

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

December 31, 2000

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income / (Loss)

Three-month period ended December 31, 2000

(Unaudited)

(\$ 000's)	Three months ended December 31, 2000	Three months ended December 31, 1999	Nine months ended December 31, 2000
INVESTMENT ACTIVITIES			
Investment income / (loss)	\$ (450,673)	\$ 230,358	\$ (58,994)
Investment expenses	(555)	(130)	(1,465)
	(451,228)	230,228	(60,459)
ADMINISTRATIVE ACTIVITIES			
Operating expenses	543	272	1,288
Salaries and benefits	640	343	1,355
Professional and consulting fees	270	215	704
	1,453	830	3,347
NET INCOME / (LOSS) FROM OPERATIONS	\$ (452,681)	\$ 229,398	\$ (63,806)

Statement of Changes in Net Assets

Three-month period ended December 31, 2000

(Unaudited)

(\$ 000's)	Three months ended December 31, 2000	Three months ended December 31, 1999	Nine months ended December 31, 2000
NET ASSETS, BEGINNING OF PERIOD	\$ 5,860,216	\$ 819,940	\$ 2,391,793
CHANGES IN NET ASSETS			
Canada Pension Plan transfers	1,032,795	663,232	4,112,343
Net income / (loss) from operations	(452,681)	229,398	(63,806)
INCREASE IN NET ASSETS FOR THE PERIOD	580,114	892,630	4,048,537
NET ASSETS, END OF PERIOD	\$ 6,440,330	\$ 1,712,570	\$ 6,440,330

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

December 31, 2000

(Unaudited)

(\$ 000's)	FAIR VALUE		BOOK VALUE	
	2000	1999	2000	1999
CANADIAN EQUITIES (Note 2)				
Canadian Equities - TSE 300 (Combination of index funds and direct security investments that substantially replicate the TSE 300)	\$ 2,585,175	\$ 1,400,213	\$ 2,660,175	\$ 1,207,543
Other Canadian Equities (Diversified portfolio of pooled fund and direct security investments - Note 2)	2,352,632	-	2,330,983	-
Total Canadian Equities	4,937,807	1,400,213	4,991,158	1,207,543
NON-CANADIAN EQUITIES (Note 2)				
US Equity Index Fund - S&P 500	748,878	155,080	793,345	144,831
EAFE Equity Index Fund	753,934	155,538	793,054	136,720
Total Non-Canadian Equities	1,502,812	310,618	1,586,399	281,551
TOTAL INVESTMENTS	\$ 6,440,619	\$ 1,710,831	\$ 6,577,557	\$ 1,489,094
% OF PORTFOLIO				
Canadian Equities - TSE 300	40.2%	81.8%	40.5%	81.1%
Other Canadian Equities	36.5%	0.0%	35.4%	0.0%
Total Canadian Equities	76.7%	81.8%	75.9%	81.1%
Non-Canadian Equities	23.3%	18.2%	24.1%	18.9%
	100.0%	100.0%	100.0%	100.0%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

December 31, 2000

(Unaudited)

ORGANIZATION

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

The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

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

2. INVESTMENTS

The CPP Investment Board has established a Statement of Investment Policies, Standards and Procedures (the “Investment Policy”) which sets out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at December 31, 2000, these assets totalled approximately \$29.8 billion (at cost) and consisted of government debt obligations. As a result, and in accordance with the Investment Policy, 100% of the CPP Investment Board’s investments are allocated to equities, with at least 75% of the book value allocated to Canadian equities and the remainder to non-Canadian equities.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

December 31, 2000

(Unaudited)

2. INVESTMENTS (continued)

The CPP Investment Board Regulations allow the active management of up to 50% of Canadian equities, on a book value basis. The Regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indexes. As at December 31, 2000, approximately 53% of Canadian equity investments substantially replicated the Toronto Stock Exchange 300 Composite Index on a book value basis.

Under the terms of the Investment Policy, investments in non-Canadian equities should substantially replicate broad market indexes. Non-Canadian investments are held in funds that substantially replicate the Morgan Stanley Capital International EAFE Index and the Standard & Poor's 500 Index. Investments are not hedged against changes in foreign currency exchange rates.

3. COMPARATIVE FIGURES

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