

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

September 30, 2000

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income / (Loss)

September 30, 2000

(Unaudited)

	Three months ended September 30, 2000	Three months ended September 30, 1999	Six months ended September 30, 2000
INVESTMENT ACTIVITIES			
Investment income / (loss)	\$ 97,350,831	\$ (13,048,817)	\$ 391,678,464
Investment expenses	(583,938)	(81,754)	(910,119)
	96,766,893	(13,130,571)	390,768,345
ADMINISTRATIVE ACTIVITIES			
Operating expenses	366,748	277,322	744,230
Salaries and benefits	368,584	149,144	715,460
Professional and consulting fees	122,350	53,390	433,917
	857,682	479,856	1,893,607
NET INCOME / (LOSS) FROM OPERATIONS	\$ 95,909,211	\$ (13,610,427)	\$ 388,874,738

Statement of Changes in Net Assets

September 30, 2000

(Unaudited)

	Three months ended September 30, 2000	Three months ended September 30, 1999	Six months ended September 30, 2000
NET ASSETS, BEGINNING OF PERIOD	\$ 4,841,327,336	\$ 532,576,637	\$ 2,391,792,809
CHANGES IN NET ASSETS			
Canada Pension Plan transfers (Note 3)	922,979,000	300,974,000	3,079,548,000
Net income / (loss) from operations	95,909,211	(13,610,427)	388,874,738
INCREASE IN NET ASSETS FOR THE PERIOD	1,018,888,211	287,363,573	3,468,422,738
NET ASSETS, END OF PERIOD	\$ 5,860,215,547	\$ 819,940,210	\$ 5,860,215,547

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

September 30, 2000

(Unaudited)

	FAIR VALUE		BOOK VALUE	
	2000	1999	2000	1999
CANADIAN EQUITIES (Note 2)				
Canadian Equities - TSE 300 (Combination of index funds and direct security investments that substantially replicate the TSE 300)	\$ 3,131,471,546	\$ 663,536,729	\$ 2,592,188,267	\$ 658,775,421
Other Canadian Equities (Diversified portfolio of pooled fund and direct security investments – Note 2)	1,702,987,419	-	1,721,947,958	-
Total Canadian Equities	4,834,458,965	663,536,729	4,314,136,225	658,775,421
NON-CANADIAN EQUITIES (Note 2)				
US Equity Index Fund - S&P 500	536,473,164	77,372,079	519,039,710	80,693,999
EAFE Equity Index Fund	486,905,109	77,442,707	503,199,468	75,315,598
Total Non-Canadian Equities	1,023,378,273	154,814,786	1,022,239,178	156,009,597
TOTAL EQUITIES	\$ 5,857,837,238	\$ 818,351,515	\$ 5,336,375,403	\$ 814,785,018
% OF PORTFOLIO				
Canadian Equities - TSE 300	53.4%	81.1%	48.6%	80.9%
Other Canadian Equities	29.1%	0.0%	32.3%	0.0%
Total Canadian Equities	82.5%	81.1%	80.9%	80.9%
Non-Canadian Equities	17.5%	18.9%	19.1%	19.1%
	100.0%	100.0%	100.0%	100.0%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

September 30, 2000

ORGANIZATION

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

The CPP Investment Board commenced operations October 1, 1998. The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities.

2. INVESTMENTS

The CPP Investment Board has prepared a Statement of Investment Policies, Standards and Procedures (the “Investment Policy”) which sets out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at September 30, 2000, these assets totalled approximately \$30.1 billion (at cost) and consisted of government debt obligations. As a result, and in accordance with the Investment Policy, 100% of the CPP Investment Board’s investments are allocated to equities, with at least 80% of the book value allocated to Canadian equities and the remainder to non-Canadian equities.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

September 30, 2000

2. INVESTMENTS (continued)

During the quarter the CPP Investment Board Regulations were amended to allow the active management of up to 50% of Canadian equities, on a book value basis. The Regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indexes. As at September 30, 2000, approximately 60% of Canadian equity investments substantially replicated the Toronto Stock Exchange 300 Composite Index.

Under the terms of the Investment Policy, the CPP Investment Board's investments in non-Canadian equities should substantially replicate broad market indexes. The Morgan Stanley Capital International World Index ex-Canada is used for this purpose and has been implemented using S&P 500 and EAFE index funds. Investments are not hedged against changes in foreign currency exchange rates.

3. CANADA PENSION PLAN TRANSFERS

During the quarter, a total of \$922,979,000 (\$300,974,000 for the three months ended September 30, 1999) was transferred to the CPP Investment Board under Section 111 of the *Canada Pension Plan*.

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.