Quarterly Consolidated Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

September 30, 2011

(unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at September 30, 2011
(Unaudited)

($ millions)		**September 30, 2011**		March 31, 2011		September 30, 2010
ASSETS						
Investments (note 3)	**$**	**160,581**	$	152,933	$	140,726
Amounts receivable from pending trades		**2,330**		1,085		2,901
Premises and equipment		**46**		43		34
Other assets		**14**		15		11
TOTAL ASSETS		**162,971**		154,076		143,672
LIABILITIES						
Investment liabilities (note 3)		**8,408**		4,046		3,511
Amounts payable from pending trades		**2,123**		1,675		1,465
Accounts payable and accrued liabilities		**146**		159		74
TOTAL LIABILITIES		**10,677**		5,880		5,050
NET ASSETS	**$**	**152,294**	$	148,196	$	138,622
NET ASSETS, REPRESENTED BY						
Share capital (note 5)	**$**	**-**	$	-	$	-
Accumulated net income from operations		**39,680**		39,791		31,205
Accumulated net transfers from the Canada Pension Plan (note 6)		**112,614**		108,405		107,417
NET ASSETS	**$**	**152,294**	$	148,196	$	138,622

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

CANADA PENSION PLAN INVESTMENT BOARD

Consolidated Statement of Net Income (Loss) and Accumulated Net Income from Operations

For the three and six-month periods ended September 30, 2011

(Unaudited)

($ millions)	Three-months ended September 30		Six-months ended September 30	
	2011	2010	**2011**	2010
NET INVESTMENT INCOME (LOSS) (note 7)	**$ (1,199)**	$ 8,467	**$ 95**	$ 6,775
OPERATING EXPENSES				
Personnel costs	**79**	41	**142**	83
General operating expenses	**25**	19	**51**	38
Professional services	**7**	6	**13**	10
	111	66	**206**	131
NET INCOME (LOSS) FROM OPERATIONS	**(1,310)**	8,401	**(111)**	6,644
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	**40,990**	22,804	**39,791**	24,561
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$ 39,680**	$ 31,205	**$ 39,680**	$ 31,205

Consolidated Statement of Changes in Net Assets

For the three and six-month periods ended September 30, 2011

(Unaudited)

($ millions)	Three-months ended September 30		Six-months ended September 30	
	2011	2010	**2011**	2010
NET ASSETS, BEGINNING OF PERIOD	**$ 153,231**	$ 129,680	**$ 148,196**	$ 127,630
CHANGES IN NET ASSETS				
Canada Pension Plan transfers (note 6)				
Transfers from the Canada Pension Plan	**6,557**	7,562	**17,714**	17,417
Transfers to the Canada Pension Plan	**(6,184)**	(7,021)	**(13,505)**	(13,069)
Net income (loss) from operations	**(1,310)**	8,401	**(111)**	6,644
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	**(937)**	8,942	**4,098**	10,992
NET ASSETS, END OF PERIOD	**$ 152,294**	$ 138,622	**$ 152,294**	$ 138,622

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

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at September 30, 2011
(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. The investments, before allocating 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)	**September 30, 2011**	March 31, 2011	September 30, 2010
EQUITIES (note 3a)			
Canada			
Public equities	**$ 8,416**	$ 8,864	$ 7,406
Private equities	**1,518**	1,397	1,401
	9,934	10,261	8,807
Foreign developed markets			
Public equities	**17,943**	23,342	22,487
Private equities	**22,664**	20,349	18,260
	40,607	43,691	40,747
Emerging markets			
Public equities	**5,263**	5,776	5,221
Private equities	**1,090**	967	641
	6,353	6,743	5,862
TOTAL EQUITIES	**56,894**	60,695	55,416
FIXED INCOME (note 3b)			
Bonds	**37,944**	37,208	36,061
Other debt	**7,552**	6,008	4,902
Money market securities	**23,237**	17,625	17,831
TOTAL FIXED INCOME	**68,733**	60,841	58,794
ABSOLUTE RETURN STRATEGIES (note 3c)	**5,818**	4,464	3,686
INFLATION-SENSITIVE ASSETS (note 3d)			
Private real estate	**16,524**	12,829	10,262
Infrastructure	**8,500**	9,404	6,137
Inflation-linked bonds	**1,310**	299	487
TOTAL INFLATION-SENSITIVE ASSETS	**26,334**	22,532	16,886
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 3e)	**500**	2,500	4,000
Accrued interest	**708**	657	644
Derivative receivables (note 3f)	**1,494**	1,117	1,194
Dividends receivable	**100**	127	106
TOTAL INVESTMENT RECEIVABLES	**2,802**	4,401	5,944
TOTAL INVESTMENTS	**$ 160,581**	$ 152,933	$ 140,726
INVESTMENT LIABILITIES			
Securities sold short (note 3g)	**(2,135)**	-	-
Debt financing liabilities (note 3h)	**(1,434)**	(1,394)	(1,302)
Debt on private real estate properties (note 3d)	**(2,638)**	(1,969)	(1,215)
Derivative liabilities (note 3f)	**(2,201)**	(683)	(994)
TOTAL INVESTMENT LIABILITIES	**(8,408)**	(4,046)	(3,511)
Amounts receivable from pending trades	**2,330**	1,085	2,901
Amounts payable from pending trades	**(2,123)**	(1,675)	(1,465)
NET INVESTMENTS	**$ 152,380**	$ 148,297	$ 138,651

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 September 30, 2011
(Unaudited)

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

	September 30, 2011		March 31, 2011		September 30, 2010	
($ millions)	**Fair Value**	**(%)**	Fair Value	(%)	Fair Value	(%)
EQUITIES						
Canada	**$ 20,068**	**13.1 %**	$ 20,952	14.1 %	$ 19,613	14.1 %
Foreign developed markets	**48,691**	**32.0**	50,798	34.3	47,505	34.3
Emerging markets	**6,859**	**4.5**	7,619	5.1	6,657	4.8
	75,618	**49.6**	79,369	53.5	73,775	53.2
FIXED INCOME						
Bonds	**38,277**	**25.1**	37,601	25.3	36,028	26.0
Other debt	**7,466**	**4.9**	6,073	4.1	4,945	3.6
Money market securities[1]	**5,630**	**3.7**	2,355	1.6	5,623	4.0
Debt financing liabilities	**(1,434)**	**(0.9)**	(1,394)	(0.9)	(1,302)	(0.9)
	49,939	**32.8**	44,635	30.1	45,294	32.7
INFLATION-SENSITIVE ASSETS						
Real estate[2]	**13,884**	**9.1**	10,860	7.3	9,046	6.5
Infrastructure	**8,670**	**5.7**	9,479	6.4	6,201	4.5
Inflation-linked bonds	**4,269**	**2.8**	3,954	2.7	4,335	3.1
	26,823	**17.6**	24,293	16.4	19,582	14.1
NET INVESTMENTS	**$ 152,380**	**100 %**	$ 148,297	100 %	$ 138,651	100 %

[1] Includes absolute return strategies.
[2] Net of debt on private real estate properties, as described more fully in note 3d.

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

CORPORATE INFORMATION

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 CPP 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 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

These 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 financial statements follow the same accounting policies and methods of computation as the March 31, 2011 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, 2011 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. The CPP Investment Board qualifies as an Investment Company in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 18, *Investment Companies*, and accordingly, the CPP Investment Board reports its investments at fair value. 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, pricing models and other accepted industry valuation methods.

Fair value is determined as follows:

(i) Fair value for publicly-traded equities, including equity short positions, is based on quoted market prices. Where market prices are not available or reliable, such as for those securities that are not sufficiently liquid, 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) Fair value for direct investments in private debt and asset-backed securities is calculated using quoted market prices or accepted industry valuation methods such as discounted cash flows based on current market yields of instruments with similar characteristics.

(vii) 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.

(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, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes 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 the short-term nature of these liabilities.

(c) Securities Purchased under Reverse Repurchase Agreements

Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP Investment Board. 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 (see note 3i). In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held. Reverse repurchase agreements are carried on the Consolidated Statement of Investment Portfolio at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in investment income (see note 7).

(d) Securities Sold Short

Securities sold short represent securities sold, but not owned, by the CPP Investment Board. The CPP Investment Board has an obligation to cover these short positions which are accounted for as an investment liability based on the fair value of the securities sold. Collateral is pledged to the counterparty, when appropriate (see note 3i). Interest and dividend expense on securities sold short are included in investment income (see note 7).

(e) Future Accounting Policy Change

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards ("IFRS") effective for interim and annual periods commencing April 1, 2011. In September 2010, the AcSB granted investment companies an optional one-year deferral from the requirement to adopt IFRS. In January 2011, the AcSB extended this deferral by an additional year.

The two-year deferral provides the International Accounting Standards Board ("IASB") time to complete its consolidation project. The IASB issued an exposure draft in August 2011 entitled *"Investment Entities"* which proposes that investment companies be exempt from the requirement to consolidate investments in controlled entities. The impact of this exposure draft is not yet determinable. The CPP Investment Board will defer the adoption of IFRS until April 1, 2013.

The CPP Investment Board has developed an IFRS conversion plan and has identified the major differences between existing Canadian GAAP and IFRS. As IFRS continues to change, the impact these differences will have on CPP Investment Board's operations, financial position and results of operations is not yet determinable. The CPP Investment Board continues to monitor developments and changes to IFRS and is on schedule to meet the timelines established in its IFRS conversion plan.

2. FAIR VALUE MEASUREMENT

(a) The following shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

	Basis of Fair Value Determination			
($ millions)	As at September 30, 2011			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,411	$ -	$ 5	$ 8,416
Private equities	-	-	1,518	1,518
	8,411	-	1,523	9,934
Foreign developed markets				
Public equities[1]	15,894	1,578	471	17,943
Private equities	924	-	21,740	22,664
	16,818	1,578	22,211	40,607
Emerging markets				
Public equities[1]	4,932	331	-	5,263
Private equities	-	-	1,090	1,090
	4,932	331	1,090	6,353
TOTAL EQUITIES	30,161	1,909	24,824	56,894
FIXED INCOME				
Bonds	15,133	22,811	-	37,944
Other debt	-	2,490	5,062	7,552
Money market securities	-	23,237	-	23,237
TOTAL FIXED INCOME	15,133	48,538	5,062	68,733
ABSOLUTE RETURN STRATEGIES	-	2,700	3,118	5,818
INFLATION-SENSITIVE ASSETS				
Private real estate	-	-	16,524	16,524
Infrastructure	177	-	8,323	8,500
Inflation-linked bonds	1,310	-	-	1,310
TOTAL INFLATION-SENSITIVE ASSETS	1,487	-	24,847	26,334
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	500	-	500
Accrued interest	-	708	-	708
Derivative receivables	204	1,268	22	1,494
Dividends receivable	-	100	-	100
TOTAL INVESTMENT RECEIVABLES	204	2,576	22	2,802
TOTAL INVESTMENTS	46,985	55,723	57,873	160,581
INVESTMENT LIABILITIES				
Securities sold short	(2,135)	-	-	(2,135)
Debt financing liabilities	-	(1,434)	-	(1,434)
Debt on private real estate properties	-	(2,638)	-	(2,638)
Derivative liabilities	(305)	(1,896)	-	(2,201)
TOTAL INVESTMENT LIABILITIES	(2,440)	(5,968)	-	(8,408)
Amounts receivable from pending trades	-	2,330	-	2,330
Amounts payable from pending trades	-	(2,123)	-	(2,123)
NET INVESTMENTS	$ 44,545	$ 49,962	$ 57,873	$ 152,380

Transfers Between Level 1, Level 2 and Level 3

There were no significant transfers between Level 1 and Level 2 during the six-month period ended September 30, 2011.

During the six-month period ended September 30, 2011, Level 3 investments increased by $7.3 billion primarily due to private real estate purchases of $3.4 billion, related gains of $0.9 billion, and private equities purchases of $2.2 billion, related gains of $1.6 billion, reduced by sales of $1.7 billion. There were no significant transfers in or out of Level 3.

	Basis of Fair Value Determination			
($ millions)	As at March 31, 2011			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 8,859	$ -	$ 5	$ 8,864
Private equities	-	-	1,397	1,397
	8,859	-	1,402	10,261
Foreign developed markets				
Public equities[1]	20,840	2,001	501	23,342
Private equities	845	-	19,504	20,349
	21,685	2,001	20,005	43,691
Emerging markets				
Public equities[1]	5,614	162	-	5,776
Private equities	-	-	967	967
	5,614	162	967	6,743
TOTAL EQUITIES	36,158	2,163	22,374	60,695
FIXED INCOME				
Bonds	15,768	21,440	-	37,208
Other debt	-	1,727	4,281	6,008
Money market securities	-	17,625	-	17,625
TOTAL FIXED INCOME	15,768	40,792	4,281	60,841
ABSOLUTE RETURN STRATEGIES	-	1,686	2,778	4,464
INFLATION-SENSITIVE ASSETS				
Private real estate	-	-	12,829	12,829
Infrastructure	1,082	-	8,322	9,404
Inflation-linked bonds	299	-	-	299
TOTAL INFLATION-SENSITIVE ASSETS	1,381	-	21,151	22,532
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	2,500	-	2,500
Accrued interest	-	657	-	657
Derivative receivables	170	914	33	1,117
Dividends receivable	-	127	-	127
TOTAL INVESTMENT RECEIVABLES	170	4,198	33	4,401
TOTAL INVESTMENTS	53,477	48,839	50,617	152,933
INVESTMENT LIABILITIES				
Securities sold short	-	-	-	-
Debt financing liabilities	-	(1,394)	-	(1,394)
Debt on private real estate properties	-	(1,969)	-	(1,969)
Derivative liabilities	(35)	(648)	-	(683)
TOTAL INVESTMENT LIABILITIES	(35)	(4,011)	-	(4,046)
Amounts receivable from pending trades	-	1,085	-	1,085
Amounts payable from pending trades	-	(1,675)	-	(1,675)
NET INVESTMENTS	$ 53,442	$ 44,238	$ 50,617	$ 148,297

	Basis of Fair Value Determination			
($ millions)	As at September 30, 2010			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 7,404	$ -	$ 2	$ 7,406
Private equities	-	-	1,401	1,401
	7,404	-	1,403	8,807
Foreign developed markets				
Public equities[1]	20,272	1,761	454	22,487
Private equities	734	-	17,526	18,260
	21,006	1,761	17,980	40,747
Emerging markets				
Public equities[1]	5,062	159	-	5,221
Private equities	-	-	641	641
	5,062	159	641	5,862
TOTAL EQUITIES	33,472	1,920	20,024	55,416
FIXED INCOME				
Bonds	13,542	22,519	-	36,061
Other debt	-	1,957	2,945	4,902
Money market securities	-	17,831	-	17,831
TOTAL FIXED INCOME	13,542	42,307	2,945	58,794
ABSOLUTE RETURN STRATEGIES	-	1,058	2,628	3,686
INFLATION-SENSITIVE ASSETS				
Private real estate	-	-	10,262	10,262
Infrastructure	1,067	-	5,070	6,137
Inflation-linked bonds	487	-	-	487
TOTAL INFLATION-SENSITIVE ASSETS	1,554	-	15,332	16,886
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	4,000	-	4,000
Accrued interest	-	644	-	644
Derivative receivables	195	963	36	1,194
Dividends receivable	-	106	-	106
TOTAL INVESTMENT RECEIVABLES	195	5,713	36	5,944
TOTAL INVESTMENTS	48,763	50,998	40,965	140,726
INVESTMENT LIABILITIES				
Securities sold short	-	-	-	-
Debt financing liabilities	-	(1,302)	-	(1,302)
Debt on private real estate properties	-	(1,215)	-	(1,215)
Derivative liabilities	(39)	(955)	-	(994)
TOTAL INVESTMENT LIABILITIES	(39)	(3,472)	-	(3,511)
Amounts receivable from pending trades	-	2,901	-	2,901
Amounts payable from pending trades	-	(1,465)	-	(1,465)
NET INVESTMENTS	$ 48,724	$ 48,962	$ 40,965	$ 138,651

[1] Includes investments in funds.

Transfers Between Level 1, Level 2 and Level 3

There were no significant transfers between Level 1, Level 2 and Level 3 during the six-month period ended September 30, 2010.

3. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board manages the following types of investments and investment liabilities:

(a) Equities

(i) Public equity investments are made directly or through funds. As at September 30, 2011, public equities include fund investments with a fair value of $2,348 million (March 31, 2011 - $2,665 million; September 30, 2010 - $2,373 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 September 30, 2011, private equities include direct investments with a fair value of $6,599 million (March 31, 2011 - $5,565 million; September 30, 2010 - $5,193 million).

(b) Fixed Income

(i) Bonds consist of non-marketable and 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 non-marketable and marketable bonds, not including any rollover options or accrued interest, as at September 30, 2011, are as follows:

	As at September 30, 2011						As at September 30, 2010	
	Terms to Maturity							
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Average Effective Yield**	Total	Average Effective Yield
Non-marketable bonds								
Government of Canada	**$ 12**	**$ -**	**$ -**	**$ -**	**$ 12**	**1.1 %**	$ 65	1.3 %
Canadian provincial government	**1,705**	**1,310**	**5,100**	**14,684**	**22,799**	**3.8**	22,455	4.1
Marketable bonds								
Government of Canada	**-**	**3,037**	**495**	**1,078**	**4,610**	**2.2**	3,469	2.7
Canadian provincial government	**-**	**1,238**	**1,574**	**2,453**	**5,265**	**3.4**	3,009	3.8
Canadian government corporations	**-**	**2,043**	**1,743**	**439**	**4,225**	**2.5**	3,406	3.0
Foreign government	**-**	**-**	**-**	**-**	**-**	**-**	2,545	2.0
Corporate bonds	**37**	**574**	**402**	**20**	**1,033**	**4.2**	1,112	4.2
Total	**$ 1,754**	**$ 8,202**	**$ 9,314**	**$ 18,674**	**$ 37,944**	**3.4 %**	$ 36,061	3.7 %

(ii) Other debt consists of investments in direct private debt, asset-backed securities, distressed mortgage funds and private debt funds. The terms to maturity of the direct private debt and asset-backed securities, as at September 30, 2011, are as follows:

($ millions)	As at September 30, 2011 Terms to Maturity Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	As at September 30, 2010 Total	Average Effective Yield
Direct private debt								
Private investments								
Leveraged loans	$ 450	$ 1,287	$ 460	$ 285	$ 2,482	8.3 %	$ 1,880	5.1 %
High-yield debt	-	182	1,190	-	1,372	11.2	89	9.8
Secured term loan	-	122	-	-	122	7.6	-	-
Private real estate								
Mezzanine debt	-	-	-	347	347	7.5	-	-
Asset-backed securities	-	-	138	-	138	1.4	-	-
Total	$ 450	$ 1,591	$ 1,788	$ 632	$ 4,461	8.9 %	$ 1,969	5.3 %

(c) 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.

(d) Inflation-Sensitive Assets

(i) The CPP Investment Board obtains exposure to real estate through direct investments in privately held real estate and real estate funds.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers primarily through co-ownership arrangements. As at September 30, 2011, the subsidiaries' share of these investments includes assets of $16,524 million (March 31, 2011 - $12,829 million; September 30, 2010 - $10,262 million) and $2,638 million of secured debt (March 31, 2011 - $1,969; September 30, 2010 - $1,215 million). The terms to maturity of the undiscounted principal repayments of the secured debt, as at September 30, 2011, are as follows:

($ millions)	As at September 30, 2011 Terms to Maturity Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Fair Value	Weighted Average Interest Rate	As at September 30, 2010 Total	Fair Value	Weighted Average Interest Rate
Debt on private real estate properties	$ 68	$ 1,852	$ 536	$ 108	$ 2,564	$ 2,638	4.7 %	$ 1,329	$ 1,215	5.7 %

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 September 30, 2011	As at March 31, 2011	As at September 30, 2010
Assets	$ 11,087	$ 7,849	$ 5,848
Liabilities	(2,570)	(1,758)	(1,000)
	$ 8,517	$ 6,091	$ 4,848

Proportionate Share of Net Income ($ millions)	Three-months ended September 30 2011	2010	Six-months ended September 30 2011	2010
Revenue	$ 252	$ 182	$ 441	$ 345
Expenses	(138)	(110)	(245)	(205)
	$ 114	$ 72	$ 196	$ 140

(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 September 30, 2011, infrastructure includes direct investments with a fair value of $8,125 million (March 31, 2011 - $7,899 million; September 30, 2010 - $4,541 million).

(iii) The terms to maturity of the inflation-linked bonds, as at September 30, 2011, are as follows:

	As at September 30, 2011						As at September 30, 2010	
	Terms to Maturity							
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
Inflation-linked bonds	$ -	$ 84	$ 80	$ 1,146	$ 1,310	0.8 %	$ 487	1.1 %

(e) Securities Purchased under Reverse Repurchase Agreements

The terms to maturity of the securities purchased under reverse repurchase agreements, as at September 30, 2011, are as follows:

	As at September 30, 2011						As at September 30, 2010	
	Terms to Maturity							
($ millions)	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Average Effective Yield	Total	Average Effective Yield
Securities purchased under reverse repurchase agreements	$ 500	$ -	$ -	$ -	$ 500	2.7 %	$ 4,000	2.6 %

(f) Derivative Contracts

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or are negotiated in over-the-counter markets.

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. They are not recorded as assets or liabilities on the Consolidated Balance Sheet. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

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 contracts are allocated to the asset class to which each contract relates.

The CPP Investment Board uses derivatives to generate value-added investment returns and to limit or adjust market, credit, interest rate, currency, and other financial exposures without directly purchasing or selling the underlying instrument.

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

Equity Contracts

Equity futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of an equity index, a basket of stocks, or a single stock at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Equity swaps are over-the-counter contracts in which one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument.

Variance swaps are over-the-counter contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

Equity options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified quantity of an equity index, a basket of stocks, or a single stock at or before a specified future date at a predetermined price. The seller receives a premium from the purchaser for this right. The CPP Investment Board purchases (buys) and writes (sells) equity options. Equity options may be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

Written put options may require the CPP Investment Board to purchase the underlying asset at any time at a fixed date or within a fixed future period. The maximum amount payable under the terms of the written put options is equal to their notional amount.

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.

Foreign Exchange Contracts

Foreign exchange forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future. These contracts result in a fixed future foreign exchange rate for a period of time.

Interest Rate Contracts

Bond futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a bond index, a basket of bonds, or a single bond at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Interest rate futures are standardized contracts transacted on an exchange to purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Interest rate forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time.

Bond and inflation-linked bond swaps are over-the-counter contracts in which counterparties exchange the return on a bond, inflation-linked bond or group of such instruments for the return on a fixed or floating interest rate or the return on another instrument.

Interest rate swaps are over-the-counter contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate on a specified notional amount. No exchange of notional amount takes place. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit Contracts

Credit default swaps are over-the-counter contracts that transfer the credit risk of an underlying financial instrument (referenced asset) from one counterparty to another. The CPP Investment Board purchases (buys) and writes (sells) credit default swaps that provide protection against the decline in value of an underlying financial instrument (referenced asset) as a result of a specified credit event such as default or bankruptcy. The purchaser (buyer) pays a premium to the writer (seller) in return for payment contingent on a credit event affecting the referenced asset.

Written credit default swaps require the CPP Investment Board to compensate counterparties for the decline in value of an underlying financial instrument (referenced asset) as a result of the occurrence of a specified credit event such as default or bankruptcy. The maximum amount payable to these counterparties under these written credit default swaps is equal to their notional amount.

Commodity Contracts

Commodity futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a commodity, such as precious metals and energy related products at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying commodity.

Other Derivative Contracts

Other derivative contracts include over-the-counter derivative contracts in which two counterparties agree to exchange cash flows based on the change in the value on a combination of equities, fixed income securities or derivatives for a return based on a fixed or floating interest rate.

(ii) Derivative-related Risk

The primary risks associated with derivatives are:

Market Risk

Derivatives generate value, positive or negative, as the value of underlying assets, indices, interest rates, currency exchange rates, or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk which is managed through the Risk/Return Accountability Framework as described in note 8.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligations to the CPP Investment Board. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument and is normally a small fraction of the contract’s notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded contracts is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPP Investment Board limits credit risk on over-the-counter contracts through a variety of means including dealing only with authorized counterparties which meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, the use of master netting agreements and collateral as discussed in note 8.

(iii) The fair value of derivative contracts held is as follows:

	As at September 30, 2011			As at March 31, 2011	As at September 30, 2010
($ millions)	**Positive Fair Value**	**Negative Fair Value**	**Net Fair Value**	Net Fair Value	Net Fair Value
Equity contracts					
Equity futures	**$ 47**	**$ (257)**	**$ (210)**	$ (21)	$ (31)
Equity swaps	**448**	**(920)**	**(472)**	271	240
Variance swaps	**9**	**(131)**	**(122)**	8	(122)
Exchange-traded purchased options	**-**	**-**	**-**	-	-
Over-the-counter written options	**-**	**-**	**-**	-	(107)
Warrants	**152**	**-**	**152**	187	219
Total equity contracts	**656**	**(1,308)**	**(652)**	445	199
Foreign exchange contracts					
Forwards	**743**	**(677)**	**66**	(29)	11
Total foreign exchange contracts	**743**	**(677)**	**66**	(29)	11
Interest rate contracts					
Bond futures	**23**	**(48)**	**(25)**	2	3
Interest rate futures	**-**	**-**	**-**	-	-
Interest rate forwards	**-**	**-**	**-**	-	-
Bond swaps	**7**	**-**	**7**	(5)	12
Inflation-linked bond swaps	**-**	**(10)**	**(10)**	38	84
Interest rate swaps	**33**	**(130)**	**(97)**	(15)	(99)
Cross-currency interest rate swaps	**12**	**-**	**12**	14	7
Total interest rate contracts	**75**	**(188)**	**(113)**	34	7
Credit contracts					
Purchased credit default swaps	**45**	**(16)**	**29**	(15)	4
Written credit default swaps	**5**	**(9)**	**(4)**	-	(4)
Total credit contracts	**50**	**(25)**	**25**	(15)	-
Commodity contracts					
Commodity futures	**5**	**-**	**5**	(1)	-
Total commodity contracts	**5**	**-**	**5**	(1)	-
Other derivative contracts	**1**	**(3)**	**(2)**	-	-
Subtotal	**1,530**	**(2,201)**	**(671)**	434	217
Less: Cash collateral received under derivative contracts	**(36)**	**-**	**(36)**	-	(17)
Total	**$ 1,494**	**$ (2,201)**	**$ (707)**	$ 434	$ 200

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

	As at September 30, 2011					As at March 31, 2011	As at September 30, 2010
($ millions)	**Within 1 year**	**1 to 5 years**	**6-10 years**	**Over 10 years**	**Total**	Total	Total
Equity contracts							
Equity futures	**$ 12,772**	**$ -**	**$ -**	**$ -**	**$ 12,772**	$ 10,301	$ 7,705
Equity swaps	**27,120**	**880**	**-**	**-**	**28,000**	31,613	23,965
Variance swaps	**91**	**939**	**4,403**	**-**	**5,433**	5,077	5,436
Exchange-traded purchased options	**-**	**-**	**-**	**-**	**-**	-	80
Over-the-counter written options	**-**	**1,042**	**-**	**-**	**1,042**	-	237
Warrants	**59**	**220**	**2**	**-**	**281**	587	448
Total equity contracts	**40,042**	**3,081**	**4,405**	**-**	**47,528**	47,578	37,871
Foreign exchange contracts							
Forwards	**38,747**	**-**	**-**	**-**	**38,747**	27,766	30,308
Total foreign exchange contracts	**38,747**	**-**	**-**	**-**	**38,747**	27,766	30,308
Interest rate contracts							
Bond futures	**14,641**	**-**	**-**	**-**	**14,641**	8,847	3,935
Interest rate futures	**5,682**	**-**	**-**	**-**	**5,682**	-	-
Interest rate forwards	**-**	**-**	**-**	**-**	**-**	-	-
Bond swaps	**1,583**	**-**	**-**	**-**	**1,583**	976	1,016
Inflation-linked bond swaps	**2,975**	**-**	**-**	**-**	**2,975**	3,777	3,939
Interest rate swaps	**325**	**5,166**	**1,743**	**395**	**7,629**	2,050	2,576
Cross-currency interest rate swaps	**-**	**-**	**133**	**-**	**133**	133	133
Total interest rate contracts	**25,206**	**5,166**	**1,876**	**395**	**32,643**	15,783	11,599
Credit contracts							
Purchased credit default swaps	**33**	**777**	**517**	**-**	**1,327**	1,068	1,209
Written credit default swaps	**21**	**570**	**26**	**-**	**617**	186	211
Total credit contracts	**54**	**1,347**	**543**	**-**	**1,944**	1,254	1,420
Commodity contracts							
Commodity futures	**1,680**	**-**	**-**	**-**	**1,680**	108	2
Total commodity contracts	**1,680**	**-**	**-**	**-**	**1,680**	108	2
Other derivative contracts	**261**	**83**	**-**	**-**	**344**	19	-
Total	**$ 105,990**	**$ 9,677**	**$ 6,824**	**$ 395**	**$ 122,886**	$ 92,508	$ 81,200

(g) Securities Sold Short

As at September 30, 2011, securities sold short of $2,135 million (March 31, 2011 - $nil; September 30, 2010 - $nil) are considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions. The securities sold short have a weighted average interest rate of 0.3% (March 31, 2011 – nil%; September 30, 2010 – nil%).

(h) Debt Financing Liabilities

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at September 30, 2011, are as follows:

	As at September 30, 2011						As at September 30, 2010		
	Terms to Maturity								
($ millions)	**Within 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**Total**	**Fair Value**	**Weighted Average Interest Rate**	Total	Fair Value	Weighted Average Interest Rate
Commercial paper payable	**$ 856**	**$ 557**	**$ 22**	**$ 1,435**	**$ 1,434**	**1.1 %**	$ 1,302	$ 1,302	1.0 %

(i) Collateral

Collateral transactions are conducted under the terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged is as follows:

($ millions)	**As at September 30, 2011**	As at March 31, 2011	As at September 30, 2010
Fixed income securities held as collateral on reverse repurchase agreements[1]	**$ 512**	$ 2,561	$ 4,097
Cash pledged as collateral on securities sold short	**(17)**	-	-
Securities pledged as collateral on securities sold short	**(3,306)**	-	-
Securities held as collateral on over-the-counter derivative transactions[1]	**3**	135	109
Cash received as collateral on over-the-counter derivative transactions	**36**	-	17
Securities pledged as collateral on over-the-counter derivative transactions	**(58)**	-	(41)
Securities pledged as collateral on guarantees (see note 10)	**(132)**	(132)	(120)
Total	**$ (2,962)**	$ 2,564	$ 4,062

[1] The fair value of the collateral held that may be sold or repledged as at September 30, 2011 is $493 million (March 31, 2011 - $2,588 million; September 30, 2010 - $4,034 million). The fair value of securities collateral sold or repledged as at September 30, 2011 is $nil (March 31, 2011 - $nil; September 30, 2010 - $nil).

4. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2011 - $1.5 billion; September 30, 2010 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at September 30, 2011, the total amount drawn on the credit facilities is $nil (March 31, 2011 - $nil; September 30, 2010 - $nil).

5. 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.

6. 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 September 30, 2011**	As at March 31, 2011	As at September 30, 2010
Accumulated transfers from the Canada Pension Plan	**$ 261,077**	$ 243,363	$ 229,929
Accumulated transfers to the Canada Pension Plan	**(148,463)**	(134,958)	(122,512)
Accumulated net transfers from the Canada Pension Plan	**$ 112,614**	$ 108,405	$ 107,417

7. NET INVESTMENT INCOME (LOSS)

Net investment income (loss) is reported net of transaction costs and investment management fees, and is grouped by asset class based on the risk/return characteristics 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 September 30, 2011**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income (Loss)**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income (Loss)**
Equities	**$ 303**	**$ (4,805)**	**$ (4,502)**	**$ (90)**	**$ (18)**	**$ (4,610)**
Fixed income[3]	**526**	**1,784**	**2,310**	**(47)**	**(11)**	**2,252**
Inflation-sensitive assets	**298**	**923**	**1,221**	**(17)**	**(45)**	**1,159**
Total	**$ 1,127**	**$ (2,098)**	**$ (971)**	**$ (154)**	**$ (74)**	**$ (1,199)**

($ millions)	For the three-month period ended September 30, 2010					
	Investment Income[1]	Net Gain on Investments[2]	Total Investment Income	Investment Management Fees	Transaction Costs	Net Investment Income
Equities	$ 314	$ 5,608	$ 5,922	$ (74)	$ (6)	$ 5,842
Fixed income[3]	447	1,440	1,887	(25)	(10)	1,852
Inflation-sensitive assets	168	644	812	(17)	(22)	773
Total	$ 929	$ 7,692	$ 8,621	$ (116)	$ (38)	$ 8,467

($ millions)	**For the six-month period ended September 30, 2011**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income (Loss)**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income (Loss)**
Equities	**$ 838**	**$ (5,699)**	**$ (4,861)**	**$ (169)**	**$ (27)**	**$ (5,057)**
Fixed income[3]	**1,194**	**2,266**	**3,460**	**(79)**	**(20)**	**3,361**
Inflation-sensitive assets	**703**	**1,204**	**1,907**	**(36)**	**(80)**	**1,791**
Total	**$ 2,735**	**$ (2,229)**	**$ 506**	**$ (284)**	**$ (127)**	**$ 95**

($ millions)	For the six-month period ended September 30, 2010					
	Investment Income[1]	Net Gain on Investments[2]	Total Investment Income	Investment Management Fees	Transaction Costs	Net Investment Income
Equities	$ 714	$ 2,273	$ 2,987	$ (144)	$ (20)	$ 2,823
Fixed income[3]	872	2,023	2,895	(46)	(21)	2,828
Inflation-sensitive assets	428	768	1,196	(30)	(42)	1,124
Total	$ 2,014	$ 5,064	$ 7,078	$ (220)	$ (83)	$ 6,775

[1] Includes interest income, dividends, private real estate operating income (net of interest expense), interest expense on the debt financing liabilities, and other investment-related expenses.
[2] Includes realized gains and losses from investments, and unrealized gains and losses on investments held at the end of the year.
[3] Includes absolute return strategies.

8. INVESTMENT 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 page 29 in the Risk/Return Accountability Framework section of Management's Discussion and Analysis in the 2011 annual report.

(i) ***Market Risk:*** Market risk (including currency risk, interest rate risk and other 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 previously, 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. 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 September 30, 2011**		As at March 31, 2011		As at September 30, 2010	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	$ 45,068	56 %	$ 42,419	54 %	$ 40,044	54 %
Euro	13,557	17	12,005	15	12,253	16
British Pound Sterling	7,692	9	7,689	10	6,766	9
Australian Dollar	4,099	5	4,743	6	3,660	5
Japanese Yen	3,865	5	4,173	5	5,019	7
Hong Kong Dollar	1,476	2	1,576	2	1,538	2
Swiss Franc	742	1	834	1	1,031	1
Other	3,861	5	5,382	7	4,334	6
Total	$ 80,360	100 %	$ 78,821	100 %	$ 74,645	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.

Other Price Risk: Other price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices arising primarily from equity price risk, commodity price risk and credit spread 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 a Value at Risk ("VaR") methodology to monitor market risk exposure and credit risk exposure (see note 8(ii)) 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.

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 other 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.

Market VaR calculated by the CPP Investment Board is estimated using a historical simulation method, evaluated at a 90% confidence level and scaled to a one-year holding period. The significant assumption used in this method is the incorporation of the most recent 10 years of weekly market returns.

Credit VaR is estimated using a Monte Carlo simulation incorporating a one-year investment horizon. Significant assumptions under this method include using the most recent two-years' market factor indices to determine ratings based correlations between defaults and downgrades of credit exposures, and using empirically derived ratings transition and default rates. In order to estimate Credit VaR, a sufficient number of scenarios are generated to simulate the low probability credit events that materially impact the value distribution.

Under the historical and Monte Carlo simulation methods for estimating VaR, it is also assumed that the public market proxies used to represent investment returns on those investments valued with inputs that are based on non-observable market data (e.g. those for private real estate and private equities) are reasonable for estimating their contribution to the VaR.

Market and Credit VaR are estimated at the same confidence level and are combined using an appropriate positive correlation approved by the Investment Planning Committee ("IPC") to provide an Integrated Active Risk number.

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. VaR, at a 90% confidence level, indicates that one year in 10 the portfolio can be expected to lose at least the following amounts:

	As at September 30, 2011		As at March 31, 2011		As at September 30, 2010	
($ millions)	**VaR**	**% of CPP Investment Portfolio[1]**	VaR	% of CPP Investment Portfolio[1]	VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	**$ 14,098**	**9.4 %**	$ 14,612	9.9 %	$ 13,697	10.2 %
CPP Investment Portfolio Active Market Risk	**$ 3,365**	**2.2 %**	$ 2,835	1.9 %	$ 2,127	1.6 %
CPP Investment Portfolio[2]	**$ 16,176**	**10.8 %**	$ 16,400	11.1 %	$ 14,832	11.0 %
CPP Investment Portfolio Credit VaR	**$ 407**	**0.3 %**	$ 415	0.3 %	$ 383	0.3 %
CPP Investment Portfolio Integrated Active Market & Credit VaR[3]	**$ 3,454**	**2.3 %**	$ 2,946	2.0 %	$ 2,236	1.7 %

[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 Market Risk due to the beneficial impact of risk diversification.
[3] Market and Credit VaR are combined using an assumed positive correlation under normal market conditions.

(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 through its investment in debt securities and over-the-counter derivatives (as discussed in note 3f). 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.

The Credit Committee, a sub-committee of the IPC, which is chaired by the Chief Operations Officer, is accountable for ensuring that credit risks and credit exposures are identified, measured and monitored regularly, independently of the investment departments, and communicated at least monthly to the IPC and at least quarterly to the board of directors. The IPC, chaired by the Chief Investment Strategist, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. The Credit Committee's primary focus is on emerging risks that may impact the credit exposures of the CPP Investment Board, including analysis of credit risks that may not be adequately captured within current credit risk models or credit exposure calculations. Such risks include correlation risk, market risk related to credit spread movements, and funding and liquidity risks from a credit point of view. Credit risk measurement and reporting are performed by experienced risk managers within the Investment Risk group ("IR"). IR monitors board approved exposure limits, provides detailed analysis of single-name and sector exposures, and oversees the credit risk inherent in certain fund investments. Credit VaR is the common measure of credit risk across all investment strategies. IR 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, monthly to members of the IPC, and on a regular basis to the Credit Committee.

The CPP Investment Board manages credit risk by setting overall credit exposure limits within categories that include credit rating, region, and financial institution. The board of directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined by recognized credit rating agencies, where available, and/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 a maximum amount 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 financial institution counterparties. IR measures and monitors credit exposure daily for compliance to approved credit limits and reports to the IPC at least monthly, or more frequently as necessary, and on a regular basis to the Credit Committee.

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 as are as follows:

	As at September 30, 2011							As at March 31, 2011	As at September 30, 2010
($ millions)									
Credit Rating	**Bonds[1,2]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements[1,4]**	**Over-the-Counter Derivatives**	**Other[1,3]**	**Total**	**% of Total**	Total	Total
AAA/R-1 (high)	**$ 12,606**	**$ 14,338**	**$ 501**	**$ 523**	**$ -**	**$ 27,968**	**41 %**	$ 28,696	$ 36,575
AA/R-1 (mid)	**20,452**	**5,185**	**-**	**464**	**138**	**26,239**	**39**	20,291	17,366
A/R-1 (low)	**5,758**	**1,836**	**-**	**285**	**-**	**7,879**	**12**	8,052	4,026
BBB/R-2 (low)	**536**	**-**	**-**	**31**	**709**	**1,276**	**2**	810	1,012
BB/R-3	**379**	**-**	**-**	**-**	**1,566**	**1,945**	**3**	1,192	978
B	**16**	**-**	**-**	**-**	**1,980**	**1,996**	**3**	1,880	1,032
CCC	**-**	**-**	**-**	**-**	**101**	**101**	**-**	98	8
Total	**$ 39,747**	**$ 21,359**	**$ 501**	**$ 1,303**	**$ 4,494**	**$ 67,404**	**100 %**	$ 61,019	$ 60,997

[1] Includes accrued interest.
[2] Includes inflation-linked bonds.
[3] Includes direct investments in private debt and asset-backed securities.
[4] As at September 30, 2011 fixed income securities with a fair value of $512 million (March 31, 2011 - $2,561 million; September 30, 2010 - $4,097 million) and a AAA credit rating were held as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see note 3i).

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting agreements and collateral within International Swaps and Derivatives Association ("ISDA") Master Agreements. Master netting agreements 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 September 30, 2011, master netting agreements and collateral held reduced the credit risk exposure to over-the-counter derivatives from $1,303 million to $99 million (March 31, 2011 - $915 million to $326 million; September 30, 2010 - $976 million to $252 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 4) available in the amount of $1.5 billion (March 31, 2011 - $1.5 billion; September 30, 2010 - $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 6). In order to manage liquidity risk associated with this short-term cash management program, certain assets are segregated and managed separately. 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.

9. COMMITMENTS

The CPP Investment Board has 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 September 30, 2011, the commitments total $16.6 billion (March 31, 2011 - $16.3 billion; September 30, 2010 - $17.6 billion).

As at September 30, 2011, the CPP Investment Board has made lease and other commitments of $143.9 million (March 31, 2011 - $37.7 million; September 30, 2010 - $40.2 million) that will be paid over the next 13 years.

10. GUARANTEES AND INDEMNIFICATIONS

Guarantees

As part of certain investment transactions, the CPP Investment Board has agreed to guarantee, as at September 30, 2011, up to $0.7 billion (March 31, 2011 - $0.6 billion; September 30, 2010 - $0.7 billion) to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements.

Indemnifications

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPP Investment Board may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of these 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.