

Condensed Interim Consolidated
Financial Statements of

Canada Pension Plan Investment Board

September 30, 2015

Canada Pension Plan Investment Board
Condensed Interim Consolidated Balance Sheet
As at September 30, 2015
(Unaudited)

<i>(CAD millions)</i>	As at September 30, 2015	As at March 31, 2015	As at September 30, 2014
Assets			
Investments (note 2)	\$ 332,614	\$ 318,481	\$ 270,787
Amounts receivable from pending trades	4,427	2,908	2,430
Premises and equipment	352	340	325
Other assets	144	89	65
Total assets	337,537	321,818	273,607
Liabilities			
Investment liabilities (note 2)	57,959	50,547	35,710
Amounts payable from pending trades	6,161	6,087	3,170
Accounts payable and accrued liabilities	481	561	301
Total liabilities	64,601	57,195	39,181
Net assets	\$ 272,936	\$ 264,623	\$ 234,426
Net assets, represented by:			
Share capital	\$ -	\$ -	\$ -
Accumulated net income from operations	140,301	136,305	106,639
Accumulated net transfers from the Canada Pension Plan	132,635	128,318	127,787
Net assets	\$ 272,936	\$ 264,623	\$ 234,426

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Statement of Comprehensive Income

For the three and six-month periods ended September 30, 2015

(Unaudited)

<i>(CAD millions)</i>	For the three-month period ended		For the six-month period ended	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Net investment income (note 5)				
Investment income	\$ 4,947	\$ 8,086	\$ 5,421	\$ 11,926
Investment management fees	(394)	(310)	(751)	(532)
Transaction costs	(189)	(42)	(265)	(106)
	\$ 4,364	\$ 7,734	\$ 4,405	\$ 11,288
Operating expenses				
Personnel costs	141	120	282	211
General operating expenses	49	40	104	80
Professional services	11	12	23	25
	201	172	409	316
Net income from operations	\$ 4,163	\$ 7,562	\$ 3,996	\$ 10,972

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Statement of Changes in Net Assets

For the three and six-month periods ended September 30, 2015

(Unaudited)

<i>(CAD millions)</i>	For the three-month period ended September 30, 2015				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
As at July 1, 2014	10	\$ -	\$ 127,723	\$ 99,077	\$ 226,800
Total net income for the period		-	-	7,562	7,562
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	8,269	-	8,269
Transfers to the Canada Pension Plan		-	(8,205)	-	(8,205)
Balance at September 30, 2014	10	\$ -	\$ 127,787	\$ 106,639	\$ 234,426
As at July 1, 2015	10	\$ -	\$ 132,513	\$ 136,138	\$ 268,651
Total net income for the period		-	-	4,163	4,163
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	8,558	-	8,558
Transfers to the Canada Pension Plan		-	(8,436)	-	(8,436)
Balance at September 30, 2015	10	\$ -	\$ 132,635	\$ 140,301	\$ 272,936

<i>(CAD millions)</i>	For the six-month period ended September 30, 2015				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
As at April 1, 2014	10	\$ -	\$ 123,425	\$ 95,667	\$ 219,092
Total net income for the period		-	-	10,972	10,972
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	19,455	-	19,455
Transfers to the Canada Pension Plan		-	(15,093)	-	(15,093)
Balance at September 30, 2014	10	\$ -	\$ 127,787	\$ 106,639	\$ 234,426
As at April 1, 2015	10	\$ -	\$ 128,318	\$ 136,305	\$ 264,623
Total net income for the period		-	-	3,996	3,996
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	20,751	-	20,751
Transfers to the Canada Pension Plan		-	(16,434)	-	(16,434)
Balance at September 30, 2015	10	\$ -	\$ 132,635	\$ 140,301	\$ 272,936

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Statement of Cash Flows

For the three and six-month periods ended September 30, 2015

(Unaudited)

(CAD millions)	For the three-month period ended September 30		For the six-month period ended September 30	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income from operations	\$ 4,163	\$ 7,562	\$ 3,996	\$ 10,972
Adjustments for non-cash items:				
Amortization of premises and equipment	8	6	15	12
Effect of exchange rate changes on cash and cash equivalents	34	11	37	2
Unrealized (gains) losses on debt financing liabilities	202	425	137	169
Adjustments for net changes in operating assets and liabilities:				
(Increase) decrease in investments	(4,417)	(12,195)	(15,661)	(22,828)
(Increase) decrease in pending trades receivable	1,590	(144)	(1,519)	(179)
(Increase) decrease in other assets	(2)	2	(18)	(1)
Increase (decrease) in investment-related liabilities	(6,046)	(3,682)	2,593	4,573
Increase (decrease) in debt financing liabilities	(193)	(48)	4,678	144
Increase (decrease) in pending trades payable	3,227	805	74	1,191
Increase (decrease) in accounts payable and accrued liabilities	92	85	(80)	(84)
Net cash flows provided by (used in) operating activities	(1,342)	(7,173)	(5,748)	(6,029)
Cash flows from financing activities				
Transfers from the Canada Pension Plan	8,558	8,269	20,751	19,455
Transfers to the Canada Pension Plan	(8,436)	(8,205)	(16,434)	(15,093)
Net cash flows provided by (used in) financing activities	122	64	4,317	4,362
Cash flows from investing activities				
Acquisitions of premises and equipment	(16)	(9)	(27)	(17)
Net cash flows provided by (used in) investing activities	(16)	(9)	(27)	(17)
Net increase (decrease) in cash and cash equivalents	(1,236)	(7,118)	(1,458)	(1,684)
Effect of exchange rate changes on cash and cash equivalents	(34)	(11)	(37)	(2)
Cash and cash equivalents at the beginning of the period	7,970	17,206	8,195	11,763
Cash and cash equivalents at the end of the period	6,700	10,077	6,700	10,077
Cash and cash equivalents at the end of the period are comprised of:				
Cash held for operating purposes ¹	95	54	95	54
Cash and cash equivalents held for investment purposes ²	6,605	10,023	6,605	10,023
Total	\$ 6,700	\$ 10,077	\$ 6,700	\$ 10,077

¹ Presented as a component of Other assets on the Condensed Interim Consolidated Balance Sheet.

² Presented as a component of Investments on the Condensed Interim Consolidated Balance Sheet and Money market securities on the Condensed Interim Consolidated Schedule of Investment Portfolio.

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Schedule of Investment Portfolio

As at September 30, 2015

(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. These 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:

<i>(CAD millions)</i>	As at September 30, 2015	As at March 31, 2015	As at September 30, 2014
Equities (note 2a)			
Canada			
Public equities	\$ 4,964	\$ 5,803	\$ 6,397
Private equities	3,164	2,995	3,411
	8,128	8,798	9,808
Foreign developed markets			
Public equities	72,028	72,501	59,562
Private equities	48,109	41,773	35,718
	120,137	114,274	95,280
Emerging markets			
Public equities	9,543	9,736	8,779
Private equities	4,570	4,481	3,644
	14,113	14,217	12,423
Total equities	142,378	137,289	117,511
Fixed income (note 2b)			
Bonds	69,869	65,642	57,513
Other debt	26,453	22,428	16,389
Money market securities	12,880	17,740	20,772
Total fixed income	109,202	105,810	94,674
Absolute return strategies¹ (note 2c)	17,736	16,185	13,713
Real assets (note 2d)			
Real estate	34,344	30,375	25,457
Infrastructure	19,071	15,013	12,364
Total real assets	53,415	45,388	37,821
Investment receivables			
Securities purchased under reverse repurchase agreements (note 2e)	6,874	10,817	4,750
Accrued interest	1,118	928	937
Derivative receivables (note 2f)	1,763	1,882	1,246
Dividends receivable	128	182	135
Total investment receivables	9,883	13,809	7,068
Total investments	\$ 332,614	\$ 318,481	\$ 270,787
Investment liabilities			
Securities sold under repurchase agreements (note 2e)	(18,683)	(15,779)	(7,978)
Securities sold short	(21,894)	(22,385)	(15,500)
Debt financing liabilities (note 2g)	(14,774)	(9,955)	(9,971)
Derivative liabilities (note 2f)	(2,608)	(2,428)	(2,261)
Total investment liabilities	(57,959)	(50,547)	(35,710)
Amounts receivable from pending trades	4,427	2,908	2,430
Amounts payable from pending trades	(6,161)	(6,087)	(3,170)
Net investments	\$ 272,921	\$ 264,755	\$ 234,337

¹ Includes only investments in funds.

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Schedule of Investment Asset Mix

As at September 30, 2015

(Unaudited)

This Consolidated Schedule of Investment Asset Mix is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. These 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:

<i>(CAD millions)</i>	As at September 30, 2015		As at March 31, 2015		As at September 30, 2014							
Equities												
Canada	\$	16,861	6.2	%	\$	19,446	7.3	%	\$	19,838	8.5	%
Foreign developed markets		107,722	39.5			98,060	37.0			86,819	37.0	
Emerging markets		14,343	5.2			15,501	5.9			13,545	5.8	
		138,926	50.9			133,007	50.2			120,202	51.3	
Fixed income												
Bonds		65,536	24.0			60,229	22.8			54,865	23.4	
Other debt		19,359	7.1			17,160	6.5			13,164	5.6	
Money market securities ¹		10,106	3.7			18,799	7.1			18,075	7.8	
Debt financing liabilities		(14,774)	(5.4)			(9,955)	(3.8)			(9,971)	(4.3)	
		80,227	29.4			86,233	32.6			76,133	32.5	
Real assets												
Real estate		34,327	12.6			30,323	11.5			25,441	10.8	
Infrastructure		19,441	7.1			15,192	5.7			12,561	5.4	
		53,768	19.7			45,515	17.2			38,002	16.2	
Net investments	\$	272,921	100	%	\$	264,755	100	%	\$	234,337	100	%

¹ Includes absolute return strategies' investments in funds and internally managed portfolios, as described in note 2c.

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

Table of Contents

Note	Description	Page
	Corporate information	8
1	Summary of significant accounting policies	8
2(a)	Equities	9
2(b)	Fixed income	10
2(c)	Absolute return strategies	10
2(d)	Real assets	10
2(e)	Securities purchased under reverse repurchase agreements and sold under repurchase agreements	11
2(f)	Derivative contracts	11
2(g)	Debt financing liabilities	13
3	Fair value measurement	13
4	Investment risk management	22
5	Net investment income	27
6	Collateral	28
7	Commitments	28
8	Related party transactions	29
9	Guarantees	29

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

The CPP Investment Board's registered office is at One Queen Street East, Toronto, Ontario, Canada.

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on November 11, 2015.

1. Summary of significant accounting policies

a) Basis of presentation

The Consolidated Financial Statements of the CPP Investment Board have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Act and the regulations of the CPP Investment Board. These Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) and do not include all of the information and disclosures required in the annual consolidated financial statements. These Consolidated Financial Statements should be read in conjunction with CPP Investment Board's annual Consolidated Financial Statements and the accompanying note disclosures included on pages 93 to 127 in the CPP Investment Board's 2015 Annual Report. These Consolidated Financial Statements follow the same accounting policies and methods as the most recent annual Consolidated Financial Statements.

The CPP Investment Board qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements* (IFRS 10):

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services. In the case of the CPP Investment Board, we have one investor (CPP), but we invest the funds for a wide group of investors being the beneficiaries of the CPP.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgments or assumptions were made in determining that the CPP Investment Board meets the definition of an investment entity as defined in IFRS 10.

b) Subsidiaries

The CPP Investment Board is required to report the results of operations in accordance with IFRS 10. As a consequence, the Consolidated Financial Statements represent the results of operations of the CPP Investment Board and its wholly-owned subsidiaries that were created to provide investment-related services to support its operations. Operating subsidiaries of this nature include those that provide investment advisory services or subsidiaries that were created to provide financing to the CPP Investment Board.

Subsidiaries that were created to structure and hold investments are investment holding companies and are not consolidated in these Consolidated Financial Statements but instead are measured and reported at fair value. Fair value for unconsolidated investment holding companies is based on the fair value of the underlying investments and investment liabilities held by the investment holding company together with its accumulated net income from operations. The determination of the fair value of the underlying investments and investment liabilities are based on the valuation techniques and related inputs outlined in note 2.

c) Valuation of investments, investment receivables and investment liabilities

Investments, investment receivables and investment liabilities are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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. See note 2 for more details about the determination of fair value.

2. Investments and investment liabilities

The CPP Investment Board manages the following types of investments and investment liabilities and determines fair value as follows:

a) Equities

- (i) Public equity investments are made directly or through funds. Fair value for publicly traded equities, including equity short positions, is based on quoted market prices. Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.
- (ii) Private equity investments are generally made directly or through ownership in limited partnership funds. The fair value for investments held directly is primarily determined using earnings multiples of comparable publicly traded companies. Significant inputs include company specific earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings multiples of comparable publicly traded companies. Recent market transactions, where available, are also used. In the case of investments held through a limited partnership fund, fair value is generally determined based on relevant information reported by the general partner using similar accepted industry valuation methods.

b) Fixed income

- (i) Bonds consist of non-marketable and marketable bonds. Fair value for non-marketable Canadian provincial 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. In the case of marketable bonds, including bond short positions, fair value is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on relevant benchmark yield curves and credit spreads pertaining to the issuer.
- (ii) Other debt consists of investments in direct private debt, asset-backed securities, intellectual property, royalties, distressed mortgage funds and private debt funds.

Fair value for direct investments in private debt and asset-backed securities is based on quoted market prices or broker quotes or recent market transactions, if available. Where the market price is not available, fair value is calculated using discounted cash flows based on significant inputs such as projected cash flows and discount rates using current market yields of instruments with similar characteristics.

In the case of intellectual property investments and royalty investments, fair value is primarily determined using discounted cash flows based on projected cash flows and discount rates using current market yields of instruments with similar characteristics.

Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

- (iii) Money market securities consist of cash, term deposits, treasury bills and commercial paper. Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

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. Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

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 by investment managers primarily through co-ownership arrangements.

Fair value for private real estate investments is primarily determined using discounted cash flows based on various factors such as net operating income, discount rate and terminal capitalization rate.

Fair value for real estate funds and publicly-traded securities are generally based on the net asset value as reported by the external managers of the funds and quoted market prices respectively.

- (ii) Infrastructure investments are generally made directly, but can also occur through limited partnership funds.

Fair value for infrastructure investments is primarily determined using discounted cash flows based on significant inputs including projected cash flows and discount rates.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

e) Securities purchased under reverse repurchase agreements and sold under repurchase agreements

Reverse repurchase and repurchase agreements are carried at the amounts at which the securities were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature of these securities.

f) Derivative contracts

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 valuation techniques such as option pricing models, discounted cash flows and consensus pricing from independent brokers and/or third-party vendors. Inputs used in these valuation techniques can include, but are not limited to, spot prices, price volatilities, currency exchange rates, interest rate curves and credit spreads. In determining fair value, consideration is also given to the credit risk of the counterparty.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

The fair value of derivative contracts is as follows:

Fair value of derivative contracts

<i>(CAD millions)</i>	As at September 30, 2015		As at March 31, 2015		As at September 30, 2014	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Equity contracts						
Futures	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ (2)
Swaps	1,436	(918)	885	(738)	725	(1,039)
Options:						
Exchange-traded – purchased	-	-	-	-	-	-
Exchange-traded – written	-	-	-	(2)	-	-
Over-the-counter – purchased	11	-	7	-	7	-
Over-the-counter – written	-	(18)	-	-	-	(4)
Warrants	2	-	-	-	1	-
Total equity contracts	1,449	(936)	892	(740)	745	(1,045)
Foreign exchange contracts						
Forwards	325	(867)	382	(828)	354	(748)
Options:						
Over-the-counter – purchased	3	-	2	-	6	-
Over-the-counter – written	-	(2)	-	(2)	-	(8)
Total foreign exchange contracts	328	(869)	384	(830)	360	(756)
Interest rate contracts						
Futures	-	-	-	-	6	(3)
Swaps	244	(338)	219	(318)	101	(133)
Options:						
Exchange-traded – written	-	-	-	-	-	-
Over-the-counter – purchased	-	-	-	-	-	-
Over-the-counter – written	-	-	-	-	-	-
Total interest rate contracts	244	(338)	219	(318)	107	(136)
Credit contracts						
Purchased credit default swaps	60	(377)	18	(513)	11	(282)
Written credit default swaps	304	(70)	394	(21)	189	(19)
Options:						
Over-the-counter – purchased	2	-	-	-	1	-
Over-the-counter – written	-	(2)	-	-	-	-
Total credit contracts	366	(449)	412	(534)	201	(301)
Commodity contracts						
Futures	15	(15)	5	(2)	27	(23)
Options:						
Exchange-traded – purchased	1	-	-	-	-	-
Exchange-traded – written	-	(1)	-	(4)	-	-
Total commodity contracts	16	(16)	5	(6)	27	(23)
Subtotal	2,403	(2,608)	1,912	(2,428)	1,440	(2,261)
Less: Cash collateral received under derivative contracts	(640)	-	(30)	-	(194)	-
Total	\$ 1,763	\$ (2,608)	\$ 1,882	\$ (2,428)	\$ 1,246	\$ (2,261)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

g) Debt financing liabilities

Debt financing liabilities consist of commercial paper payable and term debt. Commercial paper payable is recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities. Fair value for term debt is based on quoted market prices.

3. Fair value measurement

a) Fair value hierarchy

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).

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

Fair value hierarchy

(CAD millions)	As at September 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	\$ 4,964	\$ -	\$ -	\$ 4,964
Private equities	307	-	2,857	3,164
	5,271	-	2,857	8,128
Foreign developed markets				
Public equities ¹	64,152	7,120	756	72,028
Private equities	3,023	2,257	42,829	48,109
	67,175	9,377	43,585	120,137
Emerging markets				
Public equities ¹	7,919	1,624	-	9,543
Private equities	600	206	3,764	4,570
	8,519	1,830	3,764	14,113
Total equities	80,965	11,207	50,206	142,378
Fixed income				
Bonds	41,471	28,398	-	69,869
Other debt	-	8,188	18,265	26,453
Money market securities	-	12,880	-	12,880
Total fixed income	41,471	49,466	18,265	109,202
Absolute return strategies	-	16,386	1,350	17,736
Real assets				
Real estate	646	171	33,527	34,344
Infrastructure	-	-	19,071	19,071
Total real assets	646	171	52,598	53,415
Investment receivables				
Securities purchased under reverse repurchase agreements	-	6,874	-	6,874
Accrued interest	-	1,118	-	1,118
Derivative receivables	16	1,745	2	1,763
Dividends receivable	-	128	-	128
Total investment receivables	16	9,865	2	9,883
Total investments	\$ 123,098	\$ 87,095	\$ 122,421	\$ 332,614
Investment liabilities				
Securities sold under repurchase agreements	-	(18,683)	-	(18,683)
Securities sold short	(21,894)	-	-	(21,894)
Debt financing liabilities	(916)	(13,858)	-	(14,774)
Derivative liabilities	(16)	(2,592)	-	(2,608)
Total investment liabilities	(22,826)	(35,133)	-	(57,959)
Amounts receivable from pending trades	-	4,427	-	4,427
Amounts payable from pending trades	-	(6,161)	-	(6,161)
Net investments	\$ 100,272	\$ 50,228	\$ 122,421	\$ 272,921

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

(CAD millions)	As at March 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	\$ 5,803	\$ -	\$ -	\$ 5,803
Private equities	394	-	2,601	2,995
	6,197	-	2,601	8,798
Foreign developed markets				
Public equities ¹	64,977	6,894	630	72,501
Private equities	3,781	385	37,607	41,773
	68,758	7,279	38,237	114,274
Emerging markets				
Public equities ¹	8,001	1,735	-	9,736
Private equities	1,218	-	3,263	4,481
	9,219	1,735	3,263	14,217
Total equities	84,174	9,014	44,101	137,289
Fixed income				
Bonds	36,040	29,602	-	65,642
Other debt	-	7,712	14,716	22,428
Money market securities	-	17,740	-	17,740
Total fixed income	36,040	55,054	14,716	105,810
Absolute return strategies	-	14,987	1,198	16,185
Real assets				
Real estate	719	-	29,656	30,375
Infrastructure	-	-	15,013	15,013
Total real assets	719	-	44,669	45,388
Investment receivables				
Securities purchased under reverse repurchase agreements	-	10,817	-	10,817
Accrued interest	-	928	-	928
Derivative receivables	5	1,877	-	1,882
Dividends receivable	-	182	-	182
Total investment receivables	5	13,804	-	13,809
Total investments	\$ 120,938	\$ 92,859	\$ 104,684	\$ 318,481
Investment liabilities				
Securities sold under repurchase agreements	-	(15,779)	-	(15,779)
Securities sold short	(22,385)	-	-	(22,385)
Debt financing liabilities	-	(9,955)	-	(9,955)
Derivative liabilities	(8)	(2,420)	-	(2,428)
Total investment liabilities	(22,393)	(28,154)	-	(50,547)
Amounts receivable from pending trades	-	2,908	-	2,908
Amounts payable from pending trades	-	(6,087)	-	(6,087)
Net investments	\$ 98,545	\$ 61,526	\$ 104,684	\$ 264,755

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

<i>(CAD millions)</i>	As at September 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	\$ 6,397	\$ -	\$ -	\$ 6,397
Private equities	-	1,709	1,702	3,411
	6,397	1,709	1,702	9,808
Foreign developed markets				
Public equities ¹	53,706	5,456	400	59,562
Private equities	2,401	829	32,488	35,718
	56,107	6,285	32,888	95,280
Emerging markets				
Public equities ¹	7,265	1,514	-	8,779
Private equities	1,001	-	2,643	3,644
	8,266	1,514	2,643	12,423
Total equities	70,770	9,508	37,233	117,511
Fixed income				
Bonds	30,415	27,098	-	57,513
Other debt	-	5,628	10,761	16,389
Money market securities	-	20,772	-	20,772
Total fixed income	30,415	53,498	10,761	94,674
Absolute return strategies	-	12,654	1,059	13,713
Real assets				
Real estate	764	-	24,693	25,457
Infrastructure	-	-	12,364	12,364
Total real assets	764	-	37,057	37,821
Investment receivables				
Securities purchased under reverse repurchase agreements	-	4,750	-	4,750
Accrued interest	-	937	-	937
Derivative receivables	45	1,200	1	1,246
Dividends receivable	-	135	-	135
Total investment receivables	45	7,022	1	7,068
Total investments	\$ 101,994	\$ 82,682	\$ 86,111	\$ 270,787
Investment liabilities				
Securities sold under repurchase agreements	-	(7,978)	-	(7,978)
Securities sold short	(15,500)	-	-	(15,500)
Debt financing liabilities	-	(9,971)	-	(9,971)
Derivative liabilities	(28)	(2,233)	-	(2,261)
Total investment liabilities	(15,528)	(20,182)	-	(35,710)
Amounts receivable from pending trades	-	2,430	-	2,430
Amounts payable from pending trades	-	(3,170)	-	(3,170)
Net investments	\$ 86,466	\$ 61,760	\$ 86,111	\$ 234,337

¹ Includes investments in funds.

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

b) Transfers between Level 1 and Level 2

During the six-month period ended September 30, 2015, there were \$515 million of transfers from Level 1 to Level 2 (September 30, 2014 - \$8 million) and no transfers from Level 2 to Level 1 (September 30, 2014 - \$nil). Transfers between Level 1 and Level 2 depend on the availability of quoted market prices in active markets and valuations using inputs other than quoted prices that are observable. These transfers are deemed to occur at the end of period values.

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, 2015:

Reconciliation of changes in fair value for Level 3 investments

For the six-month period ended September 30, 2015									
(CAD millions)	Fair value as at April 1, 2015	Gain (loss) included in net investment income (loss) ¹	Purchases	Sales ²	Transfers into level 3 ³	Transfers out of level 3 ³	Fair value as at September 30, 2015	Change in unrealized gains (losses) on investments still held at September 30, 2015 ^{1,4}	
Investments									
Equities									
Canada									
Private equities	\$ 2,601	\$ (118)	\$ 489	\$ (115)	\$ -	\$ -	\$ 2,857	\$ (146)	
	2,601	(118)	489	(115)	-	-	2,857	(146)	
Foreign developed markets									
Public equities	630	130	37	(41)	-	-	756	133	
Private equities	37,607	3,427	8,954	(5,435)	-	(1,724)	42,829	855	
	38,237	3,557	8,991	(5,476)	-	(1,724)	43,585	988	
Emerging markets									
Private equities	3,263	475	376	(350)	-	-	3,764	301	
	3,263	475	376	(350)	-	-	3,764	301	
Total equities	44,101	3,914	9,856	(5,941)	-	(1,724)	50,206	1,143	
Fixed income									
Other debt	14,716	910	4,677	(1,955)	-	(83)	18,265	894	
Total fixed income	14,716	910	4,677	(1,955)	-	(83)	18,265	894	
Absolute return strategies									
	1,198	109	49	(6)	-	-	1,350	109	
Real assets									
Real estate	29,656	1,817	3,239	(1,014)	-	(171)	33,527	1,493	
Infrastructure	15,013	369	3,774	(85)	-	-	19,071	358	
Total real assets	44,669	2,186	7,013	(1,099)	-	(171)	52,598	1,851	
Investment receivables									
Derivative receivables	-	(3)	5	-	-	-	2	(3)	
Total investment receivables	-	(3)	5	-	-	-	2	(3)	
Total	\$ 104,684	\$ 7,116	\$ 21,600	\$ (9,001)	\$ -	\$ (1,978)	\$ 122,421	\$ 3,994	

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

For the six-month period ended September 30, 2014									
(CAD millions)	Fair value as at April 1, 2014	Gain (loss) included in net investment income (loss) ¹	Purchases	Sales ²	Transfers into level 3 ³	Transfers out of level 3 ³	Fair value as at September 30, 2014	Change in unrealized gains (losses) on investments still held at September 30, 2014 ^{1,4}	
Investments									
Equities									
Canada									
Private equities	\$ 2,447	\$ 287	\$ 144	\$ (158)	\$ -	\$ (1,018)	\$ 1,702	\$ (25)	
	2,447	287	144	(158)	-	(1,018)	1,702	(25)	
Foreign developed markets									
Public equities	36	2	362	-	-	-	400	1	
Private equities	30,544	1,714	4,465	(3,435)	4	(804)	32,488	112	
	30,580	1,716	4,827	(3,435)	4	(804)	32,888	113	
Emerging markets									
Private equities	2,755	569	482	(316)	-	(847)	2,643	85	
	2,755	569	482	(316)	-	(847)	2,643	85	
Total equities	35,782	2,572	5,453	(3,909)	4	(2,669)	37,233	173	
Fixed income									
Other debt	9,352	17	2,952	(1,560)	-	-	10,761	67	
Total fixed income	9,352	17	2,952	(1,560)	-	-	10,761	67	
Absolute return strategies									
	1,468	61	16	(1)	-	(485)	1,059	61	
Real assets									
Real estate	23,543	121	1,292	(1,726)	1,522	(59)	24,693	121	
Infrastructure	12,852	(404)	107	(191)	-	-	12,364	(343)	
Total real assets	36,395	(283)	1,399	(1,917)	1,522	(59)	37,057	(222)	
Investment receivables									
Derivative receivables	13	(8)	-	(4)	-	-	1	(12)	
Total investment receivables	13	(8)	-	(4)	-	-	1	(12)	
Total	\$ 83,010	\$ 2,359	\$ 9,820	\$ (7,391)	\$ 1,526	\$ (3,213)	\$ 86,111	\$ 67	

¹ Presented as a component of investment income (loss) (see note 5).

² Includes return of capital.

³ Transfers into and out of Level 3 are deemed 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 periods ended September 30, 2015 and September 30, 2014, transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

d) Level 3 – Significant unobservable inputs

The following presents fair values of the investments categorized within Level 3 of the fair value hierarchy, valuation techniques used to determine their fair values, ranges and weighted averages of unobservable inputs:

Valuation techniques and inputs used in the fair value measurement of Level 3 investments

As at September 30, 2015					
(CAD millions)	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values ³	Weighted average ³
Public equities					
Direct ^{1,2}	\$ 756	Discounted cash flows	Discount rate	22.9%-23.9%	23.4%
Private equities					
Direct ^{1,2}	18,804	Earnings multiples of comparable companies	EBITDA multiple	8.6X-13.8X	11.2X
Fund investments ²	30,646	Net asset value provided by Investment Manager	-	-	-
Other debt					
Direct private debt ^{1,4}	9,181	Discounted cash flow	Discount rate	6.8%-71.5%	12.7%
Asset-backed securities ²	7,187	Valuation model by third-party pricing vendor	-	-	-
Fund investments ²	1,897	Net asset value provided by Investment Manager	-	-	-
Absolute return strategies					
Fund investments ²	1,350	Net asset value provided by Investment Manager	-	-	-
Real estate					
Direct ^{1,2}	23,267	Discounted cash flow	Discount rate	3.6%-13.5%	6.5%
			Terminal capitalization rate	3.8%-9.5%	5.3%
	5,789	Net asset value provided by Investment Manager	-	-	-
Fund investments ²	4,471	Net asset value provided by Investment Manager	-	-	-
Infrastructure					
Direct ¹	19,008	Discounted cash flow	Discount rate	7.7%-12.1%	10.3%
Fund investments ²	63	Net asset value provided by Investment Manager	-	-	-
Derivative receivables					
Warrants	2	Option model	Market volatility	30.0%	30.0%
Total	\$ 122,421				

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

As at March 31, 2015						
<i>(CAD millions)</i>	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values ³	Weighted average ³	
Public equities						
Direct ^{1,2}	\$ 630	Discounted cash flows	Discount rate	23.2%-23.7%	23.4%	
Private equities						
Direct ^{1,2}	12,694	Earnings multiples of comparable companies	EBITDA multiple	8.6x-13.5x	10.6x	
Fund investments ²	30,777	Net asset value provided by Investment Manager	-	-	-	
Other debt						
Direct private debt ^{1,4}	7,636	Discounted cash flow	Discount rate	6.4%-30.4%	12.6%	
Asset-backed securities ²	5,342	Broker quotes	-	-	-	
Fund investments ²	1,738	Net asset value provided by Investment Manager	-	-	-	
Absolute return strategies						
Fund investments ²	1,198	Net asset value provided by Investment Manager	-	-	-	
Real estate						
Direct ^{1,2}	19,776	Discounted cash flow	Discount rate	3.8%-13.5%	6.6%	
			Terminal capitalization rate	3.9%-9.5%	5.4%	
	5,274	Net asset value provided by Investment Manager	-	-	-	
Fund investments ²	4,606	Net asset value provided by Investment Manager	-	-	-	
Infrastructure						
Direct ¹	14,956	Discounted cash flow	Discount rate	7.7%-12.1%	10.3%	
Fund investments ²	57	Net asset value provided by Investment Manager	-	-	-	
Derivative receivables						
Warrants	-	Option model	Market volatility	-	-	
Total	\$ 104,684					

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

As at September 30, 2014					
(CAD millions)	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values ³	Weighted average ³
Public equities					
Direct ^{1,2}	\$ 400	Broker quotes	-	-	-
Private equities					
Direct ^{1,2}	9,001	Earnings multiples of comparable companies	EBITDA multiple	7.6x - 12.0x	10.0x
Fund investments ²	27,832	Net asset value provided by Investment Manager	-	-	-
Other debt					
Direct private debt ¹	5,525	Discounted cash flow	Discount rate	6.8% - 30.0%	12.0%
Asset-backed securities ²	3,309	Broker quotes	-	-	-
Fund investments ²	1,927	Net asset value provided by Investment Manager	-	-	-
Absolute return strategies					
Fund investments ²	1,059	Net asset value provided by Investment Manager	-	-	-
Real estate					
Direct ^{1,2}	16,616	Discounted cash flow	Discount rate	4.0% - 13.0%	6.5%
			Terminal capitalization rate	4.2%-10.0%	5.6%
	3,387	Net asset value provided by Investment Manager	-	-	-
Fund investments ²	4,690	Net asset value provided by Investment Manager	-	-	-
Infrastructure					
Direct ¹	12,129	Discounted cash flow	Discount rate	8.3% - 13.0%	11.2%
Fund investments ²	235	Net asset value provided by Investment Manager	-	-	-
Derivative receivables					
Warrants	1	Option model	Market volatility	10.0%	10.0%
Total	\$ 86,111				

¹ May include certain recently acquired investments held at cost, which approximates fair value.

² In certain cases, external valuations are prepared by a third-party and hence, valuation information is not available.

³ The range of input values represents the highest and lowest inputs used to value the investments in a particular asset class. The weighted average of the input values is calculated based on the relative fair values of the investments within the asset class. The diversity of investments reported within each asset class, such as the geographic location and industry sector of the investments, may result in certain ranges of inputs being wide and unevenly distributed across the range.

⁴ Includes preferred shares.

Significant increases (decreases) in any of the above unobservable inputs would result in a significantly higher or lower fair value measurement. The interrelationship of significant unobservable inputs and fair value measurement for the most significant key inputs identified in the table above are as follows:

- An increase (decrease) in the EBITDA multiple will result in a higher (lower) fair value.
- An increase (decrease) in the discount rate and terminal capitalization rate will result in a lower (higher) fair value.

The fair value of these direct investments classified within Level 3 of the fair value hierarchy above are based on accepted industry valuation methods that may include the use of estimates made by management, appraisers or both where significant judgment is required. By using valuation methods

based on reasonable alternative assumptions, different fair values could result. Management has determined that the potential impact on fair values using these reasonable alternative assumptions would not be significant.

4. Investment risk management

The CPP Investment Board and its unconsolidated investment holding companies are 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 utilizes a total portfolio approach to risk management which considers all of the investment activities taken together, including those made through its unconsolidated investment holding companies. In the discussion that follows, any references to the investment activities and exposures to risk of the CPP Investment Board also include those of its unconsolidated investment holding companies.

The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the risk 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.

Effective April 1, 2015, changes were made to the Risk/Return Accountability Framework. Upper and Lower Absolute Risk Limits and the Absolute Risk Operating Range are included within the Risk/Return Accountability Framework, and these govern the amount of total absolute investment risk that the CPP Investment Board can take in the CPP Investment Portfolio. The CPP Investment Board monitors the absolute risk, the possible loss of value expressed in absolute dollar or percentage terms, in the CPP Investment Portfolio daily and reports risk exposures to the Board of Directors on at least a quarterly basis. Financial risk management, as well as the latest Risk/Return Accountability Framework, is discussed in greater detail on page 36 of the 2015 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 set of risk premiums at the total fund level, based on risk limits established in the risk policies. In addition, derivatives are used, where appropriate, to manage certain 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:

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

Currency risk exposures

(CAD millions)	As at September 30, 2015			As at March 31, 2015			As at September 30, 2014		
		Net exposure	% of total		Net exposure	% of total		Net exposure	% of total
United States dollar	\$	132,620	60 %	\$	116,292	59 %	\$	95,168	59 %
Euro		33,133	14		30,955	16		25,417	16
Japanese yen		17,003	7		11,879	6		8,669	5
British pound sterling		15,558	7		12,595	6		9,758	6
Australian dollar		6,100	3		6,499	3		6,772	4
Chinese yuan		2,669	1		2,614	1		1,137	1
Hong Kong dollar		2,493	1		2,425	1		2,949	2
Swiss franc		1,798	1		2,045	1		763	1
Chilean peso		1,796	1		1,855	1		1,366	1
South Korean won		1,791	1		1,792	1		1,742	1
Brazilian real		1,157	1		1,404	1		1,240	1
Other		6,596	3		7,001	4		6,342	3
Total	\$	222,714	100 %	\$	197,356	100 %	\$	161,323	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.

The terms to maturity of fixed income securities, as at September 30, 2015, are as follows:

Investments terms to maturity

(CAD millions)	Terms to maturity										
	As at September 30, 2015					Average effective yield	As at March 31, 2015		As at September 30, 2014		
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total		Total	Average effective yield	Total	Average effective yield	
Non-marketable bonds											
Canadian provincial government	\$ 353	\$ 3,569	\$ 8,231	\$ 12,058	\$ 24,211	2.9 %	\$ 25,538	2.5 %	\$ 23,631	3.3 %	
Marketable bonds											
Government of Canada	-	3,831	1,616	2,354	7,801	1.7	4,949	1.7	6,324	2.5	
Canadian provincial government	-	1,298	3,775	3,604	8,677	2.8	15,009	2.4	12,245	3.0	
Canadian government corporations	-	764	906	1,002	2,672	2.3	4,886	2.1	5,373	2.7	
Foreign government	-	12,895	5,093	4,334	22,322	2.0	11,196	1.6	6,472	1.7	
Corporate bonds	988	2,378	519	301	4,186	2.4	4,064	1.7	3,468	3.0	
Other debt											
Private debt ¹	84	4,611	2,728	345	7,768	9.4	6,231	10.1	5,127	9.6	
Real estate private debt ¹	1,325	748	1,521	-	3,594	6.1	3,228	5.7	2,646	5.7	
Asset-backed securities	56	573	2,900	3,696	7,225	1.3	5,380	1.0	3,347	1.0	
Securities purchased under reverse repurchase agreements	6,874	-	-	-	6,874	0.3	10,817	0.3	4,750	0.7	
Total	\$ 9,680	\$ 30,667	\$ 27,289	\$ 27,694	\$ 95,330	2.6 %	\$ 91,298	2.4 %	\$ 73,383	3.1 %	

¹ Represents direct investments.

The terms to maturity of investment liabilities are disclosed in note 4d below.

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.

b) Value at Risk

The CPP Investment Board primarily uses a Value at Risk (VaR) methodology to monitor market risk exposure and credit risk exposure (see note 4c below) 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, that are valued with inputs 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 a statistical process to determine asset correlations and using empirical based default and loss rates.

Effective April 1, 2015, the Risk/Return Accountability Framework began to govern investment risk using absolute risk, instead of active risk relative to the CPP Reference Portfolio. In order to estimate Total Absolute 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).

Canada Pension Plan Investment Board

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

The CPP Investment Board monitors the absolute risk of the CPP Investment Portfolio. Absolute 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:

Value at Risk

(CAD millions)	As at September 30, 2015		As at March 31, 2015		As at September 30, 2014	
	VaR	% of CPP Investment Portfolio ²	VaR	% of CPP Investment Portfolio ²	VaR	% of CPP Investment Portfolio ²
CPP Reference Portfolio Total Absolute Risk ^{1,3}	\$ 28,447	10.4 %	\$ 23,435	8.9 %	\$ 20,644	8.8 %
CPP Investment Portfolio Total Absolute Risk ^{1,2,3}	\$ 28,816	10.5 %	\$ 26,296	10.0 %	\$ 24,307	10.4 %
CPP Investment Portfolio Absolute Market Risk ^{1,2}	\$ 28,247	10.3 %	\$ -	- %	\$ -	- %
CPP Investment Portfolio Absolute Credit Risk ^{1,2}	\$ 1,501	0.6 %	\$ -	- %	\$ -	- %

¹ Effective April 1, 2015, the Board-approved Risk Policy began to govern investment risk using absolute risk, instead of active risk relative to the CPP Reference Portfolio. This change in methodology is being reported prospectively.

² 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.

³ Market and Credit Risk are combined using an assumed positive correlation under normal market conditions.

c) 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. The carrying amounts of these investments as presented in the Consolidated Schedule of Investment Portfolio represent the maximum credit risk exposure at the Balance Sheet date.

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:

Credit risk exposures

Credit rating	As at September 30, 2015					As at March 31, 2015		As at September 30, 2014	
	Bonds ¹	Money market securities ¹	Reverse repurchase agreements ¹	Over-the-counter derivatives	Other ^{1,2}	Total	% of total	Total	Total
AAA	\$ 21,511	\$ 121	\$ -	\$ -	\$ 4,814	\$ 26,446	24 %	\$ 24,166	\$ 24,639
AA	22,744	1,008	1,134	84	1,172	26,142	24	36,707	29,106
A	23,607	9,084	4,144	2,092	1,697	40,624	37	35,621	31,634
BBB	1,743	24	1,596	211	686	4,260	4	4,060	2,185
BB	735	-	-	-	4,322	5,057	5	3,656	3,006
B	95	-	-	-	4,549	4,644	4	4,271	3,583
CCC/D	-	-	-	-	1,487	1,487	2	1,335	1,084
Total	\$ 70,435	\$ 10,237	\$ 6,874	\$ 2,387	\$ 18,727	\$ 108,660	100 %	\$ 109,816	\$ 95,237

¹ Includes accrued interest.

² Includes direct investments in private debt and asset-backed securities.

Credit risk exposure is mitigated on certain financial assets and financial liabilities, which have conditional offset rights in the event of default, insolvency or bankruptcy. For securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and over-the-counter derivatives,

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

collateral is collected from or pledged to counterparties to manage credit exposure (see note 6). In addition, in the event of default, amounts with a specific counterparty are settled on a net basis under master netting or similar arrangements, such as the Global Master Repurchase Agreement and the International Swaps and Derivatives Association Netting Agreements.

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

d) 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 supplements its management of liquidity risk through its ability to raise funds through the issuance of commercial paper and term debt and transacting in securities sold under repurchase agreements.

The CPP Investment Board also maintains \$1.5 billion (March 31, 2015 - \$1.5 billion, September 30, 2014 - \$1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at September 30, 2015, the total amount drawn on the credit facilities is \$nil (March 31, 2015 - \$nil, September 30, 2014 - \$nil).

The terms to maturity of investment liabilities, as at September 30, 2015, are as follows:

Investment liabilities terms to maturity

	Terms to maturity							As at March 31, 2015			As at September 30, 2014		
	As at September 30, 2015							Total	Fair value	Weighted average interest rate	Total	Fair value	Weighted average interest rate
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Fair value	Weighted average interest rate						
<i>(CAD millions)</i>													
Securities sold under repurchase agreements	\$ 18,688	\$ -	\$ -	\$ -	\$ 18,688	\$ 18,683	0.6 %	\$ 15,780	\$ 15,779	0.5 %	\$ 7,979	\$ 7,978	0.9 %
Securities sold short^{1,2}	21,894	-	-	-	21,894	21,894	n/a	22,385	22,385	n/a	15,500	15,500	n/a
Debt financing liabilities													
Commercial paper payable	13,865	-	-	-	13,865	13,858	0.3	9,959	9,955	0.3	9,978	9,971	0.4
Term debt	913	-	-	-	913	916	1.4	-	-	-	-	-	-
Total	\$ 55,360	\$ -	\$ -	\$ -	\$ 55,360	\$ 55,351	n/a	\$ 48,124	\$ 48,119	n/a	\$ 33,457	\$ 33,449	n/a

¹ Considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.

² Includes equities sold short for which the average interest rate is not applicable.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

5. 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 are as follows:

Net investment income

For the three-month period ended September 30, 2015					
(CAD millions)	Investment income (loss) ¹	Investment management fees	Transaction costs	Net investment income (loss)	
Equities	\$ (255)	\$ (238)	\$ (141)	\$ (634)	
Fixed income ²	2,466	(113)	(13)	2,340	
Real assets	2,736	(43)	(35)	2,658	
Total	\$ 4,947	\$ (394)	\$ (189)	\$ 4,364	

For the three-month period ended September 30, 2014					
(CAD millions)	Investment income ¹	Investment management fees	Transaction costs	Net investment income	
Equities	\$ 5,098	\$ (157)	\$ (23)	\$ 4,918	
Fixed income ²	1,819	(133)	(18)	1,668	
Real assets	1,169	(20)	(1)	1,148	
Total	\$ 8,086	\$ (310)	\$ (42)	\$ 7,734	

For the six-month period ended September 30, 2015					
(CAD millions)	Investment income ¹	Investment management fees	Transaction costs	Net investment income	
Equities	\$ 522	\$ (401)	\$ (179)	\$ (58)	
Fixed income ²	1,669	(282)	(43)	1,344	
Real assets	3,230	(68)	(43)	3,119	
Total	\$ 5,421	\$ (751)	\$ (265)	\$ 4,405	

For the six-month period ended September 30, 2014					
(CAD millions)	Investment income ¹	Investment management fees	Transaction costs	Net investment income	
Equities	\$ 7,465	\$ (251)	\$ (42)	\$ 7,172	
Fixed income ²	3,815	(243)	(34)	3,538	
Real assets	646	(38)	(30)	578	
Total	\$ 11,926	\$ (532)	\$ (106)	\$ 11,288	

¹ Includes realized gains and losses from investments, changes in unrealized gains and losses on investments, 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 absolute return strategies, consisting of investments in funds and internally managed portfolios.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended September 30, 2015

(Unaudited)

6. Collateral

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

Collateral held and pledged

<i>(CAD millions)</i>	As at September 30, 2015		As at March 31, 2015		As at September 30, 2014	
Assets held as collateral on:						
Reverse repurchase agreements ¹	\$	6,881	\$	10,812	\$	4,750
Over-the-counter derivative transactions ¹		781		33		260
Other debt ¹		1,366		1,195		1,093
Assets pledged as collateral on:						
Repurchase agreements		(18,692)		(15,792)		(7,983)
Securities sold short		(16,724)		(14,938)		(14,172)
Over-the-counter derivative		(245)		(266)		(172)
Debt on private real estate		(3,554)		(3,266)		(2,670)
Total	\$	(30,187)	\$	(22,222)	\$	(18,894)

¹ The fair value of the collateral held that may be sold or repledged as at September 30, 2015 is \$8,389 million (March 31, 2015 - \$12,009 million, September 30, 2014 - \$5,910 million). The fair value of collateral sold or repledged as at September 30, 2015 is \$5,777 million (March 31, 2015 - \$10,368 million, September 30, 2014 - \$4,667 million).

7. 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, 2015, the commitments totalled \$33.4 billion (March 31, 2015 - \$30.7 billion, September 30, 2014 - \$28.4 billion).

As at September 30, 2015, the CPP Investment Board made lease and other commitments, which require future annual payments as follows:

Lease and other commitments

<i>(CAD millions)</i>	As at September 30, 2015		As at March 31, 2015		As at September 30, 2014	
Within one year	\$	39	\$	36	\$	33
After one year but not more than five years		160		114		120
More than five years		62		40		42
Total	\$	261	\$	190	\$	195

8. Related party transactions

Related parties of the CPP Investment Board consist of investments in unconsolidated subsidiaries, joint ventures and associates, all of which are measured at fair value. Investments in joint ventures are those arrangements where the CPP Investment Board has joint control. An associate is an entity which the CPP Investment Board has the ability to exercise significant influence over decision making.

Related party transactions consist of investments primarily in private equities, debt, real estate and infrastructure and are presented in detail in the Consolidated Schedule of Investment Portfolio. Related party transactions are measured at fair value and will therefore have the same impact on net assets and net investment income (loss) as those investment transactions with unrelated parties.

Related party transactions with consolidated subsidiaries are eliminated upon consolidation.

9. Guarantees

As part of certain investment transactions, the CPP Investment Board agreed to guarantee, as at September 30, 2015, up to \$2.5 billion (March 31, 2015 - \$1.9 billion, September 30, 2014 - \$1.4 billion) to other counterparties in the event certain investee entities default under the terms of loan and other related agreements.