Quarterly Consolidated Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

December 31, 2008

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at December 31, 2008
(Unaudited)

($ millions)	**December 31, 2008**		March 31, 2008		December 31, 2007	
ASSETS						
Investments (note 2)	**$**	**111,727**	$	126,207	$	120,913
Amounts receivable from pending trades		**4,683**		4,471		586
Premises and equipment		**26**		18		17
Other assets		**14**		11		7
TOTAL ASSETS		**116,450**		130,707		121,523
LIABILITIES						
Investment liabilities (note 2)		**1,964**		1,478		1,265
Amounts payable from pending trades		**5,529**		6,423		746
Accounts payable and accrued liabilities		**92**		103		75
TOTAL LIABILITIES		**7,585**		8,004		2,086
NET ASSETS	**$**	**108,865**	$	122,703	$	119,437
NET ASSETS, REPRESENTED BY						
Share capital (note 4)	**$**	**-**	$	-	$	-
Accumulated net income from operations		**14,802**		32,344		33,299
Accumulated net transfers from the Canada Pension Plan (note 5)		**94,063**		90,359		86,138
NET ASSETS	**$**	**108,865**	$	122,703	$	119,437

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 nine-month periods ended December 31, 2008
(Unaudited)

($ millions)	**Three-months ended December 31** **2008**	2007	**Nine-months ended December 31** **2008**	2007
NET INVESTMENT INCOME (LOSS) (note 6)	**$ (7,876)**	$ (115)	**$ (17,403)**	$ 634
OPERATING EXPENSES				
Personnel costs	**31**	19	**86**	64
General operating expenses	**10**	10	**39**	28
Professional services	**7**	2	**14**	9
	48	31	**139**	101
NET INCOME (LOSS) FROM OPERATIONS	**(7,924)**	(146)	**(17,542)**	533
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	**22,726**	33,445	**32,344**	32,766
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$ 14,802**	$ 33,299	**$ 14,802**	$ 33,299

Consolidated Statement of Changes in Net Assets
For the three and nine-month periods ended December 31, 2008
(Unaudited)

($ millions)	**Three-months ended December 31** **2008**	2007	**Nine-months ended December 31** **2008**	2007
NET ASSETS, BEGINNING OF PERIOD	**$ 117,421**	$ 121,255	**$ 122,703**	$ 115,935
CHANGES IN NET ASSETS				
Canada Pension Plan transfers (note 5)				
Transfers from the Canada Pension Plan	**5,319**	3,906	**20,396**	18,901
Transfers to the Canada Pension Plan	**(5,951)**	(5,578)	**(16,692)**	(15,932)
Net income (loss) from operations	**(7,924)**	(146)	**(17,542)**	533
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	**(8,556)**	(1,818)	**(13,838)**	3,502
NET ASSETS, END OF PERIOD	**$ 108,865**	$ 119,437	**$ 108,865**	$ 119,437

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

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at December 31, 2008
(Unaudited)

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

	Fair Value		
($ millions)	**December 31, 2008**	March 31, 2008	December 31, 2007
EQUITIES (note 2b)			
Canada			
Public equities	**$ 10,698**	$ 17,276	$ 14,538
Private equities	**798**	644	681
	11,496	17,920	15,219
Foreign			
Public equities	**18,351**	30,966	33,654
Private equities	**15,869**	12,820	10,683
	34,220	43,786	44,337
TOTAL EQUITIES	**45,716**	61,706	59,556
FIXED INCOME (note 2c)			
Bonds	**26,359**	27,192	26,290
Other debt	**2,172**	1,144	224
Money market securities	**16,151**	18,798	18,663
TOTAL FIXED INCOME	**44,682**	47,134	45,177
ABSOLUTE RETURN STRATEGIES (note 2d)	**1,923**	1,547	1,305
INFLATION-SENSITIVE ASSETS (note 2e)			
Public real estate	**312**	488	487
Private real estate	**8,254**	7,421	6,932
Inflation-linked bonds	**1,484**	3,962	3,926
Infrastructure	**3,636**	2,776	2,524
TOTAL INFLATION-SENSITIVE ASSETS	**13,686**	14,647	13,869
INVESTMENT RECEIVABLES			
Securities purchased under reverse repurchase agreements (note 2f)	**4,000**	-	-
Accrued interest	**447**	660	455
Derivative receivables (note 2g)	**1,166**	344	467
Dividends receivable	**107**	169	84
TOTAL INVESTMENT RECEIVABLES	**5,720**	1,173	1,006
TOTAL INVESTMENTS	**$ 111,727**	$ 126,207	$ 120,913
INVESTMENT LIABILITIES			
Debt on private real estate properties (note 2e)	**(864)**	(980)	(968)
Derivative liabilities (note 2g)	**(1,100)**	(498)	(297)
TOTAL INVESTMENT LIABILITIES	**(1,964)**	(1,478)	(1,265)
Amounts receivable from pending trades	**4,683**	4,471	586
Amounts payable from pending trades	**(5,529)**	(6,423)	(746)
NET INVESTMENTS	**$ 108,917**	$ 122,777	$ 119,488

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 December 31, 2008
(Unaudited)

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

($ millions)	**December 31, 2008** Fair Value	**(%)**	March 31, 2008 Fair Value	(%)	December 31, 2007 Fair Value	(%)
EQUITIES[1]						
Canada	**$ 19,368**	**17.8 %**	$ 28,891	23.5 %	$ 28,970	24.3 %
Foreign	**43,289**	**39.7**	48,159	39.2	46,840	39.2
	62,657	**57.5**	77,050	62.7	75,810	63.5
FIXED INCOME						
Bonds[1,2]	**27,118**	**24.9**	30,215	24.6	29,767	24.9
Other debt[1]	**2,181**	**2.0**	1,142	1.0	226	0.2
Money market securities[3]	**1,006**	**0.9**	17	-	645	0.5
	30,305	**27.8**	31,374	25.6	30,638	25.6
INFLATION-SENSITIVE ASSETS						
Real estate[1,4]	**7,692**	**7.1**	6,877	5.6	6,508	5.4
Inflation-linked bonds[1,2]	**4,600**	**4.2**	4,739	3.9	3,949	3.3
Infrastructure[1]	**3,663**	**3.4**	2,737	2.2	2,583	2.2
	15,955	**14.7**	14,353	11.7	13,040	10.9
NET INVESTMENTS	**$ 108,917**	**100 %**	$ 122,777	100 %	$ 119,488	100 %

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

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

ORGANIZATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the "CPP") in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan.* It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan*, in the best interests of the beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, regulations and the investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. The CPP Investment Board's legislated mandate, the overall benchmark that provides context for investing decisions and the investment strategy employed to support the long-term sustainability of the *Canada Pension Plan* are fully described in Management's Discussion and Analysis on pages 14 to 21 of the 2008 Annual Report.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the requirements of the Act and the accompanying regulations. These statements follow the same accounting policies and methods of computation as the March 31, 2008 annual Consolidated Financial Statements, with the exception of the changes in accounting policies described in note 1b. 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, 2008 annual Consolidated Financial Statements. The interim Consolidated Financial Statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

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

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

(b) Changes in Accounting Policies

Financial Instruments

On April 1, 2008, the CPP Investment Board adopted Canadian Institute of Chartered Accountants ("CICA") section 3862, *Financial Instruments – Disclosures* and section 3863, *Financial Instruments – Presentation*. These two new sections have replaced the disclosure and presentation requirements of section 3861, *Financial Instruments – Disclosure* *and Presentation*, and enhance disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (see note 2a).

Capital Disclosures

On April 1, 2008, the CPP Investment Board adopted CICA section 1535, *Capital Disclosures*. Section 1535 requires an entity to disclose its objectives, policies and processes for managing capital, which for the CPP Investment Board, is its net investments. The adoption of section 1535 did not have a material impact on the CPP Investment Board's financial statement disclosure.

(c) 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.

Fair value is determined as follows:

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

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

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

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

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

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

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

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

(x) Fair value for exchange-traded derivatives, which includes futures, is based on quoted market prices. Fair value for over-the-counter derivatives, which include swaps, options, forward contracts and warrants, is determined based on the quoted market prices of the underlying instruments or other accepted industry valuation methods.

(d) Transaction Costs

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

2. INVESTMENTS AND INVESTMENT LIABILITIES

(a) Financial Risk Management

The CPP Investment Board is exposed to a variety of financial risks as a result of its investment activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The CPP Investment Board manages financial risks in accordance with the Act, regulations and the investment policies as outlined in the Risk/Return Accountability Framework section of Management's Discussion and Analysis on pages 19 and 20 of the 2008 Annual Report. In addition, derivatives are used, where appropriate, to manage certain risk exposures (see note 2g).

(i) ***Market Risk:*** Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. The CPP Investment Board manages market risk by 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. Market risk is comprised of the following:

Currency Risk: The CPP Investment Board is exposed to currency risk through holdings of investments 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 and future cash flows of these investments.

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

($ millions)	**As at December 31, 2008**		As at March 31, 2008		As at December 31, 2007	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	**$ 23,520**	**55 %**	$ 23,586	49 %	$ 24,465	51 %
Euro	**9,123**	**21**	10,813	23	10,006	21
Japanese Yen	**4,510**	**10**	4,910	10	4,959	10
British Pound Sterling	**2,211**	**5**	3,593	8	3,755	8
Australian Dollar	**1,194**	**3**	1,243	3	1,282	3
Swiss Franc	**1,140**	**3**	1,111	2	1,035	2
Other	**1,468**	**3**	2,317	5	2,447	5
Total	**$ 43,166**	**100 %**	$ 47,573	100 %	$ 47,949	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.

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

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

Value at Risk

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

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

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

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

The CPP Investment Board monitors the VaR of the CPP Investment Portfolio relative to the CPP Reference Portfolio as approved by the board of directors. The CPP Reference Portfolio 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.

Each year, the board of directors of the CPP Investment Board approves 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 in its efforts to earn additional returns. Changes in Active Risk are largely independent of changes in VaR in the CPP Reference Portfolio and CPP Investment Portfolio. The CPP Reference Portfolio and Active Risk limit are discussed in greater detail on pages 16 to 17 and pages 19 to 20 of Management's Discussion and Analysis in the 2008 Annual Report.

VaR represents the probability that one year in 10 the portfolio can lose at least the estimated value. As at December 31, 2008, the VaR is as follows:

($ millions)		**VaR**	**% of CPP Investment Portfolio**[1]	
CPP Reference Portfolio	**$**	**9,132**	**8.5**	**%**
CPP Investment Portfolio Active Risk	**$**	**1,757**	**1.6**	**%**
CPP Investment Portfolio[2]	**$**	**10,716**	**10.0**	**%**

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

(ii) ***Credit Risk:*** Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The CPP Investment Board's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in note 2g). The carrying amounts of these investments as presented in the Consolidated Statement of Investment Portfolio represent the maximum credit risk exposure at the balance sheet date. The CPP Investment Board manages credit risk by setting overall credit exposure limits by credit rating category. Counterparties are assigned a credit rating as determined by a recognized credit rating agency, where available, or as determined through an internal credit rating process. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies.

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 December 31, 2008**					
Credit Rating	**Bonds[1,2]**	**Money market Securities[1]**	**Reverse Repurchase Agreements[1,3]**	**Over-the-Counter Derivatives**	**Total**	**% of Total**
AAA/R-1 (high)	$ **8,383**	$ **11,534**	$ **-**	$ **728**	$ **20,645**	**42** %
AA/R-1 (mid)	**15,472**	**2,140**	**-**	**172**	**17,784**	**37**
A/R-1 (low)	**4,249**	**1,869**	**4,006**	**26**	**10,150**	**21**
BBB/R-2 (low)	**143**	**-**	**-**	**-**	**143**	**-**
Total	$ **28,247**	$ **15,543**	$ **4,006**	$ **926**	$ **48,722**	**100** %

[1] Includes accrued interest.
[2] Includes inflation-linked bonds.
[3] As at December 31, 2008, fixed income securities with a fair value of $4,086 million and a AAA credit rating was received as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see note 2f).

Credit risk exposure on over-the-counter derivative transactions is mitigated by entering into master netting arrangements with all counterparties so that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at December 31, 2008, these master netting arrangements reduce the credit risk exposure to over-the-counter derivatives from $926 million to $486 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 commitments as they come due. The CPP Investment Board's unfunded investment commitments (see note 7) and its responsibility for providing cash management services to the CPP (see note 5) expose it to liquidity risk. The CPP Investment Board mitigates liquidity risk through its unsecured credit facilities (see note 3) and the ability to readily dispose certain investments traded in an active market.

(b) Equities

(i) Public equity investments are made directly or through funds. As at December 31, 2008, public equities include fund investments with a fair value of $1,434 million (March 31, 2008 - $1,202 million; December 31, 2007 - $1,258 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 December 31, 2008, private equities include direct investments with a fair value of $3,594 million (March 31, 2008 - $3,219 million; December 31, 2007 - $2,428 million).

With respect to limited partnership arrangements, the CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the General Partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1% and 2% of the total amount committed to the limited partnerships and are expensed as incurred. During the three and nine-month periods ended December 31, 2008, management fees of $53 million and $167 million, respectively (three and nine-month periods ended December 31, 2007 - $35 million and $104 million, respectively) were paid to the limited partnerships.

(c) Fixed Income

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

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

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

The terms to maturity of the marketable and non-marketable bonds, not including any rollover options, as at December 31, 2008 are as follows:

	Terms to Maturity					
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Average Effective Yield**
Marketable bonds						
Government of Canada	$ 9	$ 166	$ 217	$ 233	$ 625	3.0 %
Canadian Provincial government	-	273	363	620	1,256	4.5
Canadian government corporations	-	1,489	233	295	2,017	3.4
Corporate bonds	25	190	126	89	430	7.3
Non-marketable bonds						
Government of Canada	72	523	-	-	595	1.1
Canadian Provincial government	1,848	6,393	603	12,592	21,436	4.7
Total	$ 1,954	$ 9,034	$ 1,542	$ 13,829	$ 26,359	4.6 %

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

(d) Absolute Return Strategies

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

(e) Inflation-Sensitive Assets

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

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPP Investment Board by investment managers through co-ownership arrangements. As at December 31, 2008, the subsidiary's share of these investments includes assets of $8,254 million (March 31, 2008 - $7,421 million; December 31, 2007 - $6,932 million) and $864 million of secured debt (March 31, 2008 - $980 million; December 31, 2007 - $968 million), with a weighted average fixed interest rate of 6.6 per cent and terms to maturity of one to 19 years.

Included in the 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 December 31, 2008**		As at March 31, 2008		As at December 31, 2007
Assets	$	**5,094**	$	5,173	$	4,896
Liabilities		**(864)**		(980)		(968)
	$	**4,230**	$	4,193	$	3,928

Proportionate Share of Net Income								
	Three-months ended December 31				**Nine-months ended December 31**			
($ millions)		**2008**		2007		**2008**		2007
Revenue	**$**	**148**	$	127	**$**	**421**	$	378
Expenses		**(99)**		(80)		**(271)**		(248)
	$	**49**	$	47	**$**	**150**	$	130

(ii) The terms to maturity of the inflation-linked bonds as at December 31, 2008 are as follows:

	Terms to Maturity									
($ millions)		**Within 1 Year**		**1 to 5 Years**		**6 to 10 Years**		**Over 10 Years**	**Total**	**Average Effective Yield**
Inflation-linked bonds	**$**	**-**	**$**	**367**	**$**	**389**	**$**	**728**	**$ 1,484**	**5.1 %**

(iii) Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at December 31, 2008, infrastructure include direct investments with a fair value of $1,896 million (March 31, 2008 - $1,913 million; December 31, 2007 - $1,749 million). Direct investments do not have management fees, while management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in note 2b. During the three and nine-month periods ended December 31, 2008, management fees of $0.8 million and $3.6 million, respectively (three and nine-month periods ended December 31, 2007 - $1.3 million and $2 million, respectively) were paid to the limited partnerships.

(f) Securities Purchased under Reverse Repurchase Agreements

Securities purchased under reverse repurchase agreements are not recognized as an investment of the CPP Investment Board and are accounted for as collateralized lending as they represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date. The fair value of securities to be resold under these agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held. Reverse repurchase agreements are carried on the 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 6).

As at December 31, 2008, fixed income securities with a fair value of $4,086 million was received as collateral on reverse repurchase agreements including $3,926 million of securities collateral which may be sold or repledged. The fair value of securities collateral sold or repledged as at December 31, 2008 is $nil. As at March 31, 2008 and December 31, 2007, the fair value of collateral received was $nil. These transactions are conducted under terms and conditions that are common and customary to collateral arrangements.

As at December 31, 2008, the securities purchased under reverse repurchase agreements of $4,000 million have terms to maturity of 2 to 3 years and an average effective yield of 3.1%.

(g) Derivative Contracts

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

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

Swaps

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

Futures

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

Options

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

Forwards

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

Warrants

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

Notional Amounts and Fair Value of Derivative Contracts

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

The notional amounts and fair value of derivative contracts held are as follows:

	As at December 31, 2008			
($ millions)	**Notional Amount**	**Positive Fair Value**	**Negative Fair Value**	**Net Fair Value**
Swaps				
Equity	$ **12,361**	$ **546**	$ **(231)**	$ **315**
Variance	**4,938**	**6**	**(174)**	**(168)**
Inflation-linked bond	**2,972**	**127**	**-**	**127**
Cross currency interest rate	**1,477**	**-**	**(392)**	**(392)**
Bond	**350**	**12**	**-**	**12**
Interest rate	**74**	**3**	**(1)**	**2**
Credit default	**19**	**-**	**-**	**-**
Futures				
Equity	**4,189**	**55**	**-**	**55**
Bond	**140**	**-**	**(2)**	**(2)**
Options				
Equity options written	**150**	**-**	**(85)**	**(85)**
Forwards				
Foreign exchange	**16,358**	**232**	**(215)**	**17**
Interest rate	**-**	**-**	**-**	**-**
Other				
Warrants	**447**	**185**	**-**	**185**
Total	$ **43,475**	$ **1,166**	$ **(1,100)**	$ **66**

	As at March 31, 2008		As at December 31, 2007	
($ millions)	Notional Amount	Net Fair Value	Notional Amount	Net Fair Value
Swaps				
Equity	$ 12,296	$ (1)	$ 14,267	$ 61
Variance	597	(1)	-	-
Inflation-linked bond	762	39	-	-
Cross currency interest rate	1,477	(62)	-	-
Bond	2,401	5	3,021	14
Interest rate	-	-	-	-
Credit default	-	-	-	-
Futures				
Equity	2,969	11	2,053	(10)
Bond	-	-	-	-
Options				
Equity options written	-	-	-	-
Forwards				
Foreign exchange	14,899	(145)	12,700	105
Interest rate	276	-	1,801	-
Other				
Warrants	-	-	-	-
Total	$ 35,677	$ (154)	$ 33,842	$ 170

All derivative contracts have a term to maturity of one year or less except for the following:

	As at December 31, 2008		As at March 31, 2008		As at December 31, 2007	
($ millions)	**Notional Amount**	**Weighted Average Terms to Maturity (years)**	Notional Amount	Weighted Average Terms to Maturity (years)	Notional Amount	Weighted Average Terms to Maturity (years)
Equity swaps	**$ 2,016**	**1.9**	$ 1,500	2.0	$ -	-
Variance swaps	**$ 4,925**	**9.1**	$ 597	9.7	$ -	-
Cross currency interest rate swaps	**$ 1,477**	**1.2**	$ 1,477	2.0	$ -	-
Interest rate swaps	**$ 74**	**6.8**	$ -	-	$ -	-
Credit default swaps	**$ 19**	**5.5**	$ -	-	$ -	-
Equity options written	**$ 150**	**4.9**	$ -	-	$ -	-
Warrants	**$ 398**	**4.6**	**$** -	-	**$** -	-

(h) Securities Lending

The CPP Investment Board engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at December 31, 2008, the CPP Investment Board's investments include securities loaned with a fair value of $nil (March 31, 2008 - $2,480 million; December 31, 2007 - $2,784 million). The fair value of collateral received in respect of the securities loaned is $nil (March 31, 2008 - $2,606 million; December 31, 2007 - $2,926 million).

3. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2008 - $1.5 billion; December 31, 2007 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at December 31, 2008, the total amount drawn on the credit facilities is $nil (March 31, 2008 - $nil; December 31, 2007 - $nil).

4. SHARE CAPITAL

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

5. CANADA PENSION PLAN TRANSFERS

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

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

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

($ millions)		**As at December 31, 2008**		As at March 31, 2008		As at December 31, 2007
Accumulated transfers from the Canada Pension Plan	**$**	**173,469**	$	153,073	$	144,190
Accumulated transfers to the Canada Pension Plan		**(79,406)**		(62,714)		(58,052)
Accumulated net transfers from the Canada Pension Plan	**$**	**94,063**	$	90,359	$	86,138

6. NET INVESTMENT INCOME (LOSS)

Net investment income (loss) is reported net of transaction costs and investment management fees. Investment management fees in respect of externally managed publicly-traded investments include an incentive portion that fluctuates with investment performance.

Net investment income (loss) by asset class, after giving effect to derivative contracts and investment receivables and liabilities, is as follows:

($ millions)	**For the three-month period ended December 31, 2008**											
		Investment Income[1]		**Net Gain (Loss) on Investments[2]**		**Total Investment Income (Loss)**		**Investment Management Fees**		**Transaction Costs**		**Net Investment Income (Loss)**
Equities	**$**	**70**	**$**	**(7,637)**	$	**(7,567)**	**$**	**(71)**	**$**	**(14)**	**$**	**(7,652)**
Fixed income		**367**		**(167)**		**200**		**(3)**		**-**		**197**
Absolute return strategies		**-**		**78**		**78**		**(3)**		**-**		**75**
Inflation-sensitive assets		**126**		**(600)**		**(474)**		**(16)**		**(6)**		**(496)**
Total	**$**	**563**	**$**	**(8,326)**	$	**(7,763)**	**$**	**(93)**	**$**	**(20)**	**$**	**(7,876)**

($ millions)	For the three-month period ended December 31, 2007					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 445	$ (1,738)	$ (1,293)	$ (26)	$ (22)	$ (1,341)
Fixed income	393	485	878	-	(1)	877
Absolute return strategies	-	3	3	(5)	-	(2)
Inflation-sensitive assets	165	211	376	(10)	(15)	351
Total	$ 1,003	$ (1,039)	$ (36)	$ (41)	$ (38)	$ (115)

($ millions)	**For the nine-month period ended December 31, 2008**					
	Investment Income[1]	**Net Gain (Loss) on Investments[2]**	**Total Investment Income (Loss)**	**Investment Management Fees**	**Transaction Costs**	**Net Investment Income (Loss)**
Equities	**$ 1,790**	**$ (17,925)**	$ **(16,135)**	**$ (198)**	**$ (43)**	**$ (16,376)**
Fixed income	**1,066**	**(1,372)**	**(306)**	**(9)**	**-**	**(315)**
Absolute return strategies	**-**	**38**	**38**	**(13)**	**-**	**25**
Inflation-sensitive assets	**478**	**(1,156)**	**(678)**	**(46)**	**(13)**	**(737)**
Total	**$ 3,334**	**$ (20,415)**	$ **(17,081)**	**$ (266)**	**$ (56)**	**$ (17,403)**

($ millions)	For the nine-month period ended December 31, 2007					
	Investment Income[1]	Net Gain (Loss) on Investments[2]	Total Investment Income (Loss)	Investment Management Fees	Transaction Costs	Net Investment Income (Loss)
Equities	$ 2,009	$ (3,218)	$ (1,209)	$ (116)	$ (49)	$ (1,374)
Fixed income	1,186	(5)	1,181	-	(1)	1,180
Absolute return strategies	-	2	2	(11)	-	(9)
Inflation-sensitive assets	357	526	883	(25)	(21)	837
Total	$ 3,552	$ (2,695)	$ 857	$ (152)	$ (71)	$ 634

[1] Includes interest income, dividends, securities lending income and private real estate operating income, net of interest expense.

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

7. COMMITMENTS

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at December 31, 2008, the commitments total $23.6 billion (March 31, 2008 - $18.6 billion; December 31, 2007 - $16.9 billion).

As at December 31, 2008, the CPP Investment Board has made lease and other commitments of $57.3 million (March 31, 2008 - $59.4 million; December 31, 2007 - $61.2 million) over the next 10 years.

8. GUARANTEES AND INDEMNIFICATIONS

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