)	\$ 74	\$ 2,861	\$ 9,250	\$ 5,209	\$ 12,834	

¹ Includes investment management fees, transaction costs and operating expenses.

5.1.2. Net assets (liabilities) by investment segment

Net assets (liabilities)								
(CAD millions)	Total Portfolio Management ¹	Capital Markets		Active Equities	Credit Investments	Private Equity	Real Assets	Total
		and Factor Investing						
As at:								
December 31, 2019	\$ 182,310	\$ 759	\$ 1,182	\$ 41,617	\$ 98,644	\$ 95,919	\$ 420,431	
March 31, 2019	172,599	(31)	1,047	36,579	87,696	94,090	391,980	

¹ Net assets attributable to Total Portfolio Management include debt financing liabilities of \$32,218 million (March 31, 2019 - \$30,861 million) and net corporate assets of \$134 million (March 31, 2019 – net corporate liabilities of \$14 million).

5.2. Geographic information

Net investments are presented in the table below based on the region to which they have primary economic exposure:

Net investments ¹								
(CAD millions)	Canada	U.S.	Asia	Europe		U.K.	Other	Total
				(excluding U.K.)				
As at:								
December 31, 2019	\$ 62,067	\$ 142,123	\$ 103,235	\$ 52,300	\$ 24,060	\$ 36,512	\$ 420,297	
March 31, 2019	60,897	131,196	90,060	53,959	22,078	33,804	391,994	

¹ Includes debt financing liabilities of \$3,549 million, \$21,036 million and \$7,633 million (March 31, 2019 - \$3,828 million, \$20,803 million, and \$6,230 million), based on the currencies of the issuances, in Canada, the U.S., and Europe (excluding the U.K.), respectively.

Notes to the Condensed Interim Consolidated Financial Statements

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6. Risk management

6.1. Total portfolio risk

A suite of risk measures is used within CPP Investments to monitor and assess the risk profile of the base CPP Investment Portfolio and the additional CPP Investment Portfolio (collectively the Investment Portfolios). Regular risk reports are provided to senior management and the Board to support the governance of the various dimensions of investment risks to which the Investment Portfolios are exposed. As at April 1, 2019, a series of additional investment risk limits came into effect to align with the new risk appetite statements developed as part of the enhancement to the Integrated Risk Framework, as described on pages 46 to 51 in CPP Investments' 2019 Annual Report. While CPP Investments has changed the articulation of its risk appetite, which sets the upper and lower limits for risk taking, the target level of risk of the Investment Portfolios has not changed materially.

Central to the new investment risk limits is the concept of plan adjustment risk which has been defined as the risk of increases in the minimum contribution rates for the CPP due solely to adverse investment experience. It is an overarching measure that is impacted by market, credit, and liquidity risk. The additional investment risk governance measures include: percentage probability of plan adjustment, acceptable potential investment losses over one and five-year horizons, and liquidity coverage ratio.

- Plan adjustment risk: The percentage probability of a 0.25% increase in the minimum contribution rate, over a 20-year horizon, due solely to adverse investment experience.
- Potential investment losses: The reported loss of the Investment Portfolios over a one and five-year horizon is not expected to exceed the established limit of fund value for that horizon 19 times out of 20. It is based on the value at risk measure at a 95 percent confidence level.

The monitoring of adherence to investment risk limits is conducted independently by the Risk Group using both industry standards and internally developed risk models.

The table below provides a summary of the key investment risk governance measures of the base CPP Investment Portfolio. For the liquidity coverage ratio, refer to the Liquidity risk note (note 9).

<i>(CAD millions, unless otherwise specified)</i>	Limit	As at	As at
		December 31, 2019	March 31, 2019
		base CPP ³	base CPP
Plan adjustment risk	30 %	23 %	23 %
Potential investment loss:			
One-year horizon	\$ 80,000	\$ 72,788	\$ 66,745
Five-year horizon ¹	25 %	13 %	15 %
Equity/Debt risk equivalency ratio ²	55 - 100 %	86 %	87 %

¹ Percentage of investment value.

² Conditional value at risk is measured to calculate the Equity/Debt Risk Equivalency Ratio.

³ The additional risk governance measures of the additional CPP Investment Portfolio are under development and will be presented to the Board for approval within the year.

7. Market risk

Market risk is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. Market risk includes equity risk, interest rate risk, spread risk and currency risk. The sensitivity of these risks is summarized in the tables below.

Notes to the Condensed Interim Consolidated Financial Statements

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7.1. Equity

The Investment Portfolios are invested in both publicly traded and private equities. Equity risk, which is the risk that the fair value or future cash flows will fluctuate because of changes in equity prices, is a significant source of risk of the Investment Portfolios. The table below presents the effect of a 1% decrease/increase in the S&P 500 index on loss/profit of public equity investments, with all other variables held constant.

<i>(CAD millions)</i>	As at December 31, 2019	As at March 31, 2019
	Impact of 1% decrease in the S&P 500 index	
Loss on public equity investments	\$ (1,088)	\$ (1,021)

7.2. Interest rate

Interest rate risk is the risk that the fair value or future cash flows of an investment or investment-related liability will fluctuate because of changes in market interest rates. The Investment Portfolios are exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivatives.

7.2.1. Interest rate risk sensitivity¹

With all other variables held constant, a 25 basis points increase/decrease in nominal risk-free rates would result in a decrease/increase in the value of investments directly impacted by interest rate changes as follows:

<i>(CAD millions)</i>	As at December 31, 2019	As at March 31, 2019
Maturity	Impact of increase of 25 basis points on net assets	
Within 1 year	\$ 1	\$ 14
1 to 5 years	(564)	(557)
6 to 10 years	(438)	(434)
Over 10 years	(1,183)	(1,091)
Total decrease in investment value	\$ (2,184)	\$ (2,068)

¹ This sensitivity only applies to debt instruments and interest rate sensitive derivatives.

The Investment Portfolios' sensitivity to various countries' risk free rates is as follows:

	As at December 31, 2019	As at March 31, 2019
Region		
Canada	37 %	39 %
United States	42	43
Europe	9	11
Other	12	7
Total	100 %	100 %

Notes to the Condensed Interim Consolidated Financial Statements

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7.3. Spread risk

Spread risk is the difference in yield on certain securities compared to a comparable risk free security (i.e. government issued) with the same maturity date. Spread risk is the risk that the fair value of these securities will fluctuate because of changes in spread. With all other variables held constant, an increase in spread rates would result in a decrease in assets or an increase in liabilities.

	As at December 31, 2019	As at March 31, 2019
Percentage of credit risk in A or better rated debt	61 %	75 %

(CAD millions)	As at December 31, 2019	As at March 31, 2019
	Impact of 1 basis point widening of credit spread	
Decrease in net assets	\$ 33	\$ 31

7.4. Currency

The Investment Portfolios are exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

7.4.1. Currency risk exposures and sensitivity

The net currency exposures after allocating foreign currency derivatives, in Canadian dollars, are as follows:

(CAD millions)	As at December 31, 2019			As at March 31, 2019		
Currency	Net exposure	% of total	%	Net exposure	% of total	%
United States dollar	\$ 223,351	53	%	\$ 204,605	52	%
Euro	36,137	9		33,539	9	
British pound sterling	19,660	5		18,219	5	
Chinese renminbi	14,361	3		12,577	3	
Australian dollar	13,374	3		13,587	3	
Hong Kong dollar	10,369	2		10,376	3	
Japanese yen	9,452	2		8,416	2	
Indian rupee	8,060	2		6,509	2	
Brazilian real	6,034	1		3,620	1	
Mexican peso	2,659	1		1,785	-	
Swiss franc	2,444	1		2,623	1	
Chilean peso	2,361	1		2,722	1	
Other	10,589	2		13,224	3	
Total foreign exposure	358,851	85		331,802	85	
Canadian dollar	61,446	15		60,192	15	
Total	\$ 420,297	100	%	\$ 391,994	100	%

With all other variables and underlying values held constant, a 10% appreciation/depreciation of the Canadian dollar against all other currencies would result in a decrease/increase in net investments by \$35,885 million (March 31, 2019 - \$33,180 million).

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8. Credit risk

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations, or a reduction in the value of the assets due to a decline in the credit quality of the underlying entity.

8.1. Counterparty exposures

Credit rating	(CAD millions) As at December 31, 2019						As at March 31, 2019		
	Bonds ¹	Money market securities ¹	Reverse repurchase agreements ¹	Over-the-counter derivatives	Other debt ^{1,2}	Total	% of total	Total	% of total
AAA	\$ 31,472	\$ 722	\$ -	\$ 1	\$ 1,010	\$ 33,205	24 %	\$ 24,086	20 %
AA	31,102	4,219	4,004	324	877	40,526	29	37,230	30
A	27,129	3,205	3,053	3,067	270	36,724	26	37,101	30
BBB	6,164	-	751	85	1,904	8,904	6	7,684	6
BB	4,548	1,387	-	-	3,903	9,838	7	5,837	5
B	909	-	-	-	9,182	10,091	7	9,114	8
CCC/D	394	-	-	-	1,028	1,422	1	1,647	1
Total	\$ 101,718	\$ 9,533	\$ 7,808	\$ 3,477	\$ 18,174	\$ 140,710	100 %	\$ 122,699	100 %

¹ Includes accrued interest.

² Includes direct investments in private debt and asset-backed securities.

8.2. Credit value at risk

In addition to incorporating credit risk within the potential investment loss measures as described in note 6.1, a standalone measure for losses due to defaults and credit rating migration is also monitored. A Monte Carlo simulation that incorporates likelihood of default, credit rating migration and recovery in the event of default for underlying credit instruments is adopted to quantify this dimension of risk. Credit value at risk, at a 99% confidence level, implies there is a 1% chance that the credit instruments in the Investment Portfolios will lose more than the amounts shown below in any given year due to default and credit migration risk.

(CAD millions)	As at December 31, 2019		As at March 31, 2019	
	base CPP	additional CPP	base CPP	additional CPP
Credit value at risk	\$ 5,931	\$ 14	\$ 5,317	\$ 3

9. Liquidity risk

Liquidity risk includes two main components:

- Solvency risk – The risk of failing to obtain the funds needed to meet payment obligations as they come due.
- Portfolio rebalancing risk – The risk that CPP Investments is unable to fund investment programs and optimize/rebalance the Investment Portfolios.

Liquidity risk increases by the use of various forms of leverage which CPP Investments uses to manage certain other risks and enhance Fund returns. The use of leverage is governed through various liquidity risk limits which require sufficient liquidity to be available to manage both components of liquidity risk.

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The table below presents the unsecured credit facilities that CPP Investments maintained at each reporting date. There were no credit facilities drawn as at December 31, 2019 and March 31, 2019.

<i>(CAD millions)</i>	As at December 31, 2019	As at March 31, 2019
Unsecured credit facilities held	\$ 6,039	\$ 6,176

An additional measure, the liquidity coverage ratio, has been introduced as described in note 6.1. The liquidity coverage ratio measures the level of liquidity CPP Investments maintains to meet all CPP and investment obligations over any 10-day period. It measures the amount of liquid securities available to meet CPP Investments' payment obligations as they become due, to fund investment programs and to rebalance the portfolio in periods of market stress, all without realizing unacceptable losses.

	Limit	As at December 31, 2019	As at March 31, 2019
Liquidity coverage ratio	1.0x	1.8x	2.8x

9.1. Terms to maturity

The tables below present the contractual maturities of investments and investment liabilities of CPP Investments and its investment holding subsidiaries:

Non-derivative investments

<i>(CAD millions)</i>	Terms to maturity						As at	
	As at December 31, 2019						March 31, 2019	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total ³	Average effective yield	Total ³	Average effective yield
Non-marketable bonds								
Canadian provincial government	\$ 1,551	\$ 6,162	\$ 2,145	\$ 12,679	\$ 22,537	2.5 %	\$ 23,439	2.7 %
Marketable bonds								
Government of Canada	7,672	8,503	644	551	17,370	1.7	8,553	1.7
Canadian provincial government	276	531	2,073	3,402	6,282	2.5	6,158	2.7
Canadian government corporations	-	2,132	761	692	3,585	1.6	3,281	2.2
Foreign government	1,109	15,830	9,850	14,822	41,611	2.4	36,470	2.3
Corporate bonds	46	3,755	3,828	1,872	9,501	3.5	7,703	4.4
Other debt								
Private debt ¹	431	4,474	6,020	640	11,565	8.2	11,350	8.1
Private real estate debt ¹	416	1,762	3,055	-	5,233	6.4	5,001	6.7
Asset-backed securities	25	131	246	2,137	2,539	3.1	2,010	3.0
Securities purchased under reverse repurchase agreements	7,808	-	-	-	7,808	2.2	8,205	0.8
Cash collateral pledged on securities borrowed²	2,288	-	-	-	2,288	n/a	2,969	n/a
Total	\$ 21,622	\$ 43,280	\$ 28,622	\$ 36,795	\$ 130,319	n/a	\$ 115,139	n/a

¹ Includes direct investments and excludes fund investments.

² Relates to cash collateral, which has no effective yield.

³ Represents fair value.

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Non-derivative investment liabilities

	Terms to maturity					Fair value	Weighted average interest rate	As at March 31, 2019		
	As at December 31, 2019							Total ⁴	Fair value	Weighted average interest rate
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total ⁴	Fair value	Weighted average interest rate	Total ⁴	Fair value	Weighted average interest rate
Securities sold under repurchase agreements	\$ 43,609	\$ -	\$ -	\$ -	\$ 43,609	\$ 43,570	1.7 %	\$ 38,548	\$ 38,375	2.3 %
Cash collateral received on securities lent ¹	3,802	-	-	-	3,802	3,802	n/a	1,116	1,116	n/a
Securities sold short ^{2,3}	22,146	-	-	-	22,146	22,146	n/a	29,027	29,027	n/a
Debt financing liabilities										
Commercial paper payable	6,087	-	-	-	6,087	6,077	2.0	4,378	4,323	2.7
Term debt	2,604	13,285	6,549	2,911	25,349	26,141	1.2	26,099	26,538	1.6
Total	\$ 78,248	\$ 13,285	\$ 6,549	\$ 2,911	\$ 100,993	\$ 101,736	n/a	\$ 99,168	\$ 99,379	n/a

¹ Relates to cash collateral, which has no effective yield.

² Considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

³ Includes equities sold short for which the average interest rate is not applicable.

⁴ Represents contractual amounts.

10. Collateral

The net fair value of collateral held and pledged was as follows:

(CAD millions)	As at December 31, 2019	As at March 31, 2019
Third-party assets held as collateral on¹:		
Reverse repurchase agreements	\$ 7,815	\$ 8,207
Over-the-counter derivative transactions	1,777	965
Securities lent ²	3,978	1,627
Other debt	767	772
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(43,590)	(38,383)
Securities sold short ³	(28,857)	(34,549)
Over-the-counter derivative transactions	(1,097)	(407)
Private equities	(8,172)	(7,849)
Other debt	(4,558)	(4,562)
Total	\$ (71,937)	\$ (74,179)

¹ The fair value of the collateral held that may be sold or repledged as at December 31, 2019 was \$8,898 million (March 31, 2019 - \$9,557 million). The fair value of collateral sold or repledged as at December 31, 2019 was \$4,503 million (March 31, 2019 - \$3,504 million).

² Includes cash collateral of \$3,802 million (March 31, 2019 - \$1,116 million). The fair value of securities lent as at December 31, 2019 was \$3,960 million (March 31, 2019 - \$1,602 million).

³ The fair value of securities borrowed as at December 31, 2019 was \$20,529 million (March 31, 2019 - \$27,110 million) of which \$19,679 million was sold or repledged (March 31, 2019 - \$26,631 million) for securities sold short.

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(Unaudited)

11. Commitments

CPP Investments and its investment holding subsidiaries have entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at December 31, 2019, the unfunded commitments totalled \$52,704 million (March 31, 2019 - \$47,408 million).

12. Guarantees

As part of certain investment transactions, CPP Investments and its investment holding subsidiaries agreed to guarantee, as at December 31, 2019, up to \$4,654 million (March 31, 2019 - \$4,437 million) to other counterparties in the event certain investee entities default under the terms of loan and other related agreements.

13. Base CPP and additional CPP

The following note discloses the net assets, net investments and net income of the base CPP account and the additional CPP account.

13.1. Changes in net assets

The accumulated transfers from/to the CPP and its two parts, the base CPP and the additional CPP, as well as their accumulated net income since inception, are as follows:

<i>(CAD millions)</i>	For the three months ended							Total net assets
	Accumulated net transfers from CPP			Accumulated net income				
	base CPP	additional CPP	Total	base CPP	additional CPP	Total		
As at October 1, 2019	\$ 147,309	\$ 1,180	\$ 148,489	\$ 260,968	\$ 31	\$ 260,999	\$ 409,488	
Total net income for the period	-	-	-	14,528	19	14,547	14,547	
Transfers from CPP	6,439	217	6,656	-	-	-	6,656	
Transfers to CPP	(10,260)	-	(10,260)	-	-	-	(10,260)	
Balance as at December 31, 2019	\$ 143,488	\$ 1,397	\$ 144,885	\$ 275,496	\$ 50	\$ 275,546	\$ 420,431	

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(Unaudited)

<i>(CAD millions)</i>	For the nine months ended							
	Accumulated net transfers from CPP			Accumulated net income			Total net assets	
	base CPP	additional CPP	Total	base CPP	additional CPP	Total		
As at April 1, 2018	\$ 140,520	\$ -	\$ 140,520	\$ 215,614	\$ -	\$ 215,614	\$ 356,134	
Total net income for the period	-	-	-	12,834	-	12,834	12,834	
Transfers from CPP	26,587	-	26,587	-	-	-	26,587	
Transfers to CPP	(27,064)	-	(27,064)	-	-	-	(27,064)	
Balance as at December 31, 2018	\$ 140,043	\$ -	\$ 140,043	\$ 228,448	\$ -	\$ 228,448	\$ 368,491	
As at April 1, 2019	\$ 143,935	\$ 421	\$ 144,356	\$ 247,622	\$ 2	\$ 247,624	\$ 391,980	
Total net income for the period	-	-	-	27,874	48	27,922	27,922	
Transfers from CPP	29,310	976	30,286	-	-	-	30,286	
Transfers to CPP	(29,757)	-	(29,757)	-	-	-	(29,757)	
Balance as at December 31, 2019	\$ 143,488	\$ 1,397	\$ 144,885	\$ 275,496	\$ 50	\$ 275,546	\$ 420,431	

13.2. Net assets of base CPP and additional CPP

The net assets of the base CPP and the additional CPP are as follows:

<i>(CAD millions)</i>	As at December 31, 2019		
	base CPP	additional CPP	Total
Cash and cash equivalents held for investment purposes	\$ 7,949	\$ 23	\$ 7,972
Net investments other than cash and cash equivalents	410,914	1,411	412,325
Net investments	418,863	1,434	420,297
Premises and equipment	451	14	465
Other assets ¹	289	1	290
Accounts payable and accrued liabilities	(619)	(2)	(621)
Net assets	\$ 418,984	\$ 1,447	\$ 420,431

<i>(CAD millions)</i>	As at March 31, 2019		
	base CPP	additional CPP	Total
Cash and cash equivalents held for investment purposes	\$ 8,606	\$ 12	\$ 8,618
Net investments other than cash and cash equivalents	382,979	397	383,376
Net investments	391,585	409	391,994
Premises and equipment	373	14	387
Other assets ¹	243	1	244
Accounts payable and accrued liabilities	(644)	(1)	(645)
Net assets	\$ 391,557	\$ 423	\$ 391,980

¹ Includes cash held for operating purposes.

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(Unaudited)

13.3. Schedule of investment portfolio for base CPP and additional CPP

The table below provides details of the investments and investment liabilities for the base CPP and the additional CPP:

	As at December 31, 2019		
<i>(CAD millions)</i>	base CPP	additional CPP	Total
Equities			
Public equities	\$ 140,510	\$ 276	\$ 140,786
Private equities	109,190	214	109,404
Total equities	249,700	490	250,190
Fixed income			
Bonds	100,085	801	100,886
Other debt	29,802	58	29,860
Money market securities	10,789	34	10,823
Total fixed income	140,676	893	141,569
Absolute return strategies	25,758	51	25,809
Real assets			
Real estate	42,402	83	42,485
Infrastructure	34,980	69	35,049
Energy and resources	9,072	18	9,090
Power and renewables	5,381	10	5,391
Total real assets	91,835	180	92,015
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	10,076	20	10,096
Derivative assets	3,476	7	3,483
Other	2,793	8	2,801
Total investment receivables	16,345	35	16,380
Total investments	\$ 524,314	\$ 1,649	\$ 525,963
Investment liabilities			
Securities sold under repurchase agreements and cash collateral received on securities lent	(47,279)	(93)	(47,372)
Securities sold short	(22,102)	(44)	(22,146)
Debt financing liabilities	(32,155)	(63)	(32,218)
Derivative liabilities	(2,449)	(5)	(2,454)
Other	(1,683)	(3)	(1,686)
Total investment liabilities	(105,668)	(208)	(105,876)
Pending trades receivable	2,941	6	2,947
Pending trades payable	(2,724)	(13)	(2,737)
Net investments	\$ 418,863	\$ 1,434	\$ 420,297

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(Unaudited)

<i>(CAD millions)</i>	As at March 31, 2019		
	base CPP	additional CPP	Total
Equities			
Public equities	\$ 141,105	\$ 84	\$ 141,189
Private equities	96,601	58	96,659
Total equities	237,706	142	237,848
Fixed income			
Bonds	85,379	225	85,604
Other debt	27,309	16	27,325
Money market securities	9,817	12	9,829
Total fixed income	122,505	253	122,758
Absolute return strategies	25,497	15	25,512
Real assets			
Real estate	45,819	27	45,846
Infrastructure	33,111	20	33,131
Energy and resources	7,997	5	8,002
Power and renewables	5,072	3	5,075
Total real assets	91,999	55	92,054
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	11,167	7	11,174
Derivative assets	3,190	2	3,192
Other	2,027	2	2,029
Total investment receivables	16,384	11	16,395
Total investments	\$ 494,091	\$ 476	\$ 494,567
Investment liabilities			
Securities sold under repurchase agreements and cash collateral received on securities lent	(39,467)	(24)	(39,491)
Securities sold short	(29,010)	(17)	(29,027)
Debt financing liabilities	(30,843)	(18)	(30,861)
Derivative liabilities	(2,329)	(1)	(2,330)
Other	(1,154)	(1)	(1,155)
Total investment liabilities	(102,803)	(61)	(102,864)
Pending trades receivable	4,689	3	4,692
Pending trades payable	(4,392)	(9)	(4,401)
Net investments	\$ 391,585	\$ 409	\$ 391,994

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(Unaudited)

13.4. Net income of base CPP and additional CPP

Details of net income of the base CPP and the additional CPP are as follows:

<i>(CAD millions)</i>	For the three months ended December 31, 2019		
	base CPP	additional CPP	Total
Investment income	\$ 15,391	\$ 22	\$ 15,413
Investment management fees	(397)	(1)	(398)
Transaction costs	(167)	(1)	(168)
Net investment income	14,827	20	14,847
Operating expenses	(299)	(1)	(300)
Net income	\$ 14,528	\$ 19	\$ 14,547

<i>(CAD millions)</i>	For the three months ended December 31, 2018 ¹		
	base CPP	additional CPP	Total
Investment income	\$ 4,811	\$ -	\$ 4,811
Investment management fees	(362)	-	(362)
Transaction costs	(175)	-	(175)
Net investment income	4,274	-	4,274
Operating expenses	(299)	-	(299)
Net income	\$ 3,975	\$ -	\$ 3,975

<i>(CAD millions)</i>	For the nine months ended December 31, 2019		
	base CPP	additional CPP	Total
Investment income	\$ 30,393	\$ 54	\$ 30,447
Investment management fees	(1,278)	(2)	(1,280)
Transaction costs	(364)	(1)	(365)
Net investment income	28,751	51	28,802
Operating expenses	(877)	(3)	(880)
Net income	\$ 27,874	\$ 48	\$ 27,922

<i>(CAD millions)</i>	For the nine months ended December 31, 2018 ¹		
	base CPP	additional CPP	Total
Investment income	\$ 15,320	\$ -	\$ 15,320
Investment management fees	(1,270)	-	(1,270)
Transaction costs	(398)	-	(398)
Net investment income	13,652	-	13,652
Operating expenses	(818)	-	(818)
Net income	\$ 12,834	\$ -	\$ 12,834

¹ For the three months and nine months ended December 31, 2018, there was no breakdown of the base CPP and the additional CPP as the additional CPP came into effect on January 1, 2019.