

Condensed Interim Consolidated  
Financial Statements of  
Canada Pension Plan Investment Board

JUNE 30, 2023



## Condensed Interim Consolidated Balance Sheet

(Unaudited)

<b>(CAD millions)</b>	<b>As at June 30, 2023</b>	<b>As at March 31, 2023</b>
<b>Assets</b>		
Investments (Note 2)	\$ 709,108	\$ 702,533
Pending trades receivable (Note 2)	3,661	2,945
Premises and equipment	520	527
Other assets	417	281
<b>Total assets</b>	<b>713,706</b>	<b>706,286</b>
<b>Liabilities</b>		
Investment liabilities (Note 2)	134,262	133,583
Pending trades payable (Note 2)	3,894	1,599
Accounts payable and accrued liabilities	632	1,062
<b>Total liabilities</b>	<b>138,788</b>	<b>136,244</b>
<b>Net assets</b>	<b>\$ 574,918</b>	<b>\$ 570,042</b>
<b>Net assets, represented by:</b>		
Share capital	\$ -	\$ -
Accumulated net income and comprehensive income	381,342	385,911
Accumulated net transfers from the Canada Pension Plan	193,576	184,131
<b>Net assets</b>	<b>\$ 574,918</b>	<b>\$ 570,042</b>

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

## Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

		For the three months ended June 30,	
(CAD millions)		2023	2022 <sup>1</sup>
<b>Income (Loss):</b>			
Interest, dividends, and other income	\$	4,046	\$ 2,389
Net (losses) on private investments		(368)	(107)
Net (losses) on public and other investments		(2,933)	(22,831)
Net (losses) on investment holding subsidiaries (Note 4)		(3,331)	(1,844)
		(2,586)	(22,393)
<b>Expenses:</b>			
Personnel		251	266
General and administrative		108	122
Management fees		4	6
Performance fees		57	70
Transaction-related		61	109
Taxes		252	(8)
Financing		1,250	(138)
		1,983	427
<b>Net (loss) and comprehensive (loss)</b>	\$	(4,569)	\$ (22,820)

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

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

## Condensed Interim Consolidated Statement of Changes in Net Assets

(Unaudited)

				Accumulated net transfers from the Canada Pension Plan	Accumulated net income and comprehensive income	Total net assets
(CAD millions)	Number of shares outstanding	Share capital				
<b>As at April 1, 2022</b>	10	\$	-	\$ 161,231	\$ 378,080	\$ 539,311
Total net (loss) and comprehensive (loss)			-	-	(22,820)	(22,820)
Canada Pension Plan transfers:						
Transfers from the Canada Pension Plan			-	16,533	-	16,533
Transfers to the Canada Pension Plan			-	(9,929)	-	(9,929)
<b>As at June 30, 2022</b>	10	\$	-	\$ 167,835	\$ 355,260	\$ 523,095
<b>As at April 1, 2023</b>	10	\$	-	\$ 184,131	\$ 385,911	\$ 570,042
Total net (loss) and comprehensive (loss)			-	-	(4,569)	(4,569)
Canada Pension Plan transfers:						
Transfers from the Canada Pension Plan			-	21,515	-	21,515
Transfers to the Canada Pension Plan			-	(12,070)	-	(12,070)
<b>As at June 30, 2023</b>	10	\$	-	\$ 193,576	\$ 381,342	\$ 574,918

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

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# Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

		For the three months ended June 30,	
(CAD millions)		2023	2022 <sup>3</sup>
<b>Cash flows from operating activities</b>			
Net (loss) and comprehensive (loss)	\$	(4,569)	\$ (22,820)
Adjustments for non-cash items:			
Amortization of premises and equipment		21	29
(Gains) on debt financing liabilities (Note 10)		(1,529)	(2,121)
Adjustments for net changes in operating assets and liabilities:			
(Increase) decrease in investments		(8,893)	32,549
(Increase) decrease in pending trades receivable		(716)	360
(Increase) in other assets		(7)	(7)
(Decrease) in investment liabilities		(4,534)	(283)
Increase (decrease) in pending trades payable		2,295	(10,292)
(Decrease) in accounts payable and accrued liabilities		(430)	(352)
<b>Net cash flows (used in) operating activities</b>		<b>(18,362)</b>	<b>(2,937)</b>
<b>Cash flows from financing activities</b>			
Transfers from the Canada Pension Plan		21,515	16,533
Transfers to the Canada Pension Plan		(12,070)	(9,929)
Proceeds from debt financing liabilities (Note 10)		10,665	3,302
Repayment of debt financing liabilities (Note 10)		(3,923)	(1,695)
<b>Net cash flows provided by financing activities</b>		<b>16,187</b>	<b>8,211</b>
<b>Cash flows from investing activities</b>			
Acquisitions of premises and equipment		(14)	(2)
<b>Net cash flows (used in) investing activities</b>		<b>(14)</b>	<b>(2)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(363)</b>	<b>(212)</b>
Net (decrease) increase in cash and cash equivalents		(2,552)	5,060
Cash and cash equivalents at the beginning of the period		11,714	13,595
<b>Cash and cash equivalents at the end of the period</b>		<b>9,162</b>	<b>18,655</b>
<b>Cash and cash equivalents at the end of the period are comprised of:</b>			
Cash and cash equivalents held for operating purposes <sup>1</sup>		328	265
Cash and cash equivalents held for investment purposes <sup>2</sup>		8,834	18,390
<b>Total</b>	<b>\$</b>	<b>9,162</b>	<b>\$ 18,655</b>

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

<sup>2</sup> Presented as a component of Investments on the Condensed Interim Consolidated Balance Sheet.

<sup>3</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

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

## Condensed Interim Consolidated Schedule of Investment Portfolio

(Unaudited)

The schedule below provides information on investments and investment liabilities held by Canada Pension Plan Investment Board and its investment holding subsidiaries on a combined basis. The nature of these investments and investment liabilities is further described in Note 2.

	As at June 30, 2023	As at March 31, 2023
<b>(CAD millions)</b>		
<b>Cash and cash equivalents</b>	<b>\$ 10,632</b>	<b>\$ 12,866</b>
<b>Equities</b>		
Private equities	187,300	187,126
Public equities	168,371	165,958
<b>Total equities</b>	<b>355,671</b>	<b>353,084</b>
<b>Fixed income</b>		
Bonds	127,365	128,103
Other debt	49,485	48,819
Money market securities	7,859	2,576
<b>Total fixed income</b>	<b>184,709</b>	<b>179,498</b>
<b>Absolute return strategies</b>	<b>46,384</b>	<b>42,673</b>
<b>Infrastructure</b>	<b>46,500</b>	<b>46,690</b>
<b>Real estate</b>	<b>43,566</b>	<b>45,508</b>
<b>Investment receivables</b>		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	22,345	23,522
Derivative assets	2,745	2,862
Other	5,167	4,002
<b>Total investment receivables</b>	<b>30,257</b>	<b>30,386</b>
<b>Total investments<sup>1</sup></b>	<b>\$ 717,719</b>	<b>\$ 710,705</b>
<b>Investment liabilities</b>		
Debt financing liabilities	65,148	59,362
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	49,581	54,515
Securities sold short	21,706	22,065
Derivative liabilities	3,506	2,710
Other	3,101	3,411
<b>Total investment liabilities<sup>1</sup></b>	<b>143,042</b>	<b>142,063</b>
Pending trades receivable <sup>1</sup>	3,868	3,526
Pending trades payable <sup>1</sup>	3,932	1,872
<b>Net investments</b>	<b>\$ 574,613</b>	<b>\$ 570,296</b>

<sup>1</sup> Consists of all the financial assets and liabilities held by both Canada Pension Plan Investment Board and its investment holding subsidiaries. In contrast, the Condensed Interim Consolidated Balance Sheet presents all financial assets and liabilities held by investment holding subsidiaries as investments. This results in a difference of \$8,611 million (March 31, 2023 - \$8,172 million), \$8,780 million (March 31, 2023 - \$8,480 million), \$207 million (March 31, 2023 - \$581 million) and \$38 million (March 31, 2023 - \$273 million) as compared to Investments, Investment liabilities, Pending trades receivable and Pending trades payable, respectively, as presented in the Condensed Interim Consolidated Balance Sheet. Refer to Notes 1.2, 2.1 and 2.2 for further details.

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

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

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# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## General information

Canada Pension Plan Investment Board (CPP Investments) was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (CPPIB Act). CPP Investments is responsible for assisting the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries under the legislation *Canada Pension Plan* (CPP Act).

In December 2016, Royal Assent was given to Bill C-26 titled *An Act to Amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act and the Income Tax Act*. The CPP Act now defines two separate parts of the CPP. The “base CPP” refers to the benefits and contributions established before 2019. The “additional CPP” refers to the additional benefits and additional contributions that began on January 1, 2019. All references to “CPP Investments” mean base CPP and additional CPP together.

The Condensed Interim Consolidated Financial Statements (Interim Financial Statements) provide information on the net assets managed by CPP Investments and do not include the liabilities and other assets of the CPP.

The Interim Financial Statements for the three months ended June 30, 2023 were approved by the Board of Directors and authorized for issue on August 9, 2023.

## 1. Summary of material accounting policies

### 1.1 Basis of presentation

The Interim Financial Statements have been prepared in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and do not include all of the information and disclosures required in the Annual Consolidated Financial Statements. The Interim Financial Statements should be read in conjunction with CPP Investments’ 2023 Annual Consolidated Financial Statements included on pages 90 to 133 of CPP Investments’ 2023 Annual Report. The Interim Financial Statements follow the same accounting policies and methods as the most recent Annual Consolidated Financial Statements.

### 1.2 Subsidiaries

CPP Investments qualifies as an investment entity and reports the results of its operations in accordance with International Financial Reporting Standards (IFRS) 10, *Consolidated Financial Statements*. As a consequence, the Interim Financial Statements represent the results of operations of CPP Investments 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 CPP Investments.

Wholly owned subsidiaries that are managed by CPP Investments to hold investments are referred to herein as investment holding subsidiaries. Such subsidiaries are not consolidated in these Interim Financial Statements but instead are measured and reported at fair value through profit and loss in accordance with IFRS 9, *Financial Instruments* (IFRS 9). Fair value for unconsolidated investment holding subsidiaries is based on the fair value of the underlying investments, investment liabilities and pending trades held by the investment holding subsidiary together with its accumulated net income less dividends paid.

The title of this Note has been renamed from “*Summary of significant accounting policies*” to “*Summary of material accounting policies*” in accordance with a newly issued IAS announcement on the basis that “significant” is not defined in IFRS standards.



# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 1.3 Interbank Offered Rates (IBORs) reform

The transition from IBORs to alternative reference rates impacts financial instruments referencing United States (U.S.) dollar London Interbank Offered Rates (LIBOR) with a maturity date beyond June 30, 2023. As at June 30, 2023, CPP Investments and its investment holding subsidiaries' exposure to financial instruments subject to U.S. dollar LIBOR reform that have yet to transition to Secured Overnight Financing Rate with a maturity date beyond June 30, 2023 was \$5 billion relating to non-derivative investments (fair value).

In May 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of the Canadian Dollar Offered Rate (CDOR), published a CDOR cessation notice stating that the publication of all tenors of CDOR will cease in June 2024. As at June 30, 2023, CPP Investments and its investment holding subsidiaries' exposure to financial instruments subject to CDOR reform that have yet to transition to alternative benchmark interest rates with a maturity date beyond June 28, 2024 was \$1 billion and \$14 billion relating to non-derivative investments (fair value) and derivatives (notional), respectively. The non-derivative investments are recognized in Other debt.

## 1.4 Global minimum top-up tax

In May 2023, the International Accounting Standards Board (IASB) issued *International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income taxes* in response to rules published by the Organization for Economic Co-operation and Development (OECD). These rules include tax law proposals to implement domestic minimum top-up taxes (Pillar Two income taxes). The amendments provide for a mandatory temporary exception to deferred tax accounting related to Pillar Two income taxes. CPP Investments does not expect this change to have an impact on its financial statements at this time.

This Note has been added to disclose the expected impact from the newly issued *International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income taxes*.

## 2. Fair value measurement

This note categorizes the fair value of investments and investment liabilities into the following hierarchy based on the level of significant inputs used in the fair value measurement:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – 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); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 2.1 Fair value hierarchy of investments and investment liabilities held directly by CPP Investments

As at June 30, 2023				
(CAD millions)	Level 1	Level 2	Level 3	Total
<b>Cash and cash equivalents<sup>1</sup></b>	\$ -	\$ 8,834	\$ -	\$ 8,834
<b>Equities</b>				
Private equities <sup>2</sup>	-	3,021	4,865	7,886
Public equities <sup>2</sup>	149,256	3,137	727	153,120
<b>Total equities</b>	<b>149,256</b>	<b>6,158</b>	<b>5,592</b>	<b>161,006</b>
<b>Fixed income</b>				
Bonds	85,515	38,104	-	123,619
Other debt <sup>2</sup>	-	331	9,662	9,993
Money market securities	-	7,859	-	7,859
<b>Total fixed income</b>	<b>85,515</b>	<b>46,294</b>	<b>9,662</b>	<b>141,471</b>
<b>Absolute return strategies<sup>2</sup></b>	<b>-</b>	<b>21,182</b>	<b>1,770</b>	<b>22,952</b>
<b>Infrastructure<sup>2</sup></b>	<b>-</b>	<b>-</b>	<b>10,219</b>	<b>10,219</b>
<b>Real estate<sup>2</sup></b>	<b>-</b>	<b>-</b>	<b>8,822</b>	<b>8,822</b>
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	22,231	-	22,231
Derivative assets	-	2,735	-	2,735
Other <sup>3</sup>	-	4,362	-	4,362
<b>Total investment receivables</b>	<b>-</b>	<b>29,328</b>	<b>-</b>	<b>29,328</b>
<b>Investments in investment holding subsidiaries (Note 2.2)</b>	<b>-</b>	<b>-</b>	<b>326,476</b>	<b>326,476</b>
<b>Total investments</b>	<b>\$ 234,771</b>	<b>\$ 111,796</b>	<b>\$ 362,541</b>	<b>\$ 709,108</b>
<b>Investment liabilities</b>				
Debt financing liabilities	58,244	425	-	58,669
Securities sold under repurchase agreements and cash collateral received on securities lent	-	49,370	-	49,370
Securities sold short	21,706	-	-	21,706
Derivative liabilities	58	3,448	-	3,506
Other <sup>3</sup>	-	814	197	1,011
<b>Total investment liabilities</b>	<b>80,008</b>	<b>54,057</b>	<b>197</b>	<b>134,262</b>
Pending trades receivable <sup>1</sup>	-	3,661	-	3,661
Pending trades payable <sup>1</sup>	-	3,894	-	3,894
<b>Net investments</b>	<b>\$ 154,763</b>	<b>\$ 57,506</b>	<b>\$ 362,344</b>	<b>\$ 574,613</b>

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2023			
(CAD millions)	Level 1	Level 2	Level 3	Total
<b>Cash and cash equivalents<sup>1</sup></b>	\$ -	\$ 11,516	\$ -	\$ 11,516
<b>Equities</b>				
Private equities <sup>2</sup>	-	2,974	4,979	7,953
Public equities <sup>2</sup>	146,280	2,827	710	149,817
<b>Total equities</b>	146,280	5,801	5,689	157,770
<b>Fixed income</b>				
Bonds	86,104	38,391	-	124,495
Other debt <sup>2</sup>	-	338	8,979	9,317
Money market securities	-	2,576	-	2,576
<b>Total fixed income</b>	86,104	41,305	8,979	136,388
<b>Absolute return strategies<sup>2</sup></b>	-	19,586	1,754	21,340
<b>Infrastructure<sup>2</sup></b>	-	-	10,064	10,064
<b>Real estate<sup>2</sup></b>	-	-	9,153	9,153
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	23,390	-	23,390
Derivative assets	-	2,839	-	2,839
Other <sup>3</sup>	-	3,210	-	3,210
<b>Total investment receivables</b>	-	29,439	-	29,439
<b>Investments in investment holding subsidiaries (Note 2.2)</b>	-	-	326,863	326,863
<b>Total investments</b>	\$ 232,384	\$ 107,647	\$ 362,502	\$ 702,533
<b>Investment liabilities</b>				
Debt financing liabilities	53,027	429	-	53,456
Securities sold under repurchase agreements and cash collateral received on securities lent	-	54,303	-	54,303
Securities sold short	22,065	-	-	22,065
Derivative liabilities	41	2,669	-	2,710
Other <sup>3</sup>	-	933	116	1,049
<b>Total investment liabilities</b>	75,133	58,334	116	133,583
Pending trades receivable <sup>1</sup>	-	2,945	-	2,945
Pending trades payable <sup>1</sup>	-	1,599	-	1,599
<b>Net investments</b>	\$ 157,251	\$ 50,659	\$ 362,386	\$ 570,296

<sup>1</sup> Cash and cash equivalents, Pending trades receivable and Pending trades payable are measured at amortized cost, which approximates fair value.

<sup>2</sup> Includes investments in funds.

<sup>3</sup> Included in Other investment receivables are cash pledged as collateral of \$2,102 million (March 31, 2023 - \$1,426 million) and interest receivable of \$1,089 million (March 31, 2023 - \$1,112 million). Included in Other investment liabilities is cash held as collateral of \$573 million (March 31, 2023 - \$777 million) on derivative transactions.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 2.2 Supplemental information on fair value hierarchy relating to investment holding subsidiaries

The following table presents the fair value hierarchy of the underlying investments and investment liabilities held by investment holding subsidiaries. For further details on the nature and purpose of investment holding subsidiaries, refer to Note 1.2.

	As at June 30, 2023			
(CAD millions)	Level 1	Level 2	Level 3	Total
<b>Cash and cash equivalents<sup>1</sup></b>	\$ -	\$ 1,798	\$ -	\$ 1,798
<b>Equities</b>				
Private equities <sup>2</sup>	-	7,031	172,383	179,414
Public equities <sup>2</sup>	11,064	4,089	98	15,251
<b>Total equities</b>	11,064	11,120	172,481	194,665
<b>Fixed income</b>				
Bonds	-	3,493	253	3,746
Other debt <sup>2</sup>	-	5,964	33,528	39,492
<b>Total fixed income</b>	-	9,457	33,781	43,238
<b>Absolute return strategies<sup>2</sup></b>	-	19,907	3,525	23,432
<b>Infrastructure<sup>2</sup></b>	-	-	36,281	36,281
<b>Real estate<sup>2</sup></b>	-	-	34,744	34,744
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements	-	114	-	114
Derivative assets	-	10	-	10
Other <sup>3</sup>	-	770	35	805
<b>Total investment receivables</b>	-	894	35	929
<b>Total investments held by investment holding subsidiaries</b>	\$ 11,064	\$ 43,176	\$ 280,847	\$ 335,087
<b>Investment liabilities</b>				
Debt financing liabilities	-	6,419	60	6,479
Loans sold under repurchase agreements	-	211	-	211
Other <sup>3</sup>	-	444	1,646	2,090
<b>Total investment liabilities held by investment holding subsidiaries</b>	-	7,074	1,706	8,780
Pending trades receivable <sup>1</sup>	-	207	-	207
Pending trades payable <sup>1</sup>	-	38	-	38
<b>Investments in investment holding subsidiaries</b>	\$ 11,064	\$ 36,271	\$ 279,141	\$ 326,476

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2023			
(CAD millions)	Level 1	Level 2	Level 3	Total
<b>Cash and cash equivalents<sup>1</sup></b>	\$ -	\$ 1,350	\$ -	\$ 1,350
<b>Equities</b>				
Private equities <sup>2</sup>	-	3,623	175,550	179,173
Public equities <sup>2</sup>	11,472	3,937	732	16,141
<b>Total equities</b>	11,472	7,560	176,282	195,314
<b>Fixed income</b>				
Bonds	-	3,352	256	3,608
Other debt <sup>2</sup>	-	6,443	33,059	39,502
<b>Total fixed income</b>	-	9,795	33,315	43,110
<b>Absolute return strategies<sup>2</sup></b>	-	17,907	3,426	21,333
<b>Infrastructure<sup>2</sup></b>	-	-	36,626	36,626
<b>Real estate<sup>2</sup></b>	-	294	36,061	36,355
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements	-	132	-	132
Derivative assets	-	23	-	23
Other <sup>3</sup>	-	756	36	792
<b>Total investment receivables</b>	-	911	36	947
<b>Total investments held by investment holding subsidiaries</b>	\$ 11,472	\$ 37,817	\$ 285,746	\$ 335,035
<b>Investment liabilities</b>				
Debt financing liabilities	-	5,846	60	5,906
Loans sold under repurchase agreements	-	212	-	212
Other <sup>3</sup>	-	430	1,932	2,362
<b>Total investment liabilities held by investment holding subsidiaries</b>	-	6,488	1,992	8,480
Pending trades receivable <sup>1</sup>	-	581	-	581
Pending trades payable <sup>1</sup>	-	273	-	273
<b>Investments in investment holding subsidiaries</b>	\$ 11,472	\$ 31,637	\$ 283,754	\$ 326,863

<sup>1</sup> Cash and cash equivalents, Pending trades receivable and Pending trades payable are recorded at amortized cost, as it approximates fair value.

<sup>2</sup> Includes investments in funds.

<sup>3</sup> Included in Other investment receivables and Other investment liabilities is interest receivable of \$678 million (March 31, 2023 - \$673 million) and deferred tax liabilities of \$1,616 million (March 31, 2023 - \$1,714 million) on investments, respectively.

### 2.3 Transfers between Level 1 and Level 2

Transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the three months ended June 30, 2023, there were no transfers from Level 1 to Level 2 of investments or investment liabilities held directly by CPP Investments (during the year ended March 31, 2023 - nil). During the three months ended June 30, 2023, there were no transfers from Level 2 to Level 1 of investments or investment liabilities held directly by CPP Investments (during the year ended March 31, 2023 - \$240 million and nil, respectively). Transfers between Level 1 and Level 2 are driven by the availability of quoted market prices in active markets and valuation techniques using inputs other than quoted prices that are observable.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 2.4 Level 3 reconciliation

The following table presents the reconciliations for investments held directly by CPP Investments included in Level 3 of the fair value hierarchy:

For the three months ended June 30, 2023									
	Fair value as at		Gain (loss) included in net income	Purchases	Sales <sup>2</sup>	Transfers into Level 3	Transfers out of Level 3	Fair value as at	Change in unrealized gains (losses) on investments still held at
(CAD millions)	April 1, 2023		(loss)					June 30, 2023	June 30, 2023 <sup>3</sup>
Equities									
Private equities	\$ 4,979	\$	(114)	\$ -	\$ -	\$ -	\$ -	\$ 4,865	\$ (114)
Public equities	710		17	-	-	-	-	727	17
Total equities	5,689		(97)	-	-	-	-	5,592	(97)
Fixed income									
Other debt	8,979		(194)	2,296	(1,419)	-	-	9,662	(190)
Absolute return strategies	1,754		25	-	(9)	-	-	1,770	22
Infrastructure	10,064		86	166	(97)	-	-	10,219	89
Real estate	9,153		(379)	51	(3)	-	-	8,822	(379)
Investment receivables									
Other	-		-	-	-	-	-	-	-
Investments in investment holding subsidiaries <sup>1</sup>	326,863		(3,331)	3,383	(439)	-	-	326,476	(3,331)
Total investments	\$ 362,502	\$	(3,890)	\$ 5,896	\$ (1,967)	\$ -	\$ -	\$ 362,541	\$ (3,886)
Investment liabilities									
Other	116		94	-	(13)	-	-	197	(94)
Net investments	\$ 362,386	\$	(3,984)	\$ 5,896	\$ (1,954)	\$ -	\$ -	\$ 362,344	\$ (3,980)

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For the year ended March 31, 2023									
(CAD millions)	Fair value as at April 1, 2022	Gain (loss) included in net income (loss)	Purchases	Sales <sup>2</sup>	Transfers into Level 3	Transfers out of Level 3	Fair value as at March 31, 2023	Change in unrealized gains (losses) on investments still held at March 31, 2023 <sup>3</sup>	
<b>Equities</b>									
Private equities	\$ 6,479	\$ (802)	\$ 162	\$ -	\$ -	\$ (860)	\$ 4,979	\$	(187)
Public equities	-	-	-	-	710	-	710		60
<b>Total equities</b>	<b>6,479</b>	<b>(802)</b>	<b>162</b>	<b>-</b>	<b>710</b>	<b>(860)</b>	<b>5,689</b>		<b>(127)</b>
<b>Fixed income</b>									
Other debt	4,163	279	6,188	(1,755)	104	-	8,979		(121)
<b>Absolute return</b>									
<b>strategies</b>	<b>809</b>	<b>2</b>	<b>-</b>	<b>(155)</b>	<b>1,098</b>	<b>-</b>	<b>1,754</b>		<b>203</b>
<b>Infrastructure</b>	<b>10,550</b>	<b>69</b>	<b>2,227</b>	<b>(2,782)</b>	<b>-</b>	<b>-</b>	<b>10,064</b>		<b>(149)</b>
<b>Real estate</b>	<b>10,336</b>	<b>(58)</b>	<b>376</b>	<b>(1,501)</b>	<b>-</b>	<b>-</b>	<b>9,153</b>		<b>(127)</b>
<b>Investment</b>									
<b>receivables</b>									
Other	22	9	-	-	-	(31)	-		-
<b>Investments in</b>									
<b>investment holding</b>									
<b>subsidiaries<sup>1</sup></b>	<b>299,556</b>	<b>17,155</b>	<b>13,986</b>	<b>(3,834)</b>	<b>-</b>	<b>-</b>	<b>326,863</b>		<b>17,155</b>
<b>Total investments</b>	<b>\$ 331,915</b>	<b>\$ 16,654</b>	<b>\$ 22,939</b>	<b>\$ (10,027)</b>	<b>\$ 1,912</b>	<b>\$ (891)</b>	<b>\$ 362,502</b>	<b>\$</b>	<b>16,834</b>
<b>Investment liabilities</b>									
Other	267	(105)	-	-	-	(46)	116		114
<b>Net investments</b>	<b>\$ 331,648</b>	<b>\$ 16,759</b>	<b>\$ 22,939</b>	<b>\$ (10,027)</b>	<b>\$ 1,912</b>	<b>\$ (845)</b>	<b>\$ 362,386</b>	<b>\$</b>	<b>16,948</b>

<sup>1</sup> Purchases relating to investment holding subsidiaries represent capital contributions or net loan funding provided to these subsidiaries. Sales relating to investment holding subsidiaries represent return of capital or payment of dividends from these subsidiaries.

<sup>2</sup> Includes return of capital and repayments.

<sup>3</sup> Included in income (loss). Includes or excludes investments transferred into or out of Level 3, respectively.

During the three months ended June 30, 2023, there were no transfers of investments or investment liabilities from Level 2 to Level 3 (during the year ended March 31, 2023 - \$1,912 million and nil, respectively) and no transfers of investments or investment liabilities from Level 3 to Level 2 (during the year ended March 31, 2023 - \$594 million and nil, respectively). Transfers into and out of Level 3 are driven by changes in the availability of market observable inputs used to determine fair value. Transfers are deemed to have occurred at the end of the reporting period.

### 2.5 Level 3 – Significant unobservable inputs

The table below presents the fair value of investments directly held by CPP Investments and held by its investment holding subsidiaries, including valuation techniques used to determine their fair values and the ranges and weighted averages of unobservable inputs used in the calculation of their fair values.

While investment holding subsidiaries are classified as Level 3 given the nature of their underlying holdings, certain investments held by these subsidiaries are based on quoted prices in an active market (Level 1) or are valued using observable inputs (Level 2). These amount to \$11,064 million (March 31, 2023 - \$11,472 million) and \$36,271 million (March 31, 2023 - \$31,637 million), respectively. Refer to Note 2.2 for further details on Level 1 and Level 2 investments relating to investment holding subsidiaries.

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(Unaudited)

As at June 30, 2023

(CAD millions)	Fair value of investments held by:		Primary valuation techniques used <sup>2</sup>	Significant Unobservable inputs	Range of input values <sup>3</sup>	Weighted average <sup>3</sup>
	CPP Investments	Investment holding subsidiaries				
<b>Cash and cash equivalents</b>	\$ -	\$ 1,798	Cost with accrued interest	-	-	-
<b>Private equities</b>						
Direct	4,786	80,298	Earnings multiples of comparable companies	EBITDA multiple	11.0X-25.0X	16.3X
	79	21,590	Discounted cash flow	Discount rate	7.1%-29.4%	11.8%
			Net asset value provided by investment manager	-	-	-
Fund investments	-	77,526	Net asset value provided by investment manager	-	-	-
<b>Public equities</b>						
Direct	-	11,633	Quoted market price	-	-	-
Fund investments	727	3,618	Net asset value provided by investment manager	-	-	-
<b>Bonds</b>	-	3,746	Quoted market prices or discounted cash flow using observable inputs	-	-	-
<b>Other debt</b>						
Direct private debt	198	30,647	Discounted cash flow	Discount rate	3.1%-39.2%	12.4%
	-	4,375	Net asset value provided by investment manager	-	-	-
Asset-backed securities	9,176	217	Comparable pricing	Price	37.3%-105.7%	97.9%
Fund investments	288	4,253	Net asset value provided by investment manager	-	-	-
<b>Absolute return strategies</b>						
Fund investments	1,770	23,432	Net asset value provided by investment manager	-	-	-
<b>Infrastructure</b>						
Direct	10,219	36,184	Discounted cash flow	Discount rate	7.4%-15.8%	9.5%
Fund investments	-	97	Net asset value provided by investment manager	-	-	-
<b>Real estate</b>						
Direct	7,278	4,710	Discounted cash flow	Discount rate	5.5%-16.1%	7.7%
				Terminal capitalization rate	4.3%-12.5%	5.9%
	1,531	28,919	Net asset value provided by investment partner	-	-	-
Fund investments	13	1,115	Net asset value provided by investment manager	-	-	-
<b>Investment receivables</b>						
Securities purchased under reverse repurchase agreements	-	114	Discounted cash flow	-	-	-
Derivative assets	-	10	Option model	-	-	-
Other	-	805	Cost with accrued interest	-	-	-
<b>Investment liabilities</b>						
Debt financing liabilities	-	6,479	Discounted cash flow	Discount rate	3.2%-6.9%	3.3%
Loans sold under repurchase agreements	-	211	Cost with accrued interest	-	-	-
Other <sup>1</sup>	197	2,090	Amortized cost	-	-	-
<b>Pending trades net receivable/(payable)</b>	-	169	Amortized cost	-	-	-
<b>Total</b>	\$ 35,868	\$ 326,476				



# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

As at March 31, 2023<sup>4</sup>

(CAD millions)	Fair value of investments held by:		Primary valuation techniques used <sup>2</sup>	Significant unobservable inputs	Range of input values <sup>3</sup>	Weighted average <sup>3</sup>
	CPP Investments	Investment holding subsidiaries				
<b>Cash and cash equivalents</b>	\$ -	\$ 1,350	Cost with accrued interest	-	-	-
<b>Private equities</b>						
Direct	4,968	79,846	Earnings multiples of comparable companies	EBITDA multiple	6.3X-25.0X	16.0X
	11	20,362	Discounted cash flow	Discount rate	7.1%-20.0%	11.3%
			Net asset value provided by investment manager	-	-	-
Fund investments	-	78,965	Net asset value provided by investment manager	-	-	-
<b>Public equities</b>						
Direct	-	11,472	Quoted market price	-	-	-
Fund investments	710	4,669	Net asset value provided by investment manager	-	-	-
<b>Bonds</b>	-	3,608	Quoted market prices or discounted cash flow using observable inputs	-	-	-
<b>Other debt</b>						
Direct private debt	203	31,451	Discounted cash flow	Discount rate	3.1%-33.9%	12.4%
	-	3,198	Net asset value provided by investment manager	-	-	-
Asset-backed securities	8,457	616	Comparable pricing	Price	53.8%-104.0%	97.5%
Fund investments	319	4,237	Net asset value provided by investment manager	-	-	-
<b>Absolute return strategies</b>						
Fund investments	1,754	21,333	Net asset value provided by investment manager	-	-	-
<b>Infrastructure</b>						
Direct	10,064	36,546	Discounted cash flow	Discount rate	7.4%-15.8%	9.3%
Fund investments	-	80	Net asset value provided by investment manager	-	-	-
<b>Real estate</b>						
Direct	7,651	5,218	Discounted cash flow	Discount rate	5.5%-15.9%	7.6%
				Terminal capitalization rate	4.3%-12.3%	5.9%
	1,482	29,426	Net asset value provided by investment partner	-	-	-
Fund investments	20	1,711	Net asset value provided by investment manager	-	-	-
<b>Investment receivables</b>						
Securities purchased under reverse repurchase agreements	-	132	Discounted cash flow	-	-	-
Derivative assets	-	23	Option model	-	-	-
Other	-	792	Cost with accrued interest	-	-	-
<b>Investment liabilities</b>						
Debt financing liabilities	-	5,906	Discounted cash flow	Discount rate	2.1%-6.8%	3.3%
Loans sold under repurchase agreements	-	212	Cost with accrued interest	-	-	-
Other <sup>1</sup>	116	2,362	Amortized cost	-	-	-
<b>Pending trades net receivable/(payable)</b>	-	308	Amortized cost	-	-	-
<b>Total</b>	\$ 35,523	\$ 326,863				

<sup>1</sup> Primarily includes deferred tax liabilities related to investments.

<sup>2</sup> May include certain recently acquired investments held at cost, which approximates fair value.

<sup>3</sup> 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.

<sup>4</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

Previously, one of the primary valuation techniques disclosed for Debt financing liabilities was "Cost with accrued interest". The current period and prior table have been updated to reflect that the primary valuation for Debt financing liabilities is now Discounted cash flow only. Accordingly, the minimum, maximum and weighted average discount rates have been updated in the prior period table.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 2.6 Sensitivity analysis of valuations using unobservable inputs

Significant changes 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 is 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 values of the investments classified within Level 3 of the fair value hierarchy in Note 2.1 and 2.2 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. The use of valuation methods based on reasonable alternative assumptions could have a significant impact on the resulting fair values.

With all other variables held constant, the use of reasonable alternative assumptions would result in a decrease of \$8,800 million (March 31, 2023 - \$10,300 million) or an increase of \$9,600 million (March 31, 2023 - \$9,900 million) in net assets. This sensitivity analysis is subject to the exercise of judgment and excludes investments where fair values are provided by investment managers as the underlying assumptions used are not available to CPP Investments.

# Notes to the Condensed Interim Consolidated Financial Statements

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## 3. Derivatives

The fair value of derivative contracts held by CPP Investments and its investment holding subsidiaries is as follows:

(CAD millions)	As at June 30, 2023		As at March 31, 2023	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>Equity contracts</b>				
Futures	\$ -	\$ -	\$ -	\$ -
Swaps	1,209	(1,540)	1,610	(1,562)
Options:				
Over-the-counter – purchased	1	-	1	-
Over-the-counter – written	-	(100)	-	(73)
Warrants	6	-	18	-
<b>Total equity contracts</b>	<b>1,216</b>	<b>(1,640)</b>	<b>1,629</b>	<b>(1,635)</b>
<b>Foreign exchange contracts</b>				
Forwards	1,210	(876)	848	(292)
Options:				
Over-the-counter – purchased	63	-	73	-
Over-the-counter – written	-	(52)	-	(27)
<b>Total foreign exchange contracts</b>	<b>1,273</b>	<b>(928)</b>	<b>921</b>	<b>(319)</b>
<b>Interest rate contracts</b>				
Futures	-	-	-	-
Swaps	7	(696)	66	(545)
Options:				
Exchange-traded – purchased	-	-	-	-
Exchange-traded – written	-	(2)	-	-
Over-the-counter – purchased	225	-	220	-
Over-the-counter – written	-	(152)	-	(127)
<b>Total interest rate contracts</b>	<b>232</b>	<b>(850)</b>	<b>286</b>	<b>(672)</b>
<b>Credit contracts</b>				
Credit default swaps:				
Over-the-counter – purchased	1	(3)	2	(2)
Over-the-counter – written	19	(8)	21	(23)
Options:				
Over-the-counter – purchased	4	-	3	-
Over-the-counter – written	-	(21)	-	(18)
<b>Total credit contracts</b>	<b>24</b>	<b>(32)</b>	<b>26</b>	<b>(43)</b>
<b>Commodity contracts</b>				
Futures	-	-	-	-
Options:				
Exchange-traded – purchased	-	-	-	-
Exchange-traded – written	-	(56)	-	(41)
<b>Total commodity contracts</b>	<b>-</b>	<b>(56)</b>	<b>-</b>	<b>(41)</b>
<b>Total<sup>1</sup></b>	<b>\$ 2,745</b>	<b>\$ (3,506)</b>	<b>\$ 2,862</b>	<b>\$ (2,710)</b>

<sup>1</sup> Includes \$6 million (March 31, 2023 - \$18 million) relating to warrants and \$4 million (March 31, 2023 - \$5 million) relating to interest rate swaps transacted by investment holding subsidiaries.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 4. Net gains (losses) on investment holding subsidiaries

(CAD millions)	For the three months ended June 30,	
	2023	2022 <sup>1</sup>
<b>Income (Loss):</b>		
Interest, dividends, and other income	\$ 2,402	\$ 1,962
Net (losses) on private investments	(4,597)	(1,360)
Net (losses) on public and other investments	(464)	(2,011)
	(2,659)	(1,409)
<b>Expenses:</b>		
Transaction-related	45	6
Taxes	(55)	(90)
Financing	69	35
	59	(49)
<b>Net (losses) before dividends paid to CPP Investments:</b>	(2,718)	(1,360)
Dividends paid to CPP Investments	613	484
<b>Net (losses) on investment holding subsidiaries</b>	\$ (3,331)	\$ (1,844)

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

## 5. Segment information

### 5.1 Net income (loss) by investment segment

The table below presents the income (loss) and expenses incurred by each investment department.

For the three months ended June 30, 2023									
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total	
<b>Income (loss):</b>	\$ (1,372)	\$ 863	\$ 471	\$ 386	\$ (577)	\$ (1,703)	\$ (654)	\$	(2,586)
<b>Expenses<sup>1</sup>:</b>									
Personnel	20	28	37	35	60	71	-		251
General and administrative	15	14	25	14	19	21	-		108
Management fees <sup>2</sup>	-	140	3	6	130	45	(320)		4
Performance fees <sup>2</sup>	-	174	-	-	156	2	(275)		57
Transaction-related <sup>3</sup>	25	8	19	12	14	28	(45)		61
Taxes <sup>3</sup>	49	6	56	21	(7)	72	55		252
Financing <sup>3</sup>	1,250	-	-	50	17	2	(69)		1,250
	1,359	370	140	138	389	241	(654)		1,983
<b>Net income (loss)</b>	\$ (2,731)	\$ 493	\$ 331	\$ 248	\$ (966)	\$ (1,944)	\$ -	\$	(4,569)

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For the three months ended June 30, 2022 <sup>4</sup>								
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Adjustment	Total
<b>Income (loss):</b>	\$ (20,569)	\$ 2,293	\$ (839)	\$ (545)	\$ (979)	\$ (919)	\$ (835)	\$ (22,393)
<b>Expenses<sup>1</sup>:</b>								
Personnel	29	29	39	37	63	69	-	266
General and administrative	21	22	22	14	18	25	-	122
Management fees <sup>2</sup>	-	129	2	30	141	33	(329)	6
Performance fees <sup>2</sup>	-	381	-	-	240	4	(555)	70
Transaction-related <sup>3</sup>	21	5	18	20	22	29	(6)	109
Taxes <sup>3</sup>	(3)	-	16	15	3	(129)	90	(8)
Financing <sup>3</sup>	(138)	-	-	18	12	5	(35)	(138)
	(70)	566	97	134	499	36	(835)	427
<b>Net income (loss)</b>	\$ (20,499)	\$ 1,727	\$ (936)	\$ (679)	\$ (1,478)	\$ (955)	\$ -	\$ (22,820)

<sup>1</sup> Includes expenses borne by CPP Investments and its investment holding subsidiaries in relation to the respective departments.

<sup>2</sup> Adjustment consists of costs incurred within funds.

<sup>3</sup> Adjustments consist of expenses borne by investment holding subsidiaries, which are reclassified into income (loss).

<sup>4</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

### 5.2 Net investments by investment segment

Net investments <sup>1</sup>							
(CAD millions)	Total Fund Management	Capital Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets	Total
<b>As at:</b>							
<b>June 30, 2023</b>	\$ 234,983	\$ 512	\$ 394	\$ 58,104	\$ 147,450	\$ 133,170	\$ 574,613
March 31, 2023	228,554	\$ 1,254	\$ 1,474	\$ 57,714	\$ 146,070	\$ 135,230	\$ 570,296

<sup>1</sup> Net investments excludes net corporate assets of \$305 million (March 31, 2023 – net corporate liabilities of \$254 million).

### 5.3 Geographic information

Net investments are presented in the table below based on the region to which they have primary economic exposure:

Net investments <sup>1</sup>						
(CAD millions)	Canada	U.S.	Asia Pacific	Europe	Latin America	Total
<b>As at:</b>						
<b>June 30, 2023</b>	\$ 82,246	\$ 212,170	\$ 142,389	\$ 102,537	\$ 35,271	\$ 574,613
March 31, 2023	83,236	\$ 206,144	\$ 147,578	\$ 100,462	\$ 32,876	\$ 570,296

<sup>1</sup> Net investments excludes net corporate assets of \$305 million (March 31, 2023 – net corporate liabilities of \$254 million).

## 6. Risk management

CPP Investments manages investment risks in accordance with the Risk Policy (Policy). This Policy establishes accountability of the Board of Directors, the various committees, including the Risk Committee, and departments to manage investment-related risks. The Policy is updated and approved by the Board of Directors at least once every fiscal year, and contains risk appetite (in the form of limits, statements and targets) and risk management provisions that govern investment decisions in accordance with CPP Investments' mandate.

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## 6.1 Total fund risk

A suite of risk measures is used within CPP Investments to monitor and assess the risk profile of the base CPP Investment Portfolio and the additional CPP Investment Portfolio (collectively the Investment Portfolios). Regular risk reports are provided to senior management and the Board of Directors to support the governance of the various dimensions of risk to which the Investment Portfolios are exposed.

Key investment risk measures include:

- **Market risk:** The target level of market risk, expressed in terms of an equity/debt risk equivalence ratio, which is the proportion of equity (versus debt) in a simple two-asset reference portfolio that would give the same market risk and credit risk as that of the applicable Investment Portfolio. The target level of market risk of the base CPP Investment Portfolio is currently set at 85%/15%, while the additional CPP Investment Portfolio target level is set at 55%/45%.
- **Potential investment loss:** The loss of the Investment Portfolios over a one-year horizon is not expected to exceed the established limit 19 times out of 20.
- **Liquidity and leverage risk measures,** which are further described in Note 9.

The monitoring of adherence to investment risk limits is conducted independent of the investment departments by the Risk department, reporting to the Chief Risk Officer, using both industry standard and internally developed risk models. The tables below provide a summary of the key investment risk measures of the Investment Portfolios.

			As at June 30, 2023		As at March 31, 2023
	Limit		base CPP		base CPP
Market risk	80 - 90 %		86 %		85 %
One-year potential investment loss <sup>1</sup>	21 %		19 %		19 %

  

			As at June 30, 2023		As at March 31, 2023
	Limit		additional CPP		additional CPP
Market risk	50 - 60 %		54 %		56 %
One-year potential investment loss <sup>1</sup>	15 %		13 %		13 %

<sup>1</sup> Percentage of investment value.

## 7. Market risk

Market risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market prices and rates. Market risk includes equity risk, interest rate risk, credit spread risk and currency risk.

### 7.1 Equity risk

Equity risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in equity prices, which is a significant source of risk of the Investment Portfolios.

### 7.2 Interest rate risk

Interest rate risk is the risk that the fair value of an investment or investment liability will fluctuate because of changes in market interest rates. The Investment Portfolios are exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivatives.

### 7.3 Credit spread risk

Credit spread risk is the difference in yield on certain securities compared to a comparable risk-free security (i.e., government issued) with the same maturity date. Credit spread risk is the risk that the fair value of

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these securities will fluctuate because of changes in credit spread. With all other variables held constant, an increase in credit spread rates would result in a decrease in investments.

### 7.4 Currency risk

The Investment Portfolios are exposed to currency risk through holdings of investments or investment liabilities in various foreign 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.

#### 7.4.1 Currency risk exposures

The net currency exposures after allocating foreign currency derivatives, in Canadian dollars, are as follows:

(CAD millions)		As at June 30, 2023		As at March 31, 2023	
Currency		Net exposure	% of total <sup>1</sup>	Net exposure	% of total <sup>1</sup>
U.S. dollar	\$	281,148	49 %	\$ 276,146	48 %
Euro		45,600	8	45,124	8
Japanese Yen		19,476	3	17,324	3
Chinese renminbi		17,722	3	20,384	4
Other		86,026	15	89,164	16
Total foreign exposure		449,972	78	448,142	79
Canadian dollar		124,641	22	122,154	21
<b>Total</b>	<b>\$</b>	<b>574,613</b>	<b>100 %</b>	<b>\$ 570,296</b>	<b>100 %</b>

<sup>1</sup> May not reflect actual percentage of total due to rounding.

## 8. Credit risk

Credit risk represents the potential loss of investment value due to direct or indirect counterparty exposure to a defaulted entity and/or financial losses due to deterioration of an entity's credit quality. The Investment Portfolios' credit risk arises primarily through its investments in non-investment grade entities. The carrying amounts of these investments as presented in the Condensed Interim Consolidated Schedule of Investment Portfolio represent the maximum direct credit risk exposure at the Condensed Interim Consolidated Balance Sheet date. Credit risk is also incorporated as a component of the potential investment loss measure in Note 6.1.

### 8.1 Credit value-at-risk

In addition to incorporating credit risk within the potential investment loss measures as described in Note 6.1, a standalone measure for losses due to defaults and credit rating migration is also monitored. A Monte Carlo simulation that incorporates likelihood of default, credit rating migration and recovery in the event of default for underlying investments is adopted to quantify this dimension of risk. Credit value-at-risk, at a 95% confidence level, implies there is a 5% chance that the underlying investments in the Investment Portfolios will lose more than the amounts shown below, expressed as a percentage of each Investment Portfolio, in any given year due to default and credit migration risk.

	As at June 30, 2023		As at March 31, 2023	
	base CPP	additional CPP	base CPP	additional CPP
Credit value-at-risk	3.5 %	2.3 %	3.4 %	2.3 %

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 9. Liquidity and leverage risk

### 9.1 Liquidity risk

Liquidity risk is defined as the risk of incurring unacceptable losses while obtaining the funds needed to (i) meet payment obligations as they become due, (ii) fund new investments or (iii) rebalance the portfolio in periods of stress.

The liquidity coverage ratio measures the amount of available liquid securities relative to CPP Investments' investment obligations and obligations to transfer funds to CPP over various time horizons including any 10-day period.

	Limit	As at June 30, 2023	As at March 31, 2023
Liquidity coverage ratio	1.0x	3.9x	3.5x

Liquidity risk is impacted by the use of various forms of leverage which CPP Investments uses to manage certain other risks and enhance fund returns. The use of leverage is governed directly through leverage measures as outlined in Note 9.2.

Liquidity risk is managed by investing certain assets in a liquid portfolio of publicly traded equities, money market securities and marketable bonds. It is supplemented by the ability to raise funds through activities such as the issuance of unsecured debt, including term debt, as well as transacting in securities sold under repurchase agreements. CPP Investments also maintains unsecured credit facilities to meet potential liquidity requirements. There were no credit facilities drawn as at June 30, 2023 and March 31, 2023.

(CAD millions)	As at June 30, 2023	As at March 31, 2023
Unsecured credit facilities held	\$ 1,500	\$ 1,500

### 9.2 Leverage risk

Leverage risk is the risk that excessive financial obligations heighten market and liquidity risks during periods of stress. Leverage risk is monitored by recourse and limited recourse measures. Recourse leverage is a notional-based measure with direct recourse to CPP Investments, which represents the net amount of borrowed funds and synthetic financing used by CPP Investments to increase its investment exposure. Limited recourse leverage generally refers to the debt issued through CPP Investments' investment holding subsidiaries that limits recourse to specific investments held within these subsidiaries. The recourse leverage measures are as follows:

	Limit	As at June 30, 2023	As at March 31, 2023
<b>Recourse leverage:</b>			
base CPP	45 %	27.2 %	28.1 %
additional CPP	30 %	16.9 %	16.8 %

As at June 30, 2023, recourse and limited recourse leverage amounted to \$153,274 million and \$7,047 million, respectively (March 31, 2023 – \$157,301 million and \$6,473 million, respectively).



# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 9.3 Terms to maturity

### 9.3.1 Terms to maturity of non-derivative investment liabilities held directly by CPP Investments

Terms to maturity								
As at June 30, 2023							As at March 31, 2023	
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate <sup>3</sup>	Total contractual amount	Weighted average interest rate
Debt financing liabilities	\$ 9,056	\$ 35,389	\$ 13,839	\$ 6,284	\$ 64,568	2.2 %	\$ 58,720	1.9 %
Securities sold under repurchase agreements	45,725	-	-	-	45,725	3.3	50,785	2.7 %
Cash collateral received on securities lent	4,175	-	-	-	4,175	n/a	3,910	n/a
Securities sold short <sup>1,2</sup>	21,706	-	-	-	21,706	n/a	22,065	n/a
<b>Total</b>	<b>\$ 80,662</b>	<b>\$ 35,389</b>	<b>\$ 13,839</b>	<b>\$ 6,284</b>	<b>\$ 136,174</b>	<b>2.2 %</b>	<b>\$ 135,480</b>	<b>2.0 %</b>

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

<sup>2</sup> Includes equities sold short for which the average interest rate is not applicable.

<sup>3</sup> Total weighted average interest rate excludes certain investment liabilities for which the average interest rate is not applicable.

### 9.3.2 Terms to maturity of non-derivative investment liabilities held by investment holding subsidiaries

The following table presents supplemental information relating to the terms to maturity of investment liabilities held by investment holding subsidiaries.

Terms to maturity								
As at June 30, 2023							As at March 31, 2023	
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total contractual amount	Weighted average interest rate	Total contractual amount	Weighted average interest rate
Debt financing liabilities	\$ 1,134	\$ 3,608	\$ 545	\$ 912	\$ 6,199	5.3 %	\$ 5,845	4.8 %
Loans sold under repurchase agreements	-	210	-	-	210	7.8	211	7.2
<b>Total</b>	<b>\$ 1,134</b>	<b>\$ 3,818</b>	<b>\$ 545</b>	<b>\$ 912</b>	<b>\$ 6,409</b>	<b>5.4 %</b>	<b>\$ 6,056</b>	<b>4.9 %</b>

## 10. Reconciliation of debt financing liabilities

The following table provides a reconciliation of debt financing liabilities issued by CPP Investments arising from financing activities:

For the three months ended June 30,		
(CAD millions)	2023	2022 <sup>2</sup>
Balance, beginning of period	\$ 53,456	\$ 45,362
Proceeds	10,665	3,302
Repayments	(3,923)	(1,695)
Non-cash changes in fair value <sup>1</sup>	(1,529)	(2,121)
<b>Balance, end of period</b>	<b>\$ 58,669</b>	<b>\$ 44,848</b>

<sup>1</sup> Includes foreign exchange gains of \$771 million (June 30, 2022 – gains of \$10 million).

<sup>2</sup> Certain comparatives have been reclassified to conform to the current period's presentation.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 11. Collateral

### 11.1 Collateral held and pledged directly by CPP Investments

The fair value of collateral held and pledged directly by CPP Investments was as follows:

(CAD millions)	As at June 30, 2023	As at March 31, 2023
<b>Third-party assets held as collateral on<sup>1</sup>:</b>		
Reverse repurchase agreements	\$ 21,220	\$ 22,592
Derivative transactions	573	777
Securities lent <sup>2,3</sup>	6,816	6,900
<b>Total</b>	<b>\$ 28,609</b>	<b>\$ 30,269</b>
<b>Own and third-party assets pledged as collateral on:</b>		
Repurchase agreements	(45,365)	(50,527)
Securities borrowed <sup>3,4</sup>	(26,422)	(26,840)
Derivative transactions	(10,920)	(10,778)
Debt financing liabilities	(1,054)	(953)
<b>Total</b>	<b>\$ (83,761)</b>	<b>\$ (89,098)</b>

<sup>1</sup> The fair value of collateral sold or repledged as at June 30, 2023 was \$4,994 million (March 31, 2023 - \$7,347 million).

<sup>2</sup> The fair value of securities lent as at June 30, 2023 was \$7,019 million (March 31, 2023 - \$6,800 million).

<sup>3</sup> Cash collateral payable on the Condensed Interim Consolidated Balance Sheet of \$4,175 million (March 31, 2023 - \$3,910 million) consists of collateral receivable of nil and collateral payable of \$4,175 million that qualify for netting (March 31, 2023 - nil and \$3,910 million, respectively).

<sup>4</sup> The fair value of securities borrowed as at June 30, 2023 was \$21,915 million (March 31, 2023 - \$21,313 million) of which \$19,552 million (March 31, 2023 - \$18,914 million) was used for short selling activity.

### 11.2 Supplemental information on collateral relating to investment holding subsidiaries

The fair value of collateral held and pledged by investment holding subsidiaries was as follows:

(CAD millions)	As at June 30, 2023	As at March 31, 2023
<b>Third-party assets held as collateral on<sup>1</sup>:</b>		
Reverse repurchase agreements	\$ 114	\$ 132
<b>Total</b>	<b>\$ 114</b>	<b>\$ 132</b>
<b>Own and third-party assets pledged as collateral</b>		
Repurchase agreements	(361)	(353)
Securities borrowed <sup>2,3</sup>	(14,966)	(13,611)
Derivative transactions <sup>3</sup>	(1,371)	(785)
Private equities <sup>4</sup>	(10,817)	(11,715)
Debt financing liabilities	(11,826)	(10,466)
<b>Total</b>	<b>\$ (39,341)</b>	<b>\$ (36,930)</b>

<sup>1</sup> The fair value of collateral sold or repledged as at June 30, 2023 was nil (March 31, 2023 - nil).

<sup>2</sup> The fair value of securities borrowed as at June 30, 2023 was \$8,527 million (March 31, 2023 - \$8,020 million), which were all used for short selling activity.

<sup>3</sup> The cash collateral at the prime brokers may be used for securities borrowed and derivatives transacted by brokers.

<sup>4</sup> Represents securities pledged as collateral on loan borrowings of the investees.

## 12. Commitments

CPP Investments and its investment holding subsidiaries have 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 June 30, 2023, the unfunded commitments for CPP Investments and its investment holding subsidiaries totalled \$841 million (March 31, 2023 - \$1,160 million) and \$54,695 million (March 31, 2023 - \$60,187 million), respectively.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 13. Guarantees

As part of certain investment transactions, CPP Investments and its investment holding subsidiaries agreed to guarantee, as at June 30, 2023, up to \$264 million (March 31, 2023 - \$366 million) and \$6,863 million (March 31, 2023 - \$7,052 million), respectively, to other counterparties in the event certain investee entities default under the terms of loan and other related agreements, or fail to perform under specified non-financial contractual obligations.

## 14. Base CPP and additional CPP

The following note discloses the net assets, net investments and net income of CPP Investments' base CPP account and additional CPP account.

### 14.1 Changes in net assets

The accumulated transfers from/to the CPP and its two parts, the base CPP and additional CPP, as well as their accumulated net income (loss) since inception, are as follows:

For the three months ended							
	Accumulated net transfers from CPP			Accumulated net income and comprehensive income			
(CAD millions)	base CPP	additional CPP	Total	base CPP	additional CPP	Total	Total net assets
As at April 1, 2022	\$ 149,184	\$ 12,047	\$ 161,231	\$ 377,510	\$ 570	\$ 378,080	\$ 539,311
Total net (loss) and comprehensive (loss)	-	-	-	(22,173)	(647)	(22,820)	(22,820)
Transfers from CPP	13,903	2,630	16,533	-	-	-	16,533
Transfers to CPP	(9,929)	-	(9,929)	-	-	-	(9,929)
As at June 30, 2022	\$ 153,158	\$ 14,677	\$ 167,835	\$ 355,337	\$ (77)	\$ 355,260	\$ 523,095
As at April 1, 2023	\$ 161,188	\$ 22,943	\$ 184,131	\$ 385,010	\$ 901	\$ 385,911	\$ 570,042
Total net (loss) and comprehensive (loss)	-	-	-	(4,327)	(242)	(4,569)	(4,569)
Transfers from CPP	17,530	3,985	21,515	-	-	-	21,515
Transfers to CPP	(12,070)	-	(12,070)	-	-	-	(12,070)
As at June 30, 2023	\$ 166,648	\$ 26,928	\$ 193,576	\$ 380,683	\$ 659	\$ 381,342	\$ 574,918

### 14.2 Net assets of base CPP and additional CPP

The net assets of CPP Investments' base CPP and additional CPP accounts are as follows:

(CAD millions)	As at June 30, 2023			As at March 31, 2023		
	base CPP	additional CPP	Total	base CPP	additional CPP	Total
Cash and cash equivalents held for investment purposes	\$ 8,581	\$ 253	\$ 8,834	\$ 10,953	\$ 563	\$ 11,516
Net investments other than cash and cash equivalents	538,451	27,328	565,779	535,479	23,301	558,780
<b>Net investments</b>	<b>547,032</b>	<b>27,581</b>	<b>574,613</b>	<b>546,432</b>	<b>23,864</b>	<b>570,296</b>
Premises and equipment	505	15	520	512	15	527
Other assets <sup>1</sup>	404	13	417	272	9	281
Accounts payable and accrued liabilities	610	22	632	1,018	44	1,062
<b>Net assets</b>	<b>\$ 547,331</b>	<b>\$ 27,587</b>	<b>\$ 574,918</b>	<b>\$ 546,198</b>	<b>\$ 23,844</b>	<b>\$ 570,042</b>

<sup>1</sup> Includes cash held for operating purposes.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 14.3 Schedule of investment portfolio for base CPP and additional CPP

The table below provides details of the investments and investment liabilities for CPP Investments' base CPP and additional CPP accounts:

	As at June 30, 2023 <sup>1</sup>		
(CAD millions)	base CPP	additional CPP	Total
<b>Cash and cash equivalents</b>	\$ 10,325	\$ 307	\$ 10,632
<b>Equities</b>			
Private equities	181,587	5,713	187,300
Public equities	163,235	5,136	168,371
<b>Total equities</b>	<b>344,822</b>	<b>10,849</b>	<b>355,671</b>
<b>Fixed income</b>			
Bonds	113,442	13,923	127,365
Other debt	47,976	1,509	49,485
Money market securities	7,650	209	7,859
<b>Total fixed income</b>	<b>169,068</b>	<b>15,641</b>	<b>184,709</b>
<b>Absolute return strategies</b>	<b>44,969</b>	<b>1,415</b>	<b>46,384</b>
<b>Infrastructure</b>	<b>45,082</b>	<b>1,418</b>	<b>46,500</b>
<b>Real estate</b>	<b>42,237</b>	<b>1,329</b>	<b>43,566</b>
<b>Investment receivables</b>			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	21,302	1,043	22,345
Derivative assets	2,661	84	2,745
Other	4,948	219	5,167
<b>Total investment receivables</b>	<b>28,911</b>	<b>1,346</b>	<b>30,257</b>
<b>Total investments</b>	<b>\$ 685,414</b>	<b>\$ 32,305</b>	<b>\$ 717,719</b>
<b>Investment liabilities</b>			
Debt financing liabilities	63,161	1,987	65,148
Securities and loans sold under repurchase agreements and cash collateral received on securities lent	47,708	1,873	49,581
Securities sold short	21,044	662	21,706
Derivative liabilities	3,399	107	3,506
Other	3,006	95	3,101
<b>Total investment liabilities</b>	<b>138,318</b>	<b>4,724</b>	<b>143,042</b>
Pending trades receivable	3,701	167	3,868
Pending trades payable	3,765	167	3,932
<b>Net investments</b>	<b>\$ 547,032</b>	<b>\$ 27,581</b>	<b>\$ 574,613</b>

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

As at March 31, 2023 <sup>1</sup>				
(CAD millions)	base CPP	additional CPP	Total	
<b>Cash and cash equivalents</b>	\$ 12,266	\$ 600	\$ 12,866	
<b>Equities</b>				
Private equities	182,026	5,100	187,126	
Public equities	161,435	4,523	165,958	
<b>Total equities</b>	<b>343,461</b>	<b>9,623</b>	<b>353,084</b>	
<b>Fixed income</b>				
Bonds	116,464	11,639	128,103	
Other debt	47,488	1,331	48,819	
Money market securities	2,506	70	2,576	
<b>Total fixed income</b>	<b>166,458</b>	<b>13,040</b>	<b>179,498</b>	
<b>Absolute return strategies</b>	<b>41,510</b>	<b>1,163</b>	<b>42,673</b>	
<b>Infrastructure</b>	<b>45,417</b>	<b>1,273</b>	<b>46,690</b>	
<b>Real estate</b>	<b>44,268</b>	<b>1,240</b>	<b>45,508</b>	
<b>Investment receivables</b>				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	22,189	1,333	23,522	
Derivative assets	2,784	78	2,862	
Other	3,828	174	4,002	
<b>Total investment receivables</b>	<b>28,801</b>	<b>1,585</b>	<b>30,386</b>	
<b>Total investments</b>	<b>\$ 682,181</b>	<b>\$ 28,524</b>	<b>\$ 710,705</b>	
<b>Investment liabilities</b>				
Debt financing liabilities	57,744	1,618	59,362	
Securities sold under repurchase agreements and cash collateral received on securities lent	52,343	2,172	54,515	
Securities sold short	21,464	601	22,065	
Derivative liabilities	2,636	74	2,710	
Other	3,318	93	3,411	
<b>Total investment liabilities</b>	<b>137,505</b>	<b>4,558</b>	<b>142,063</b>	
Pending trades receivable	3,430	96	3,526	
Pending trades payable	1,674	198	1,872	
<b>Net investments</b>	<b>\$ 546,432</b>	<b>\$ 23,864</b>	<b>\$ 570,296</b>	

<sup>1</sup> Presented using the same basis as the Condensed Interim Consolidated Schedule of Investment Portfolio, which is different from that of the Condensed Interim Consolidated Balance Sheet. Refer to the Condensed Interim Consolidated Schedule of Investment Portfolio for further details.

# Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

## 14.4 Net income (loss) of base CPP and additional CPP

Details of net income (loss) of CPP Investments' base CPP and additional CPP accounts are as follows:

(CAD millions)	For the three months ended June 30,					
	2023			2022 <sup>1</sup>		
	base CPP	additional CPP	Total	base CPP	additional CPP	Total
<b>Income (Loss):</b>						
Interest, dividends, and other income	\$ 3,868	\$ 178	\$ 4,046	\$ 2,333	\$ 56	\$ 2,389
Net (losses) on private investments	(361)	(7)	(368)	(106)	(1)	(107)
Net (losses) on public and other investments	(2,690)	(243)	(2,933)	(22,149)	(682)	(22,831)
Net (losses) on investment holding subsidiaries	(3,224)	(107)	(3,331)	(1,832)	(12)	(1,844)
	(2,407)	(179)	(2,586)	(21,754)	(639)	(22,393)
<b>Expenses:</b>						
Personnel	244	7	251	261	5	266
General and administrative	104	4	108	119	3	122
Management fees	4	-	4	6	-	6
Performance fees	55	2	57	69	1	70
Transaction-related	59	2	61	108	1	109
Taxes	245	7	252	(8)	-	(8)
Financing	1,209	41	1,250	(136)	(2)	(138)
	1,920	63	1,983	419	8	427
<b>Net (loss) and comprehensive (loss)</b>	<b>\$ (4,327)</b>	<b>\$ (242)</b>	<b>\$ (4,569)</b>	<b>\$ (22,173)</b>	<b>\$ (647)</b>	<b>\$ (22,820)</b>

<sup>1</sup> Certain comparatives have been reclassified to conform to the current period's presentation.