Quarterly Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

September 30, 2013

CANADA PENSION PLAN INVESTMENT BOARD
Balance Sheet
As at September 30, 2013
(Unaudited)

($ millions)		**September 30, 2013**		March 31, 2013		September 30, 2012
ASSETS						
Investments (note 3)	**$**	**224,635**	$	208,971	$	186,640
Amounts receivable from pending trades		**1,897**		2,580		1,184
Premises and equipment		**295**		68		62
Other assets		**44**		28		30
TOTAL ASSETS		**226,871**		211,647		187,916
LIABILITIES						
Investment liabilities (note 3)		**32,594**		24,301		15,893
Amounts payable from pending trades		**1,212**		3,779		1,708
Accounts payable and accrued liabilities		**221**		303		212
TOTAL LIABILITIES		**34,027**		28,383		17,813
NET ASSETS	**$**	**192,844**	$	183,264	$	170,103
NET ASSETS, REPRESENTED BY						
Share capital (note 5)	**$**	**-**	$	-	$	-
Accumulated net income from operations		**70,680**		65,533		53,018
Accumulated net transfers from the Canada Pension Plan (note 6)		**122,164**		117,731		117,085
NET ASSETS	**$**	**192,844**	$	183,264	$	170,103

The accompanying notes are an integral part of these financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Statement of Net Income and Accumulated Net Income from Operations
For the three and six-month periods ended September 30, 2013
(Unaudited)

	Three-months ended September 30		Six-months ended September 30	
($ millions)	**2013**	2012	**2013**	2012
NET INVESTMENT INCOME (note 7)	**$ 3,369**	$ 3,126	**$ 5,372**	$ 3,970
OPERATING EXPENSES				
Personnel costs	**57**	81	**140**	161
General operating expenses	**33**	33	**67**	63
Professional services	**10**	7	**18**	15
	100	121	**225**	239
NET INCOME FROM OPERATIONS	**3,269**	3,005	**5,147**	3,731
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	**67,411**	50,013	**65,533**	49,287
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$ 70,680**	$ 53,018	**$ 70,680**	$ 53,018

Statement of Changes in Net Assets
For the three and six-month periods ended September 30, 2013
(Unaudited)

	Three-months ended September 30		Six-months ended September 30	
($ millions)	**2013**	2012	**2013**	2012
NET ASSETS, BEGINNING OF PERIOD	**$ 188,938**	$ 165,779	**$ 183,264**	$ 161,636
CHANGES IN NET ASSETS				
Canada Pension Plan transfers (note 6)				
Transfers from the Canada Pension Plan	**8,048**	7,511	**19,385**	17,235
Transfers to the Canada Pension Plan	**(7,411)**	(6,192)	**(14,952)**	(12,499)
Net income from operations	**3,269**	3,005	**5,147**	3,731
INCREASE IN NET ASSETS FOR THE PERIOD	**3,906**	4,324	**9,580**	8,467
NET ASSETS, END OF PERIOD	**$ 192,844**	$ 170,103	**$ 192,844**	$ 170,103

The accompanying notes are an integral part of these financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Statement of Investment Portfolio
As at September 30, 2013
(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, 2013**	March 31, 2013	September 30, 2012
EQUITIES (note 3a)			
Canada			
Public equities	**$ 5,558**	$ 4,789	$ 5,788
Private equities	**2,225**	2,250	1,980
	7,783	7,039	7,768
Foreign developed markets			
Public equities	**42,803**	35,957	28,490
Private equities	**28,822**	28,529	24,649
	71,625	64,486	53,139
Emerging markets			
Public equities	**8,151**	8,525	8,687
Private equities	**2,092**	1,788	1,496
	10,243	10,313	10,183
TOTAL EQUITIES	**89,651**	81,838	71,090
FIXED INCOME (note 3b)			
Bonds	**56,773**	52,755	43,806
Other debt	**11,210**	10,215	9,255
Money market securities	**18,178**	19,991	22,001
TOTAL FIXED INCOME	**86,161**	82,961	75,062
ABSOLUTE RETURN STRATEGIES[1] (note 3c)	**10,041**	9,028	8,009
REAL ASSETS (note 3d)			
Real estate	**24,001**	21,840	19,848
Infrastructure	**11,003**	11,069	10,550
TOTAL REAL ASSETS	**35,004**	32,909	30,398
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 3e)	**1,949**	630	323
Accrued interest	**823**	725	620
Derivative receivables (note 3f)	**887**	742	1,028
Dividends receivable	**119**	138	110
TOTAL INVESTMENT RECEIVABLES	**3,778**	2,235	2,081
TOTAL INVESTMENTS	**$ 224,635**	$ 208,971	$ 186,640
INVESTMENT LIABILITIES			
Securities sold under repurchase agreements (note 3e)	**(9,014)**	(2,180)	(630)
Securities sold short (note 3g)	**(11,025)**	(9,715)	(6,562)
Debt financing liabilities (note 3h)	**(9,421)**	(9,543)	(6,038)
Debt on real assets (note 3d)	**(2,164)**	(1,918)	(1,894)
Derivative liabilities (note 3f)	**(970)**	(945)	(769)
TOTAL INVESTMENT LIABILITIES	**(32,594)**	(24,301)	(15,893)
Amounts receivable from pending trades	**1,897**	2,580	1,184
Amounts payable from pending trades	**(1,212)**	(3,779)	(1,708)
NET INVESTMENTS	**$ 192,726**	$ 183,471	$ 170,223

[1] Includes only investments in funds.

The accompanying notes are an integral part of these financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Statement of Investment Asset Mix
As at September 30, 2013
(Unaudited)

This 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, 2013		March 31, 2013		September 30, 2012	
($ millions)	**Fair Value**	**(%)**	Fair Value	(%)	Fair Value	(%)
EQUITIES						
Canada	**$ 16,223**	**8.4 %**	$ 15,316	8.4 %	$ 14,683	8.6 %
Foreign developed markets	**69,158**	**35.9**	63,985	34.9	58,570	34.4
Emerging markets	**12,140**	**6.3**	12,356	6.7	11,350	6.7
	97,521	**50.6**	91,657	50.0	84,603	49.7
FIXED INCOME						
Bonds	**52,686**	**27.3**	52,912	28.8	46,240	27.1
Other debt	**9,434**	**4.9**	8,640	4.7	8,345	4.9
Money market securities[1]	**9,546**	**5.0**	8,725	4.8	8,503	5.0
Debt financing liabilities	**(9,421)**	**(4.9)**	(9,543)	(5.2)	(6,038)	(3.5)
	62,245	**32.3**	60,734	33.1	57,050	33.5
REAL ASSETS						
Real estate[2]	**21,995**	**11.4**	19,922	10.8	17,954	10.6
Infrastructure[2]	**10,965**	**5.7**	11,158	6.1	10,616	6.2
	32,960	**17.1**	31,080	16.9	28,570	16.8
NET INVESTMENTS	**$ 192,726**	**100 %**	$ 183,471	100 %	$ 170,223	100 %

[1] Includes absolute return strategies' investments in funds and internally managed portfolios, as described in note 3c.
[2] Net of debt on real assets, as described in note 3d.

The accompanying notes are an integral part of these 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 is 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 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 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 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, 2013 annual financial statements. These interim 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, 2013 annual financial statements. These interim 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 financial statements present the financial position and results of operations of the CPP Investment Board. 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.

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 might affect 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, and adjusted for 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) Fair value for intellectual property investments and royalty investments, is determined using accepted industry valuation methods, such as discounted cash flows based on current market yields of instruments with similar characteristics, or other events which might affect the value of the investment.

(viii) 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.

(ix) 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 properties is valued using discounted cash flows based on current market yields for instruments with similar characteristics or accepted industry valuation methods.

(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 and Sold under 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.

Securities sold under repurchase agreements are accounted for as collateralized borrowing because 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 7).

Reverse repurchase and repurchase agreements are carried on the Statement of Investment Portfolio at the amounts at which the securities were initially acquired or sold. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is included in investment income (see note 7).

(d) Securities Sold Short

Securities sold short represent securities that are 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), which was effective for our interim and annual periods commencing April 1, 2011. Subsequently, the AcSB granted Canadian investment companies an optional three-year deferral from the requirement to adopt IFRS.

The three-year deferral provided the International Accounting Standards Board (IASB) time to complete its consolidation project. On October 31, 2012, the project was completed and the IASB published amendments to IFRS 10, *Consolidated Financial Statements*, which will allow investment entities in Canada, such as the CPP Investment Board, to continue to measure all investments at fair value, including those in controlled entities. The CPP Investment Board is scheduled to adopt IFRS on April 1, 2014.

The CPP Investment Board has developed a conversion plan and is on schedule for completion. The major differences between existing Canadian GAAP and IFRS have been identified. However, as IFRS continues to change, the CPP Investment Board cannot definitively comment on the impact these differences could have on its operations, financial position and results of operations. The CPP Investment Board continues to monitor developments and changes to IFRS.

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).

($ millions)	Basis of Fair Value Determination As at September 30, 2013 Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 5,558	$ -	$ -	$ 5,558
Private equities	-	-	2,225	2,225
	5,558	-	2,225	7,783
Foreign developed markets				
Public equities[1]	39,364	3,399	40	42,803
Private equities	372	-	28,450	28,822
	39,736	3,399	28,490	71,625
Emerging markets				
Public equities[1]	6,859	1,292	-	8,151
Private equities	-	-	2,092	2,092
	6,859	1,292	2,092	10,243
TOTAL EQUITIES	52,153	4,691	32,807	89,651
FIXED INCOME				
Bonds	34,097	22,676	-	56,773
Other debt	-	4,025	7,185	11,210
Money market securities	-	18,178	-	18,178
TOTAL FIXED INCOME	34,097	44,879	7,185	86,161
ABSOLUTE RETURN STRATEGIES	-	8,756	1,285	10,041
REAL ASSETS				
Real estate	403	1,598	22,000	24,001
Infrastructure	212	157	10,634	11,003
TOTAL REAL ASSETS	615	1,755	32,634	35,004
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	1,949	-	1,949
Accrued interest	-	823	-	823
Derivative receivables	9	877	1	887
Dividends receivable	-	119	-	119
TOTAL INVESTMENT RECEIVABLES	9	3,768	1	3,778
TOTAL INVESTMENTS	$ 86,874	$ 63,849	$ 73,912	$ 224,635
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	-	(9,014)	-	(9,014)
Securities sold short	(11,025)	-	-	(11,025)
Debt financing liabilities	-	(9,421)	-	(9,421)
Debt on real assets	-	(2,164)	-	(2,164)
Derivative liabilities	(30)	(940)	-	(970)
TOTAL INVESTMENT LIABILITIES	(11,055)	(21,539)	-	(32,594)
Amounts receivable from pending trades	-	1,897	-	1,897
Amounts payable from pending trades	-	(1,212)	-	(1,212)
NET INVESTMENTS	$ 75,819	$ 42,995	$ 73,912	$ 192,726

	Basis of Fair Value Determination			
($ millions)	As at March 31, 2013			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 4,789	$ -	$ -	$ 4,789
Private equities	-	-	2,250	2,250
	4,789	-	2,250	7,039
Foreign developed markets				
Public equities[1]	33,282	2,675	-	35,957
Private equities	602	92	27,835	28,529
	33,884	2,767	27,835	64,486
Emerging markets				
Public equities[1]	7,529	996	-	8,525
Private equities	-	-	1,788	1,788
	7,529	996	1,788	10,313
TOTAL EQUITIES	46,202	3,763	31,873	81,838
FIXED INCOME				
Bonds	28,639	24,116	-	52,755
Other debt	-	4,060	6,155	10,215
Money market securities	-	19,991	-	19,991
TOTAL FIXED INCOME	28,639	48,167	6,155	82,961
ABSOLUTE RETURN STRATEGIES	-	7,813	1,215	9,028
REAL ASSETS				
Real estate	-	1,544	20,296	21,840
Infrastructure	199	-	10,870	11,069
TOTAL REAL ASSETS	199	1,544	31,166	32,909
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	630	-	630
Accrued interest	-	725	-	725
Derivative receivables	24	715	3	742
Dividends receivable	-	138	-	138
TOTAL INVESTMENT RECEIVABLES	24	2,208	3	2,235
TOTAL INVESTMENTS	$ 75,064	$ 63,495	$ 70,412	$ 208,971
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	-	(2,180)	-	(2,180)
Securities sold short	(9,715)	-	-	(9,715)
Debt financing liabilities	-	(9,543)	-	(9,543)
Debt on real assets	-	(1,918)	-	(1,918)
Derivative liabilities	(9)	(936)	-	(945)
TOTAL INVESTMENT LIABILITIES	(9,724)	(14,577)	-	(24,301)
Amounts receivable from pending trades	-	2,580	-	2,580
Amounts payable from pending trades	-	(3,779)	-	(3,779)
NET INVESTMENTS	$ 65,340	$ 47,719	$ 70,412	$ 183,471

($ millions)	Basis of Fair Value Determination As at September 30, 2012			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
EQUITIES				
Canada				
Public equities	$ 5,788	$ -	$ -	$ 5,788
Private equities	-	-	1,980	1,980
	5,788	-	1,980	7,768
Foreign developed markets				
Public equities[1]	26,098	2,392	-	28,490
Private equities	752	-	23,897	24,649
	26,850	2,392	23,897	53,139
Emerging markets				
Public equities[1]	8,008	679	-	8,687
Private equities	-	-	1,496	1,496
	8,008	679	1,496	10,183
TOTAL EQUITIES	40,646	3,071	27,373	71,090
FIXED INCOME				
Bonds	19,809	23,997	-	43,806
Other debt	-	4,412	4,843	9,255
Money market securities	-	22,001	-	22,001
TOTAL FIXED INCOME	19,809	50,410	4,843	75,062
ABSOLUTE RETURN STRATEGIES	-	6,892	1,117	8,009
REAL ASSETS				
Real estate	-	1,530	18,318	19,848
Infrastructure	163	-	10,387	10,550
TOTAL REAL ASSETS	163	1,530	28,705	30,398
INVESTMENT RECEIVABLES				
Securities purchased under reverse repurchase agreements	-	323	-	323
Accrued interest	-	620	-	620
Derivative receivables	102	903	23	1,028
Dividends receivable	-	110	-	110
TOTAL INVESTMENT RECEIVABLES	102	1,956	23	2,081
TOTAL INVESTMENTS	$ 60,720	$ 63,859	$ 62,061	$ 186,640
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements	-	(630)	-	(630)
Securities sold short	(6,562)	-	-	(6,562)
Debt financing liabilities	-	(6,038)	-	(6,038)
Debt on real assets	-	(1,894)	-	(1,894)
Derivative liabilities	(60)	(709)	-	(769)
TOTAL INVESTMENT LIABILITIES	(6,622)	(9,271)	-	(15,893)
Amounts receivable from pending trades	-	1,184	-	1,184
Amounts payable from pending trades	-	(1,708)	-	(1,708)
NET INVESTMENTS	$ 54,098	$ 54,064	$ 62,061	$ 170,223

[1] Includes investments in funds.

(b) *Transfers Between Level 1, and Level 2*

During the six-month period ended September 30, 2013, there were no significant transfers between Level 1 and Level 2.

(c) *Level 3 Reconciliation*

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy for the six-month period ended September 30, 2013:

For the six-month period ended September 30, 2013								
($ millions)	**Fair Value as at April 1, 2013**	**Gain (Loss) Included in Net Investment Income** [1]	**Purchases**	**Sales**[2]	**Transfers into Level 3**[3]	**Transfers out of Level 3**[3]	**Fair Value as at September 30, 2013**	**Change in Unrealized Gains (Losses) on Investments Still Held at September 30, 2013**[1,4]
INVESTMENTS								
EQUITIES								
Canada								
Private equities	$ 2,250	$ 89	$ 91	$ (205)	$ -	$ -	$ 2,225	$ (47)
	2,250	89	91	(205)	-	-	2,225	(47)
Foreign developed markets								
Public equities	-	(1)	41	-	-	-	40	(1)
Private equities	27,835	1,884	1,549	(2,818)	-	-	28,450	1,053
	27,835	1,883	1,590	(2,818)	-	-	28,490	1,052
Emerging markets								
Private equities	1,788	128	291	(115)	-	-	2,092	61
	1,788	128	291	(115)	-	-	2,092	61
TOTAL EQUITIES	31,873	2,100	1,972	(3,138)	-	-	32,807	1,066
FIXED INCOME								
Other debt	6,155	49	2,023	(1,091)	49	-	7,185	(14)
TOTAL FIXED INCOME	6,155	49	2,023	(1,091)	49	-	7,185	(14)
ABSOLUTE RETURN STRATEGIES	1,215	58	13	(1)	-	-	1,285	58
REAL ASSETS								
Real estate	20,296	622	2,209	(1,127)	-	-	22,000	557
Infrastructure	10,870	(61)	32	(207)	-	-	10,634	(101)
TOTAL REAL ASSETS	31,166	561	2,241	(1,334)	-	-	32,634	456
INVESTMENT RECEIVABLES								
Derivative receivables	3	(2)	-	-	-	-	1	(2)
TOTAL INVESTMENT RECEIVABLES	3	(2)	-	-	-	-	1	(2)
TOTAL	$ 70,412	$ 2,766	$ 6,249	$ (5,564)	$ 49	$ -	$ 73,912	$ 1,564

1 Presented as net gain (loss) on investments (see note 7).
2 Includes return of capital.
3 Transfers into and out of Level 3 are assumed to occur at the end of period values.
4 Includes the entire change in fair value for the period for those investments that were transferred into Level 3 during the period, and excludes the entire change in fair value for the period for those investments that were transferred out of Level 3 during the period.

During the six-month period ended September 30, 2013, the transfer into Level 3 was primarily due to changes in the availability of market observable inputs used to determine fair value.

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, 2013, public equities include fund investments with a fair value of $4,667 million (March 31, 2013 - $3,657 million; September 30, 2012 - $3,071 million).

(ii) Private equity investments are generally made directly or through ownership in limited partnership arrangements that 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, 2013, private equities include direct investments with a fair value of $9,350 million (March 31, 2013 - $9,803 million; September 30, 2012 - $7,345 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 more 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, 2013, are as follows:

	As at September 30, 2013						As at September 30, 2012	
	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								
Canadian provincial government	**$ 213**	**$ 1,144**	**$ 7,381**	**$ 13,938**	**$ 22,676**	**3.7 %**	23,997	3.3 %
Marketable bonds								
Government of Canada	**-**	**9,538**	**1,762**	**1,839**	**13,139**	**2.4**	6,287	1.9
Canadian provincial government	**-**	**2,485**	**4,453**	**5,203**	**12,141**	**3.7**	6,640	3.0
Canadian government corporations	**-**	**3,012**	**1,499**	**486**	**4,997**	**2.8**	4,638	2.2
Foreign government	**-**	**1,354**	**51**	**143**	**1,548**	**1.9**	-	-
Corporate bonds	**100**	**1,326**	**720**	**126**	**2,272**	**3.3**	1,183	2.7
Inflation-linked bonds	-	-	-	-	-	-	1,061	0.2
Total	**$ 313**	**$ 18,859**	**$ 15,866**	**$ 21,735**	**$ 56,773**	**3.5 %**	$ 43,806	2.9 %

(ii) Other debt consists of investments in direct private debt, asset-backed securities, intellectual property, royalties, distressed mortgage funds and private debt funds. The terms to maturity of the direct private debt and asset-backed securities, as at September 30, 2013, are as follows:

	As at September 30, 2013						As at September 30, 2012	
	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
Direct private debt								
Private investments								
Leveraged loans	**$ -**	**$ 1,264**	**$ 600**	**$ -**	**$ 1,864**	**10.5 %**	$ 2,410	8.4 %
High-yield debt	**40**	**537**	**1,041**	**-**	**1,618**	**9.4**	1,395	9.8
Real estate								
Mezzanine debt	**-**	**860**	**225**	**388**	**1,473**	**6.0**	883	6.2
Asset-backed securities	**-**	**130**	**1,418**	**328**	**1,876**	**0.8**	1,032	1.2
Total	**$ 40**	**$ 2,791**	**$ 3,284**	**$ 716**	**$ 6,831**	**6.6 %**	$ 5,720	7.1 %

(c) Absolute Return Strategies

Absolute return strategies consist of investments in funds and internally managed portfolios 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 and the internally managed portfolios could include, but are not limited to, equities, fixed income securities and derivatives.

(d) Real Assets

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

Private real estate investments are managed on behalf of the CPP Investment Board by investment managers primarily through co-ownership arrangements. As at September 30, 2013, these investments include assets of $24,001 million (March 31, 2013 - $21,840 million; September 30, 2012 - $19,848 million) and $2,006 million of secured debt (March 31, 2013 - $1,918 million; September 30, 2012 - $1,894 million).

(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, 2013, infrastructure includes direct investments with a fair value of $10,831 million (March 31, 2013 - $10,883 million; September 30, 2012 - $10,264 million) and $158 million of secured debt (March 31, 2013 - $nil; September 30, 2012 - $nil).

(iii) The terms to maturity of the undiscounted principal repayments of the secured debt on private real estate properties and infrastructure, as at September 30, 2013 are as follows:

	As at September 30, 2013							As at September 30, 2012		
	Terms to Maturity									
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Fair Value**	**Weighted Average Interest Rate**	Total	Fair Value	Weighted Average Interest Rate
Debt on real assets										
Private real estate properties	**$ 156**	**$ 143**	**$ 1,617**	**$ 44**	**$ 1,960**	**$ 2,006**	**4.8 %**	$ 1,842	$ 1,894	4.9 %
Infrastructure	**-**	**158**	**-**	**-**	**158**	**158**	**3.1**	-	-	-
Total	**$ 156**	**$ 301**	**$ 1,617**	**$ 44**	**$ 2,118**	**$ 2,164**	**4.7 %**	$ 1,842	$ 1,894	4.9 %

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

The terms to maturity of the securities purchased under reverse repurchase agreements and sold under repurchase agreements, as at September 30, 2013, are as follows:

	As at September 30, 2013					As at September 30, 2012	
	Terms to Maturity						
($ millions)	**Within 1 Month**	**1 to 6 Months**	**7 months to 1 Year**	**Total**	**Average Effective Yield**	Total	Average Effective Yield
Securities purchased under reverse repurchase agreements	**$ 1,949**	**$ -**	**$ -**	**$ 1,949**	**0.2 %**	$ 323	0.9 %

	As at September 30, 2013						As at September 30, 2012		
	Terms to Maturity								
($ millions)	**Within 1 Month**	**1 to 6 Months**	**7 months to 1 Year**	**Total**	**Fair Value**	**Weighted Average Interest Rate**	Total	Fair Value	Weighted Average Interest Rate
Securities sold under repurchase agreements	**$ 9,014**	**$ -**	**$ -**	**$ 9,014**	**$ 9,014**	**1.0 %**	$ 630	$ 630	1.0 %

(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 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 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 Statement of Investment Portfolio. In the 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 manage or adjust exposures to interest rate, currency, credit and other market risks without directly purchasing or selling the underlying instrument.

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

Futures and Forwards

Futures are standardized contracts transacted on an exchange, whereas forwards are customized over-the-counter contracts negotiated between counterparties. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Examples of futures and forwards are described below:

Equity futures are contractual obligations 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.

Foreign exchange forwards are contractual obligations negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future.

Interest rate futures, including bond futures, are contractual obligations to purchase or sell a specified amount of an interest rate sensitive financial instrument(s) or index at a predetermined price and date in the future.

Commodity futures are contractual obligations 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.

Swaps

Swaps are over-the counter contracts between two parties to exchange a series of cash flows.

Examples of swaps are described below:

Equity-based swaps include equity swaps and variance swaps. Equity swaps are contracts where 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 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.

Interest rate-related swaps include bond swaps, interest rate swaps and cross-currency interest rate swaps. Bond swaps are contracts in which counterparties exchange the return on a 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 contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency, with no exchange of a notional amount. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit default swaps are contracts that provide credit protection against a specified credit event such as the default or bankruptcy of the underlying financial instrument (referenced asset). The purchaser (buyer) pays a premium to the writer (seller) in return for payment, which is contingent on a credit event affecting the referenced asset.

The CPP Investment Board purchases (buys) and writes (sells) credit default swaps. Credit default swaps require the writer 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. The notional amount represents the maximum amount payable to these counterparties under these written credit default swap contracts.

Options and Warrants

Options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified amount of an equity security, currency, interest rate sensitive financial instrument, credit, commodity or other financial instrument at or before a specified future date at a predetermined price. The purchaser pays a premium to the seller for this right. Options can be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

The CPP Investment Board purchases (buys) and writes (sells) options. Call or put options may require the writer to sell or purchase the underlying asset at any time at a fixed date or within a fixed future period. Due to the nature of these contracts, the CPP Investment Board cannot make a reasonable estimate of the potential maximum amount of future payments.

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.**Other Derivative Contracts**

Other derivative contracts include over-the-counter derivative contracts where 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 following are primary risks associated with derivatives:

Market Risk

Derivatives generate positive or negative value, 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 described in note 8.

Credit Risk

Credit risk is the risk of a financial loss that occurs 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 because 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 that meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, and 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, 2013			As at March 31, 2013	As at September 30, 2012
($ millions)	Positive Fair Value	Negative Fair Value	Net Fair Value	Net Fair Value	Net Fair Value
Equity contracts					
Futures	$ 2	$ (24)	$ (22)	$ -	$ (33)
Swaps	442	(265)	177	47	176
Options:					
Exchange-traded - written	-	-	-	-	-
Over-the-counter - written	-	-	-	-	10
Warrants	2	-	2	18	91
	446	(289)	157	65	244
Foreign exchange contracts					
Forwards	219	(304)	(85)	(130)	54
Options:					
Over-the-counter - purchased	1	-	1	-	-
Over-the-counter - written	-	-	-	-	-
	220	(304)	(84)	(130)	54
Interest rate contracts					
Futures	1	(2)	(1)	(1)	(2)
Swaps	147	(171)	(24)	(46)	(23)
Options:					
Exchange-traded - written	-	-	-	-	-
	148	(173)	(25)	(47)	(25)
Credit contracts					
Purchased credit default swaps	15	(182)	(167)	(82)	(15)
Written credit default swaps	108	(17)	91	71	27
Options:					
Over-the-counter - purchased	-	-	-	-	-
Over-the-counter - written	-	-	-	-	-
	123	(199)	(76)	(11)	12
Commodity contracts					
Futures	5	(5)	-	2	2
	5	(5)	-	2	2
Other derivative contracts	-	-	-	-	-
Subtotal	942	(970)	(28)	(121)	287
Less: Cash collateral received under derivative contracts	(55)	-	(55)	(82)	(28)
Total	$ 887	$ (970)	$ (83)	$ (203)	$ 259

(iv) The terms to maturity of the notional amounts for derivative contracts, as at September 30, 2013, are as follows:

	As at September 30, 2013					As at March 31, 2013	As at September 30, 2012
($ millions)	**Within 1 year**	**1 to 5 years**	**6-10 years**	**Over 10 years**	**Total**	Total	Total
Equity contracts							
Futures	**$ 3,562**	**$ -**	**$ -**	**$ -**	**$ 3,562**	$ 5,339	$ 11,866
Swaps	**26,250**	**7,849**	**2,349**	**-**	**36,448**	34,460	31,760
Options:							
Exchange-traded - written	**3**	**-**	**-**	**-**	**3**	-	-
Over-the-counter - written	**-**	**-**	**-**	**-**	**-**	-	984
Warrants	**344**	**60**	**-**	**-**	**404**	400	498
	30,159	**7,909**	**2,349**	**-**	**40,417**	40,199	45,108
Foreign exchange contracts							
Forwards	**32,648**	**-**	**-**	**-**	**32,648**	34,892	31,356
Options:							
Over-the-counter - purchased	**93**	**-**	**-**	**-**	**93**	-	-
Over-the-counter - written	**51**	**-**	**-**	**-**	**51**	-	-
	32,792	**-**	**-**	**-**	**32,792**	34,892	31,356
Interest rate contracts							
Futures	**6,068**	**2,963**	**-**	**-**	**9,031**	9,396	8,233
Swaps	**3,865**	**10,251**	**3,880**	**656**	**18,652**	37,639	23,492
Options:							
Exchange-traded - written	**103**	**-**	**-**	**-**	**103**	-	-
	10,036	**13,214**	**3,880**	**656**	**27,786**	47,035	31,725
Credit contracts							
Purchased credit default swaps	**672**	**5,599**	**465**	**-**	**6,736**	4,855	3,619
Written credit default swaps	**601**	**4,709**	**576**	**-**	**5,886**	4,556	3,274
Options:							
Over-the-counter - purchased	**463**	**-**	**-**	**-**	**463**	305	-
Over-the-counter - written	**463**	**-**	**-**	**-**	**463**	51	-
	2,199	**10,308**	**1,041**	**-**	**13,548**	9,767	6,893
Commodity contracts							
Futures	**812**	**30**	**-**	**-**	**842**	776	1,056
	812	**30**	**-**	**-**	**842**	776	1,056
Other derivative contracts	**-**	**-**	**-**	**-**	**-**	-	-
Total	**$ 75,998**	**$ 31,461**	**$ 7,270**	**$ 656**	**$ 115,385**	$ 132,669	$ 116,138

(g) Securities Sold Short

As at September 30, 2013, securities sold short of $11,025 million (March 31, 2013 - $9,715 million; September 30, 2012 - $6,562 million) are considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

(h) Debt Financing Liabilities

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at September 30, 2013, are as follows:

	As at September 30, 2013						As at September 30,2012		
	Terms to Maturity								
($ millions)	**Within 1 Month**	**1 to 6 Months**	**7 months to 1 Year**	**Total**	**Fair Value**	**Weighted Average Interest Rate**	Total	Fair Value	Weighted Average Interest Rate
Commercial paper payable	**$ 3,001**	**$ 6,235**	**$ 190**	**$ 9,426**	**$ 9,421**	**0.3 %**	$ 6,043	$ 6,038	0.6 %

(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, 2013**	As at March 31, 2013	As at September 30, 2012
Assets held as collateral on:			
Reverse repurchase agreements[1]	**$ 1,947**	$ 630	$ 320
Over-the-counter derivative transactions[1]	**148**	93	143
Other debt[1]	**1,059**	1,009	770
Assets pledged as collateral on:			
Repurchase agreements	**(9,020)**	(2,183)	(625)
Over-the-counter derivative transactions	**-**	-	-
Securities sold short	**(11,360)**	(10,752)	(8,258)
Debt on private real estate properties	**(2,310)**	(2,230)	(2,004)
Guarantees (see note 10)	**-**	(177)	(141)
Total	**$ (19,536)**	$ (13,610)	$ (9,795)

[1] The fair value of the collateral held that may be sold or repledged as at September 30, 2013 is $3,061 million (March 31, 2013 - $1,651 million; September 30, 2012 - $1,205 million). The fair value of collateral sold or repledged as at September 30, 2013 is $1,947 million (March 31, 2013 - $630 million; September 30, 2012 - $320 million).

4. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2013 - $1.5 billion; September 30, 2012 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at September 30, 2013, the total amount drawn on the credit facilities is $nil (March 31, 2013 - $nil; September 30, 2012 - $nil).

5. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares with 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, 2013**	As at March 31, 2013	As at September 30, 2012
Accumulated transfers from the Canada Pension Plan	**$ 326,715**	$ 307,330	$ 292,883
Accumulated transfers to the Canada Pension Plan	**(204,551)**	(189,599)	(175,798)
Accumulated net transfers from the Canada Pension Plan	**$ 122,164**	$ 117,731	$ 117,085

7. NET INVESTMENT INCOME

Net investment income 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, after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

($ millions)	**For the three-month period ended September 30, 2013**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income (Loss)**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income (Loss)**
Equities	**$ 457**	**$ 2,788**	**$ 3,245**	**$ (97)**	**$ (25)**	**$ 3,123**
Fixed income[3]	**71**	**(87)**	**(16)**	**(66)**	**(13)**	**(95)**
Real assets	**339**	**85**	**424**	**(49)**	**(34)**	**341**
Total	**$ 867**	**$ 2,786**	**$ 3,653**	**$ (212)**	**$ (72)**	**$ 3,369**

($ millions)	For the three-month period ended September 30, 2012					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 344	$ 1,729	$ 2,073	$ (135)	$ (20)	$ 1,918
Fixed income[3]	545	787	1,332	(87)	(9)	1,236
Real assets	266	(256)	10	(18)	(20)	(28)
Total	$ 1,155	$ 2,260	$ 3,415	$ (240)	$ (49)	$ 3,126

($ millions)	For the six-month period ended September 30, 2013					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 930	$ 4,588	$ 5,518	$ (180)	$ (36)	$ 5,302
Fixed income[3]	1,336	(2,103)	(767)	(184)	(23)	(974)
Real assets	707	454	1,161	(67)	(50)	1,044
Total	$ 2,973	$ 2,939	$ 5,912	$ (431)	$ (109)	$ 5,372

($ millions)	For the six-month period ended September 30, 2012					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income
Equities	$ 767	$ (274)	$ 493	$ (214)	$ (45)	$ 234
Fixed income[3]	1,295	2,181	3,476	(131)	(18)	3,327
Real assets	595	(118)	477	(35)	(33)	409
Total	$ 2,657	$ 1,789	$ 4,446	$ (380)	$ (96)	$ 3,970

[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 income and expenses.
[2] Includes realized gains and losses from investments, and unrealized gains and losses on investments held at the end of the period.
[3] Includes absolute return strategies, consisting of investments in funds and internally managed portfolios.

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 and 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. It 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.

An active risk limit is included within the Risk/Return Accountability Framework, 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 28 in the Risk/Return Accountability Framework section of the Management’s Discussion and Analysis in the 2013 Annual Report.

(a)* *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, 2013**		**As at March 31, 2013**		As at September 30, 2012	
Currency	**Net Exposure**	**% of Total**	**Net Exposure**	**% of Total**	Net Exposure	% of Total
United States Dollar	**$ 65,794**	**55 %**	**$ 62,098**	**57 %**	$ 57,791	57 %
Euro	**17,323**	**15**	**14,985**	**14**	14,252	14
British Pound Sterling	**9,503**	**8**	**8,184**	**8**	8,392	8
Japanese Yen	**7,274**	**6**	**5,330**	**5**	4,511	5
Australian Dollar	**5,352**	**5**	**5,671**	**5**	4,857	5
Hong Kong Dollar	**2,417**	**2**	**2,581**	**2**	2,509	2
Chilean Pesos	**1,157**	**1**	**1,206**	**1**	1,110	1
Swiss Franc	**1,095**	**1**	**1,251**	**1**	729	1
Brazilian Real	**1,069**	**1**	**854**	**1**	556	1
Other	**7,122**	**6**	**6,733**	**6**	6,657	6
Total	**$ 118,106**	**100 %**	**$ 108,893**	**100 %**	$ 101,364	100 %

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment or investment related liability will fluctuate because of changes in market interest rates. The CPP Investment Board is exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivative instruments.

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 8b) 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 assumptions used in this method are the incorporation of the most recent 10 years of weekly market returns and the use of public market proxies 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), both of which are reasonable for estimating their contribution to the VaR.

Credit VaR is estimated using a Monte Carlo simulation with a sufficient number of scenarios to simulate low probability credit events over a one-year investment horizon. Significant assumptions under this method include using market indices to determine correlations between defaults and downgrades of credit exposures, and using empirical rating transition and default rates.

In order to estimate Total Active Risk, both Market and Credit VaR are estimated using a similar confidence level and combined using an appropriate correlation factor approved by the Investment Planning Committee (IPC).

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

	As at September 30, 2013		As at March 31, 2013		As at September 30, 2012	
($ millions)	**VaR**	**% of CPP Investment Portfolio[1]**	VaR	% of CPP Investment Portfolio[1]	VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	**$ 17,255**	**9.0 %**	$ 16,082	8.8 %	$ 15,790	9.4 %
CPP Investment Portfolio[2]	**$ 20,140**	**10.5 %**	$ 18,467	10.1 %	$ 17,641	10.5 %
CPP Investment Portfolio Total Active Risk[3,4]	**$ 4,228**	**2.2 %**	$ 4,048	2.2 %	$ 3,840	2.3 %
CPP Investment Portfolio Active Market Risk[4]	**$ 4,121**	**2.2 %**	$ 3,920	2.1 %	$ 3,677	2.2 %
CPP Investment Portfolio Active Credit Risk[4]	**$ 429**	**0.2 %**	$ 494	0.3 %	$ 593	0.4 %

[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 Risk are combined using an assumed positive correlation under normal market conditions.
[4] Active Risk is the estimated risk for the Investment Portfolio relative to the Reference Portfolio.

(b) 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 Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date.

The Credit Committee, a sub-committee of the IPC is chaired by the Chief Operations Officer. The committee 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 overseeing the development of credit policy and risk control process recommendations to the IPC, which includes the credit limit framework, financial institution counterparty controls, internal credit rating methodologies, and credit risk measures. The Credit Committee is also responsible for overseeing the analysis of emerging risks that may not be appropriately 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 institution type. The Board of Directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined through an internal credit rating process or by recognized credit rating agencies, where applicable. Credit exposure to any single counterparty is limited to a maximum amount as specified in the investment policies. The IPC 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 are as follows:

($ millions)	**As at September 30, 2013**							As at March 31, 2013	As at September 30, 2012
Credit Rating	**Bonds[1]**	**Money Market Securities[1]**	**Reverse Repurchase Agreements[1]**	**Over-the-Counter Derivatives**	**Other[1,2]**	**Total**	**% of Total**	Total	Total
AAA	**$ 27,373**	**$ 20**	**$ -**	**$ -**	**$ 1,040**	**$ 28,433**	**34 %**	$ 26,770	$ 19,718
AA	**17,751**	**2,909**	**20**	**44**	**580**	**21,304**	**25**	23,468	30,168
A	**10,519**	**14,486**	**1,929**	**879**	**695**	**28,508**	**34**	24,639	16,272
BBB	**1,159**	**2**	**-**	**11**	**308**	**1,480**	**2**	1,405	1,352
BB	**530**	**-**	**-**	**-**	**1,379**	**1,909**	**2**	1,956	2,054
B	**10**	**-**	**-**	**-**	**2,242**	**2,252**	**2**	1,928	1,674
CCC/D	-	**-**	**-**	**-**	**500**	**500**	**1**	395	441
Total	**$ 57,342**	**$ 17,417**	**$ 1,949**	**$ 934**	**$ 6,744**	**$ 84,386**	**100 %**	$ 80,561	$ 71,679

[1] Includes accrued interest.
[2] Includes direct investments in private debt and asset-backed securities.

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. CPPIB enters into master netting agreements so if a default event 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, 2013, master netting agreements and collateral held reduced the credit risk exposure to over-the-counter derivatives from $934 million to $63 million (March 31, 2013 - $791 million to $28 million; September 30, 2012 - $915 million to $181 million).

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

(c) ***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 manages liquidity risk through its ability to raise funds through the issuance of commercial paper, transacting in securities sold under repurchase agreements and drawing on unsecured credit facilities (see notes 3 and 4). The CPP Investment Board also has 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 and marketable 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 that 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, 2013, the commitments total $24.3 billion (March 31, 2013 - $20.7 billion; September 30, 2012 - $19.9 billion).

As at September 30, 2013, the CPP Investment Board made lease and other commitments of $161.9 million (March 31, 2013 - $197.0 million; September 30, 2012 - $129.2 million) that will be paid over the next 12 years.

10. GUARANTEES AND INDEMNIFICATIONS

(a) Guarantees

As part of certain investment transactions, the CPP Investment Board agreed to guarantee, as at September 30, 2013, up to $1.4 billion (March 31, 2013 - $1.4 billion; September 30, 2012 - $0.2 billion) to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements.

(b) 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.