

*Quarterly Financial Statements of*

**CANADA PENSION PLAN  
INVESTMENT BOARD**

*June 30, 2000*

# CANADA PENSION PLAN INVESTMENT BOARD

## Statement of Income

June 30, 2000

(Unaudited)

|                                  | <u>2000</u>           | <u>1999</u>         |
|----------------------------------|-----------------------|---------------------|
| INVESTMENT ACTIVITIES            |                       |                     |
| Investment income                | \$ 294,327,633        | \$ 8,595,042        |
| Investment expenses              | (326,181)             | (40,350)            |
|                                  | <u>294,001,452</u>    | <u>8,554,692</u>    |
| ADMINISTRATIVE ACTIVITIES        |                       |                     |
| Operating expenses               | 378,621               | 362,259             |
| Salaries and benefits            | 346,876               | 156,614             |
| Professional and consulting fees | 310,428               | 318,644             |
|                                  | <u>1,035,925</u>      | <u>837,517</u>      |
| NET INCOME FROM OPERATIONS       | <u>\$ 292,965,527</u> | <u>\$ 7,717,175</u> |

## Statement of Changes in Net Assets

June 30, 2000

(Unaudited)

|  | <u>2000</u>             | <u>1999</u>           |
|--|-------------------------|-----------------------|
| NET ASSETS, BEGINNING OF PERIOD        | \$ 2,391,792,809        | \$ 12,144,462         |
| CHANGES IN NET ASSETS                  |                         |                       |
| Canada Pension Plan transfers (Note 3) | 2,156,569,000           | 512,715,000           |
| Net income from operations             | 292,965,527             | 7,717,175             |
| INCREASE IN NET ASSETS FOR THE PERIOD  | <u>2,449,534,527</u>    | <u>520,432,175</u>    |
| NET ASSETS, END OF PERIOD              | <u>\$ 4,841,327,336</u> | <u>\$ 532,576,637</u> |

# CANADA PENSION PLAN INVESTMENT BOARD

## Statement of Investment Portfolio

June 30, 2000

(unaudited)

|   | <u>2000</u>             | <u>1999</u>           |
|---|-------------------------|-----------------------|
| <b>CANADIAN EQUITIES</b>  |                         |                       |
| (Managed by TD Quantitative Capital)  |                         |                       |
| Emerald Canadian Equity Funds<br>(Cost - \$2,951,802,401; 1999 - \$427,819,201)   | \$ 3,417,958,114        | \$ 435,529,838        |
| Canadian Equity Account - physical securities which<br>when combined with the Emerald Canadian Equity<br>Funds substantially replicate the performance of<br>the Toronto Stock Exchange 300 Composite Index<br>(Cost - \$411,329,879; 1999 - nil)               | 558,738,639             | -                     |
| <b>Total Canadian Equities</b>  | <b>3,976,696,753</b>    | <b>435,529,838</b>    |
| <b>NON-CANADIAN EQUITIES</b>  |                         |                       |
| (Managed by Barclays Global Investors)  |                         |                       |
| Barclays Global Investors Canada Limited<br>US Equity Index Fund (Canada)<br>(Cost - \$420,040,021; 1999 - \$50,418,046)  | 435,066,870             | 52,861,209            |
| EAFE Equity Index Fund B<br>(Cost - \$412,398,814; 1999 - \$44,344,221)   | 428,284,932             | 44,899,402            |
| Barclays Global Investors Canada Limited<br>Unhedged Synthetic EAFE Equity Index<br>(Cost - nil; 1999 - \$58,977)<br>(collectively invested to substantially replicate the<br>performance of the Morgan Stanley Capital<br>International World Index ex-Canada) | -                       | 60,486                |
| Money Market Fund B<br>(Cost - nil ; 1999 - \$6,750)<br>(used in conjunction with the EAFE Equity<br>Index Fund for cash management purposes)   | -                       | 6,833                 |
| <b>Total Non-Canadian Equities</b>  | <b>863,351,802</b>      | <b>97,827,930</b>     |
| <b>TOTAL EQUITIES</b>   | <b>\$ 4,840,048,555</b> | <b>\$ 533,357,768</b> |
| <b>% OF PORTFOLIO AT COST</b>   |                         |                       |
| Canadian Equities   | 80.2%                   | 81.9%                 |
| Non-Canadian Equities   | 19.8%                   | 18.1%                 |
|   | <b>100.0%</b>           | <b>100.0%</b>         |

# CANADA PENSION PLAN INVESTMENT BOARD

## Notes to the Financial Statements

June 30, 2000

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### ORGANIZATION

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

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of presentation*

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

#### *Valuation of investments*

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

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

### 2. INVESTMENTS

The CPP Investment Board has prepared a Statement of Investment Policies, Standards and Procedures (the "Investment Policy") which sets out the manner in which assets shall be invested. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at June 30, 2000, these assets totalled approximately \$30.2 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 approximately 80% allocated to Canadian equities and the remainder to non-Canadian equities.

# **CANADA PENSION PLAN INVESTMENT BOARD**

## **Notes to the Financial Statements**

**June 30, 2000**

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### **2. INVESTMENTS (continued)**

The Regulations under the Act require the CPP Investment Board's Canadian equities to substantially replicate the composition of one or more broad market indexes. The Toronto Stock Exchange 300 Composite Index has been selected as an appropriate market index for the Canadian equities. Under the terms of the Investment Policy, the CPP Investment Board's investments in non-Canadian equities should also substantially replicate broad market indexes. The Morgan Stanley Capital International World Index ex-Canada has been selected for this purpose. Investments are not hedged against foreign currency movements.

### **3. CANADA PENSION PLAN TRANSFERS**

During the quarter, a total of \$2,156,569,000 (\$512,715,000 for the three months ended June 30, 1999) was transferred to the CPP Investment Board under Section 111 of the *Canada Pension Plan*.

### **4. COMPARATIVE FIGURES**

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