Quarterly Consolidated Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

June 30, 2009

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at June 30, 2009
(Unaudited)

($ millions)	**June 30, 2009**	March 31, 2009	June 30, 2008
ASSETS			
Investments (note 2)	**$ 120,011**	$ 109,198	$ 129,753
Amounts receivable from pending trades	**662**	3,245	7,136
Premises and equipment	**28**	29	21
Other assets	**19**	14	13
TOTAL ASSETS	**120,720**	112,486	136,923
LIABILITIES			
Investment liabilities (note 2)	**3,185**	2,149	1,867
Amounts payable from pending trades	**865**	4,733	7,272
Accounts payable and accrued liabilities	**67**	103	81
TOTAL LIABILITIES	**4,117**	6,985	9,220
NET ASSETS	**$ 116,603**	$ 105,501	$ 127,703
NET ASSETS, REPRESENTED BY			
Share capital (note 4)	**$ -**	$ -	$ -
Accumulated net income from operations	**16,160**	8,579	33,557
Accumulated net transfers from the Canada Pension Plan (note 5)	**100,443**	96,922	94,146
NET ASSETS	**$ 116,603**	$ 105,501	$ 127,703

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

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Net Income and Accumulated Net Income from Operations
For the three-month period ended June 30, 2009

	Three-months ended	
($ millions)	**June 30, 2009**	June 30, 2008
NET INVESTMENT INCOME (note 6)	**$ 7,641**	$ 1,259
OPERATING EXPENSES		
Personnel costs	**41**	28
General operating expenses	**17**	12
Professional services	**2**	6
	60	46
NET INCOME FROM OPERATIONS	**7,581**	1,213
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	**8,579**	32,344
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$ 16,160**	$ 33,557

Consolidated Statement of Changes in Net Assets
For the three-month period ended June 30, 2009
(Unaudited)

	Three-months ended	
($ millions)	**June 30, 2009**	June 30, 2008
NET ASSETS, BEGINNING OF PERIOD	**$ 105,501**	$ 122,703
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (note 5)		
Transfers from the Canada Pension Plan	**8,902**	8,527
Transfers to the Canada Pension Plan	**(5,381)**	(4,740)
Net income from operations	**7,581**	1,213
INCREASE IN NET ASSETS FOR THE PERIOD	**11,102**	5,000
NET ASSETS, END OF PERIOD	**$ 116,603**	$ 127,703

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

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at June 30, 2009
(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, before allocating the market exposure of derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

	Fair Value		
($ millions)	**June 30, 2009**	March 31, 2009	June 30, 2008
EQUITIES (note 2b)			
Canada			
Public equities	**$ 7,898**	$ 8,058	$ 19,651
Private equities	**796**	775	697
	8,694	8,833	20,348
Foreign developed markets			
Public equities	**24,828**	19,057	28,298
Private equities	**12,748**	13,100	13,280
	37,576	32,157	41,578
Emerging markets			
Public equities	**4,777**	3,866	650
Private equities	**297**	240	152
	5,074	4,106	802
TOTAL EQUITIES	**51,344**	45,096	62,728
FIXED INCOME (note 2c)			
Bonds	**30,201**	26,915	27,570
Other debt	**2,408**	1,828	1,644
Money market securities	**15,715**	14,569	21,084
TOTAL FIXED INCOME	**48,324**	43,312	50,298
ABSOLUTE RETURN STRATEGIES (note 2d)	**1,859**	1,830	2,199
INFLATION-SENSITIVE ASSETS (note 2e)			
Public real estate	**317**	255	409
Private real estate	**7,518**	7,610	7,685
Infrastructure	**4,566**	4,584	3,312
Inflation-linked bonds	**830**	775	2,338
TOTAL INFLATION-SENSITIVE ASSETS	**13,231**	13,224	13,744
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 2f)	**4,000**	4,000	-
Accrued interest	**433**	558	449
Derivative receivables (note 2g)	**692**	1,042	178
Dividends receivable	**128**	136	157
TOTAL INVESTMENT RECEIVABLES	**5,253**	5,736	784
TOTAL INVESTMENTS	**$ 120,011**	$ 109,198	$ 129,753
INVESTMENT LIABILITIES			
Debt financing liabilities (note 2i)	**(1,300)**	-	-
Securities sold under repurchase agreements (note 2f)	-	(99)	-
Debt on private real estate properties (note 2e)	**(934)**	(930)	(913)
Derivative liabilities (note 2g)	**(951)**	(1,120)	(954)
TOTAL INVESTMENT LIABILITIES	**(3,185)**	(2,149)	(1,867)
Amounts receivable from pending trades	**662**	3,245	7,136
Amounts payable from pending trades	**(865)**	(4,733)	(7,272)
NET INVESTMENTS	**$ 116,623**	$ 105,561	$ 127,750

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

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Asset Mix
As at June 30, 2009
(Unaudited)

This Consolidated Statement of Investment Asset Mix illustrates the full market exposure and is grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, after allocating the market exposure of derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

($ millions)	**June 30, 2009** Fair Value	(%)	March 31, 2009 Fair Value	(%)	June 30, 2008 Fair Value	(%)
EQUITIES[1]						
Canada	**$ 16,736**	**14.4 %**	$ 15,561	14.7 %	$ 30,191	23.6 %
Foreign developed markets	**44,375**	**38.0**	40,437	38.3	48,272	37.8
Emerging markets	**5,979**	**5.1**	4,591	4.4	802	0.6
	67,090	**57.5**	60,589	57.4	79,265	62.0
FIXED INCOME						
Bonds[1,2]	**31,458**	**27.0**	28,366	26.9	30,342	23.8
Other debt[1]	**2,350**	**2.0**	1,833	1.7	1,652	1.3
Money market securities[3]	**1,548**	**1.3**	(768)	(0.7)	914	0.7
Debt financing liabilities[2]	**(1,300)**	**(1.1)**	-	-	-	-
	34,056	**29.2**	29,431	27.9	32,908	25.8
INFLATION-SENSITIVE ASSETS						
Real estate[1,4]	**6,901**	**5.9**	6,912	6.5	7,158	5.6
Infrastructure[1]	**4,566**	**3.9**	4,549	4.3	3,276	2.6
Inflation-linked bonds[1,2]	**4,010**	**3.5**	4,080	3.9	5,143	4.0
	15,477	**13.3**	15,541	14.7	15,577	12.2
NET INVESTMENTS	**$ 116,623**	**100 %**	$ 105,561	100 %	$ 127,750	100 %

[1] Includes derivative receivables, derivative liabilities and associated money market securities.
[2] Includes accrued interest.
[3] Includes amounts receivable/payable from pending trades, dividends receivable, accrued interest and absolute return strategies.
[4] Net of debt on private real estate properties, as described more fully in note 2e.

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

ORGANIZATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the "CPP") in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan.* It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan* in the best interests of the beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, regulations and the investment policies 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 CPP and the ability of the CPP to meet its financial obligations on any given business day. The CPP Investment Board's legislated mandate, the overall benchmark that provides context for investing decisions and the investment strategy employed to support the long-term sustainability of the *Canada Pension Plan* are fully described in Management's Discussion and Analysis on pages 16 to 23 of the 2009 Annual Report.

The CPP Investment Board and its wholly-owned subsidiaries are exempt from Part I tax under paragraphs 149(1)(d) and 149(1)(d.2) of the Income Tax Act (Canada) on the basis that all of the shares of the CPP Investment Board and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The Consolidated Financial Statements provide information on the net assets managed by the CPP Investment Board and do not include the pension liabilities of the CPP. The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the requirements of the Act and the accompanying regulations. These interim Consolidated Financial Statements follow the same accounting policies and methods of computation as the March 31, 2009 annual Consolidated Financial Statements. These interim Consolidated Financial Statements do not include all of the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the March 31, 2009 annual Consolidated Financial Statements. These interim Consolidated Financial Statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

These interim Consolidated Financial Statements present the consolidated financial position and results of operations of the CPP Investment Board, its wholly-owned subsidiaries and the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures. Inter-company transactions and balances have been eliminated in preparing these interim Consolidated Financial Statements.

Certain comparative figures have been reclassified to conform with the current-period financial statement presentation.

(b) *Valuation of Investments, Investment Receivables and Investment Liabilities*

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

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, option pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

(i) Fair value for publicly-traded equities is based on quoted market prices. Where the market price is not available or reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.

(ii) Fair value for fund investments is generally based on the net asset value as reported by the external managers of the funds or other accepted industry valuation methods.

(iii) Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows using current market yields of instruments with similar characteristics and third party transactions, or other events which would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on relevant information reported by the General Partner using similar accepted industry valuation methods.

(iv) Fair value for marketable bonds is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.

(v) Fair value for non-marketable Canadian government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

(vi) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

(vii) Fair value for public real estate investments is based on quoted market prices.

(viii) Fair value for private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

(ix) Fair value for inflation-linked bonds is based on quoted market prices.

(x) Fair value for exchange-traded derivatives, which includes futures, is based on quoted market prices. Fair value for over-the-counter derivatives, which include swaps, options, forward contracts and warrants, is determined based on the quoted market prices of the underlying instruments where available. Otherwise, fair value is based on other accepted industry valuation methods using inputs such as equity prices and indices, broker quotations, market volatilities, currency exchange rates, current market interest rate yields, credit spreads and other market-based pricing factors. In determining fair value, consideration is also given to liquidity risk and the credit risk of the counterparty.

(xi) Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to its short-term nature.

(c) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and recorded as a component of net investment income.

(d) Future Accounting Policy Change

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). The CPP Investment Board will adopt IFRS for interim and annual periods commencing April 1, 2011, together with the disclosure of prior year's comparative figures.

The CPP Investment Board has developed a conversion plan and is in the process of assessing the impact that IFRS could have on its operations, financial position and results of operations.

2. INVESTMENTS AND INVESTMENT LIABILITIES

(a) Financial Risk Management

The CPP Investment Board is exposed to a variety of financial risks as a result of its investment activities. These risks include market risk, credit risk and liquidity risk. The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies approved by the board of directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions and has been designed to achieve the mandate of the CPP Investment Board which is to invest its assets 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 CPP and the ability of the CPP to meet its financial obligations on any given business day.

Included within the Risk/Return Accountability Framework is an active risk limit which represents a limit on the amount of investment risk that the CPP Investment Board can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the board of directors and serves as a performance benchmark against which the CPP Investment Board's value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPP Investment Board is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPP Investment Board monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the board of directors on at least a quarterly basis. Financial risk management is discussed in greater detail on pages 23 to 25 in the Risk Management section of Management's Discussion and Analysis in the 2009 Annual Report.

(i) ***Market Risk:*** Market risk (including currency risk, interest rate risk and equity price 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. As discussed above, the CPP Investment Board manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures (see note 2g). Market risk is comprised of the following:

Currency Risk: The CPP Investment Board is 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.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives, are as follows:

($ millions)	**As at June 30, 2009**		As at March 31, 2009		As at June 30, 2008	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	**$ 31,449**	**53 %**	$ 25,698	57 %	$ 24,772	50 %
Euro	**10,375**	**17**	7,988	18	11,644	23
Japanese Yen	**5,995**	**10**	3,907	9	4,767	10
British Pound Sterling	**3,779**	**6**	2,436	5	3,755	7
Hong Kong Dollar	**2,499**	**4**	1,363	3	453	1
Australian Dollar	**1,556**	**3**	875	2	1,431	3
Other	**4,240**	**7**	2,604	6	2,852	6
Total	**$ 59,893**	**100 %**	$ 44,871	100 %	$ 49,674	100 %

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates. The CPP Investment Board's interest-bearing investments are exposed to interest rate risk.

Equity Price Risk: Equity price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

In addition to the above, the CPP Investment Board is indirectly exposed to market risk on the underlying securities of fund investments.

Value at Risk

CPP Investment Board uses Value at Risk ("VaR") methodology to monitor market risk exposure in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level. The VaR calculated by the CPP Investment Board is estimated using a historical simulation method, incorporating the most recent ten years of weekly market returns, evaluated at a 90 per cent confidence level and scaled to a one-year holding period.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst-case scenario.

Other assumptions under the historical simulation method for estimating VaR include:

- An estimate for VaR at a one-year holding period can be derived from a simulation based on weekly market returns by using a time-based scaling factor;
- Incorporating the most recent ten years of market data is sufficient to reasonably estimate the potential loss in value at a 90 per cent confidence level; and
- The public market proxies used to represent private market investment returns (e.g. those for private real estate and private equities) are reasonable for estimating their contribution to the VaR.

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Changes in active risk are largely independent of changes in VaR in the CPP Reference Portfolio and CPP Investment Portfolio.

As at June 30, 2009, VaR, at a 90 per cent confidence level, indicates that one year in ten the portfolio can be expected to lose at least the following amounts:

($ millions)		**VaR**	**% of CPP Investment Portfolio**[1]	
CPP Reference Portfolio	**$**	**11,708**	**10.1**	**%**
CPP Investment Portfolio Active Risk	**$**	**1,589**	**1.4**	**%**
CPP Investment Portfolio[2]	**$**	**12,299**	**10.6**	**%**

[1] Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.
[2] CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Risk due to the beneficial impact of risk diversification.

(ii) ***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 borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPP Investment Board's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in note 2g). The carrying amounts of these investments as presented in the Consolidated Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date.

Oversight for credit risk resides with the Credit Committee, a sub-committee of the Investment Planning Committee ("IPC"), and chaired by the Chief Operations Officer. The IPC, chaired by the President and Chief Executive Officer, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. The Credit Committee advises the IPC on the total portfolio exposure to credit risk and whether changes are warranted in the allocation of credit risk within the overall limits established by the board of directors. The Credit Committee ensures that credit risks are identified, measured and monitored regularly and communicated at least monthly to the IPC and at least quarterly to the board of directors.

Credit risk measurement and reporting are performed by professional risk managers within the Investment Risk Management group ("IRM"). IRM provides qualitative and quantitative analysis and oversight of credit risk, monitoring exposure limits, augmented by detailed analysis of single-name and sector exposures. Credit VaR is the common measure of credit risk across all investment strategies. IRM works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to management and at least monthly to the Credit Committee and the IPC.

The CPP Investment Board manages credit risk by setting overall credit exposure limits by credit rating category. The board of directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Where the internal credit rating is lower than the rating determined by a recognized credit rating agency, the internal credit rating will prevail. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies. The Credit Committee has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to certain counterparties. IRM measures and monitors sub-limits and credit exposure limits daily for compliance and reports to the Credit Committee and IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements, are as follows:

Credit Rating	Bonds[1,2]	Money Market Securities[1]	Reverse Repurchase Agreements[1,3]	Over-the-Counter Derivatives	Total	% of Total
AAA/R-1 (high)	$ 10,346	$ 12,368	$ -	$ 436	$ 23,150	45 %
AA/R-1 (mid)	16,444	2,566	-	100	19,110	38
A/R-1 (low)	4,390	-	4,003	14	8,407	17
BBB/R-2 (low)	261	-	-	-	261	0
Total	**$ 31,441**	**$ 14,934**	**$ 4,003**	**$ 550**	**$ 50,928**	**100 %**

[1] Includes accrued interest.
[2] Includes inflation-linked bonds.
[3] As at June 30 , 2009, fixed income securities with a fair value of $4,084 million and a AAA credit rating was received as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see note 2f).

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting arrangements and collateral. Master netting arrangements are entered into with all counterparties so that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Credit support annexes are negotiated with certain counterparties and require that collateral, in the form of cash or fixed income securities, be provided to the CPP Investment Board when the positive fair value of the derivative contract exceeds certain threshold amounts. As at June 30, 2009, master netting arrangements and collateral held reduce the credit risk exposure to over-the-counter derivatives from $550 million to $112 million.

In addition to the above, the CPP Investment Board is indirectly exposed to credit risk on the underlying securities of fund investments.

(iii) ***Liquidity Risk:*** Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see note 3) available in the amount of $1.5 billion (March 31, 2009 - $1.5 billion; June 30, 2008 - $1.5 billion) and the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly-traded equities, money market securities, marketable bonds and inflation-linked bonds.

The CPP Investment Board is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see note 5). In order to manage liquidity risk associated with this short-term cash management program, the assets required for this purpose are segregated from the investment portfolio and separately managed as the Cash for Benefits Portfolio. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

(b) Equities

(i) Public equity investments are made directly or through funds. Investment management fees are paid to investment managers for externally managed investments and include an incentive portion that fluctuates with investment performance. As at June 30, 2009, public equities include fund investments with a fair value of $2,120 million (March 31, 2009 - $1,730 million; June 30, 2008 - $1,574 million).

(ii) Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at June 30, 2009, private equities include direct investments with a fair value of $3,039 million (March 31, 2009 - $2,906 million; June 30, 2008 - $3,365 million).

With respect to limited partnership arrangements, the CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the General Partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between one per cent and two per cent of the total amount committed to the limited partnerships and are expensed as incurred.

(c) Fixed Income

(i) Bonds consist of marketable and Canadian government non-marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act which permit each issuer, at its option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

The terms to maturity of the marketable and non-marketable bonds, not including any rollover options or accrued interest, as at June 30, 2009 are as follows:

	Terms to Maturity					
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Average Effective Yield**
Marketable bonds						
Government of Canada	**$ 4**	**$ 739**	**$ 402**	**$ 258**	**$ 1,403**	**3.2 %**
Canadian provincial government	**20**	**297**	**292**	**549**	**1,158**	**4.5**
Canadian government corporations	**15**	**1,652**	**265**	**282**	**2,214**	**3.5**
Foreign government	**140**	**1,132**	**761**	**447**	**2,480**	**2.7**
Corporate bonds	**9**	**275**	**165**	**87**	**536**	**6.4**
Non-marketable bonds						
Government of Canada	**432**	**75**	**-**	**-**	**507**	**0.8**
Canadian provincial government	**2,233**	**5,383**	**1,313**	**12,974**	**21,903**	**4.6**
Total	**$ 2,853**	**$ 9,553**	**$ 3,198**	**$ 14,597**	**$ 30,201**	**4.5 %**

(ii) Other debt consists of investments in distressed mortgage and private debt funds.

(d) Absolute Return Strategies

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(e) Inflation-Sensitive Assets

(i) The CPP Investment Board obtains exposure to real estate through investments in publicly-traded securities, funds and privately held real estate.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers through co-ownership arrangements. As at June 30, 2009, the subsidiary's share of these investments includes assets of $7,518 million (March 31, 2009 - $7,610 million; June 30, 2008 - $7,685 million) and $934 million of secured debt (March 31, 2009 - $930 million; June 30, 2008 - $913 million), with a weighted average fixed interest rate of 6.5 per cent and terms to maturity of one to 19 years.

Included in private real estate are investments in joint ventures. The CPP Investment Board's proportionate interest in joint ventures is summarized as follows:

Proportionate Share of Net Assets			
($ millions)	**As at June 30, 2009**	As at March 31, 2009	As at June 30, 2008
Assets	**$ 4,890**	$ 4,860	$ 5,259
Liabilities	**(934)**	(930)	(913)
	$ 3,956	$ 3,930	$ 4,346

Proportionate Share of Net Income		
	Three-months ended June 30	
($ millions)	**2009**	2008
Revenue	**$ 145**	$ 135
Expenses	**(88)**	(85)
	$ 57	$ 50

(ii) Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at June 30, 2009, infrastructure includes direct investments with a fair value of $3,228 million (March 31, 2009 - $3,154 million; June 30, 2008 - $1,981 million). Direct investments do not have management fees, while management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in note 2b.

(iii) The terms to maturity of the inflation-linked bonds as at June 30, 2009 are as follows:

	Terms to Maturity					
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Average Effective Yield**
Inflation-linked bonds	**$ -**	**142**	**144**	**544**	**830**	**1.9 %**

(f) Securities Sold under Repurchase Agreements and Purchased under Reverse Repurchase Agreements

Securities sold under repurchase agreements are accounted for as collateralized borrowing as they represent the sale of securities effected with a simultaneous agreement to buy them back at a specified price at a specified future date. The securities sold continue to be recognized as an investment of the CPP Investment Board with any changes in fair value recorded as net gain (loss) on investments (see note 6). Securities purchased under reverse repurchase agreements are not recognized as an investment of the CPP Investment Board and are accounted for as collateralized lending as they represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held. Repurchase and reverse repurchase agreements are carried on the Consolidated Statement of Investment Portfolio at the amounts at which the securities were initially acquired or sold. Interest incurred on repurchase agreements and interest earned on reverse repurchase agreements are included in investment income (see note 6).

As at June 30, 2009, securities sold under repurchase agreements are $nil (March 31, 2009 - $99 million; June 30, 2008 - $nil). As at June 30, 2009, the securities purchased under reverse repurchase agreements of $4,000 million (March 31, 2009 - $4,000 million; June 30, 2008 - $nil) have terms to maturity of two to three years and an average effective yield of 1.8 per cent.

As at June 30, 2009, fixed income securities with a fair value of $4,084 million (March 31, 2009 - $4,084 million; June 30, 2008 - $nil) were held as collateral on reverse repurchase agreements of which $3,923 million (March 31, 2009 - $3,923 million; June 30, 2008 - $nil) may be sold or repledged. The fair value of securities collateral sold or repledged as at June 30, 2009 is $nil (March 31, 2009 - $nil; June 30, 2008 - $nil). As at June 30, 2009, fixed income securities with a fair value of $nil (March 31, 2009 - $100 million; June 30, 2008 - $nil) were pledged as collateral on repurchase agreements. These transactions are conducted under terms and conditions that are common and customary to collateral arrangements.

(g) Derivative Contracts

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates or currency exchange rates. The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Statement of Investment Portfolio. In the Consolidated Statement of Investment Asset Mix, the derivative exposure is allocated to the asset class to which each contract relates. Derivative exposure generally includes the fair value plus the notional amount of the contract.

The CPP Investment Board uses the following types of derivative instruments as described below:

Swaps

Swaps include equity, variance, inflation-linked bond, cross-currency interest rate, bond, interest rate, and credit default swaps which are over-the-counter contractual agreements generally between two counterparties to exchange a series of cash flows with predetermined conditions based on notional amounts. Swaps are used for yield-enhancement purposes or to adjust exposures to certain equities, bonds, currencies, inflation-linked bonds or interest rates without directly purchasing or selling the underlying asset. Swap contracts create credit risk exposure due to the possible inability of counterparties to meet the terms of the contract. There is also risk arising from exposure to movements in equity values, credit ratings, interest rates and foreign exchange rates, as applicable.

Futures

Futures include equity and bond futures which are standardized contracts transacted on an exchange to purchase or sell a specified quantity of equities or bonds at a predetermined price and date in the future. Futures are used to adjust exposures to certain equities and bonds without directly purchasing or selling the underlying asset. The primary risks associated with futures contracts are related to the exposure to movements in equity values, interest rates and foreign exchange rates, as applicable. Credit risk on exchange-traded futures is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties.

Options

Equity options written, which are transacted over-the-counter, are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy a specified quantity of a particular stock at or before a specified future date at a predetermined price. The seller receives a premium from the purchaser for this right. Equity options are used for yield-enhancement purposes or to adjust exposures to certain equities without directly purchasing or selling the underlying asset. The primary risks associated with equity options are exposure to movements in equity values and foreign exchange rates as applicable. Credit risk exposure on over-the-counter options arises due to the possible inability of counterparties to meet the terms of the contract.

Forwards

Forward contracts include foreign exchange and interest rate forwards which are over-the-counter contractual agreements negotiated between two counterparties to either purchase or sell a specified amount of foreign currencies or interest rate sensitive financial instruments at a predetermined price and date in the future. Forward contracts are used for yield-enhancement purposes or to manage exposures to currencies and interest rates. The primary risks associated with forward contracts arise from exposure to movements in foreign exchange and interest rates, as applicable, and from the possible inability of counterparties to meet the terms of the contract.

Warrants

Warrants are transacted both over-the-counter and through exchanges where the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price. Warrants are used for yield-enhancement purposes. The primary risks associated with warrants are exposure to movements in equity values and foreign exchange rates as applicable.

Notional Amounts and Fair Value of Derivative Contracts

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts and are generally a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the balance sheet. Notional amounts do not represent the potential gain or loss associated with the market risk or credit risk associated with a derivative contract.

The fair value of derivative contracts held is as follows:

	As at June 30, 2009			As at March 31, 2009	As at June 30, 2008
($ millions)	Positive Fair Value	Negative Fair Value	Net Fair Value	Net Fair Value	Net Fair Value
Equity contracts					
Equity swaps	**$ 272**	**$ (118)**	**$ 154**	$ 197	$ (704)
Variance swaps	**11**	**(80)**	**(69)**	(132)	3
Equity futures	**1**	**(22)**	**(21)**	50	12
Warrants	**141**	**-**	**141**	190	-
Written options	**-**	**(76)**	**(76)**	(128)	-
Total equity contracts	**425**	**(296)**	**129**	177	(689)
Foreign exchange contracts					
Forwards	**139**	**(353)**	**(214)**	(43)	(82)
Total foreign exchange contracts	**139**	**(353)**	**(214)**	(43)	(82)
Interest rate contracts					
Bond swaps	**7**	**(15)**	**(8)**	6	(23)
Cross-currency interest rate swaps	**-**	**(282)**	**(282)**	(412)	(58)
Inflation-linked bond swaps	**92**	**-**	**92**	193	76
Bond futures	**-**	**-**	**-**	1	-
Interest rate swaps	**29**	**-**	**29**	1	-
Total interest rate contracts	**128**	**(297)**	**(169)**	(211)	(5)
Credit contracts					
Credit default swaps	**-**	**(5)**	**(5)**	(1)	-
Total credit contracts	**-**	**(5)**	**(5)**	(1)	-
Total	**$ 692**	**$ (951)**	**$ (259)**	$ (78)	$ (776)

The terms to maturity of the notional amounts for derivative contracts held are as follows:

	As at June 30, 2009				As at March 31, 2009	As at June 30, 2008
($ millions)	**Within 1 year**	**1 to 5 years**	**6-10 years**	**Total**	Total	Total
Equity contracts						
Equity swaps	**$ 13,930**	**$ 1,172**	**$ -**	**$ 15,102**	$ 15,659	$ 15,068
Variance swaps	**-**	**102**	**4,627**	**4,729**	4,990	1,247
Equity futures	**3,467**	**-**	**-**	**3,467**	3,781	2,116
Warrants	**55**	**355**	**9**	**419**	444	-
Written options	**-**	**245**	**-**	**245**	265	-
Total equity contracts	**17,452**	**1,874**	**4,636**	**23,962**	25,139	18,431
Foreign exchange contracts						
Forwards	**21,882**	**-**	**-**	**21,882**	16,597	17,963
Total foreign exchange contracts	**21,882**	**-**	**-**	**21,882**	16,597	17,963
Interest rate contracts						
Bond swaps	**1,544**	**-**	**-**	**1,544**	1,469	2,373
Cross-currency interest rate swaps	**1,477**	**-**	**-**	**1,477**	1,477	1,477
Inflation-linked bond swaps	**3,111**	**-**	**-**	**3,111**	3,099	2,740
Bond futures	**281**	**-**	**-**	**281**	379	-
Interest rate swaps	**-**	**741**	**45**	**786**	592	-
Total interest rate contracts	**6,413**	**741**	**45**	**7,199**	7,016	6,590
Credit contracts						
Credit default swaps	**-**	**71**	**23**	**94**	99	-
Total credit contracts	**-**	**71**	**23**	**94**	99	-
Total	**$ 45,747**	**$ 2,686**	**$ 4,704**	**$ 53,137**	$ 48,851	$ 42,984

(h) Securities Lending

In September 2008, the CPP Investment Board suspended its securities lending program. In normal market conditions, securities lending is a low risk way to add incremental value to the portfolio. Credit risk associated with securities lending was mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. However, heightened credit and counterparty risk have significantly altered the risk-return equation. As at June 30, 2009, the CPP Investment Board's investments include securities loaned with a fair value of $nil (March 31, 2009 - $nil; June 30, 2008 - $2,552 million). The fair value of collateral received in respect of the securities loaned is $nil (March 31, 2009 - $nil; June 30, 2008 - $2,683 million).

(i) Debt financing liabilities

As at June 30, 2009, debt financing liabilities are comprised of commercial paper payable and have principal repayments as follows:

($ millions)	**Within 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**Total**	**Fair Value**	**Weighted Average Interest Rate**
Commercial paper payable	**$ 785**	**490**	**25**	**1,300**	**1,300**	**0.2 %**

3. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2009 - $1.5 billion; June 30, 2008 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at June 30, 2009, the total amount drawn on the credit facilities is $nil (March 31, 2009 - $nil; June 30, 2008 - $nil).

4. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares having a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

5. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP.

The CPP Investment Board is also responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

The accumulated transfers from the CPP since inception are as follows:

($ millions)		**As at June 30, 2009**		As at March 31, 2009		As at June 30, 2008
Accumulated transfers from the Canada Pension Plan	**$**	**191,106**	$	182,204	$	161,600
Accumulated transfers to the Canada Pension Plan		**(90,663)**		(85,282)		(67,454)
Accumulated net transfers from the Canada Pension Plan	**$**	**100,443**	$	96,922	$	94,146

6. NET INVESTMENT INCOME

Net investment income is reported net of transaction costs and investment management fees.

Net investment income (loss) is grouped by asset class based on the intent of the investment strategies of the underlying portfolios. Net investment income (loss), after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

($ millions)	**For the three-month period ended June 30, 2009**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income (Loss)**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income (Loss)**
Equities	**$ 402**	**$ 6,212**	**$ 6,614**	**$ (65)**	**$ (24)**	**$ 6,525**
Fixed income	**342**	**1,059**	**1,401**	**(3)**	**-**	**1,398**
Absolute return strategies	**-**	**(71)**	**(71)**	**(15)**	**-**	**(86)**
Inflation-sensitive assets	**149**	**(329)**	**(180)**	**(11)**	**(5)**	**(196)**
Total	**$ 893**	**$ 6,871**	**$ 7,764**	**$ (94)**	**$ (29)**	**$ 7,641**

($ millions)	For the three-month period ended June 30, 2008					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 1,274	$ (15)	$ 1,259	$ (48)	(14)	$ 1,197
Fixed income	353	(355)	(2)	(3)	-	(5)
Absolute return strategies	-	31	31	(8)	-	23
Inflation-sensitive assets	167	(103)	64	(15)	(5)	44
Total	$ 1,794	$ (442)	$ 1,352	$ (74)	$ (19)	1,259

[1] Includes interest income, dividends, private real estate operating income (net of interest expense), securities lending income, interest expense on the debt financing liabilities and repurchase agreements.

[2] Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the period.

7. COMMITMENTS

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at June 30, 2009, the commitments total $22.4 billion (March 31, 2009 - $23.9 billion; June 30, 2008 - $19.7 billion).

As at June 30, 2009, the CPP Investment Board has made lease and other commitments of $51.9 million (March 31, 2009 - $54.7 million; June 30, 2008 - $60.3 million) that will be paid over the next nine years.

8. GUARANTEES AND INDEMNIFICATIONS

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.