

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

June 30, 1999

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income

June 30, 1999

(unaudited)

	Three months ended June 30, 1999
INVESTMENT ACTIVITIES	
Investment income	\$ 8,595,042
Investment expenses	(40,350)
	8,554,692
ADMINISTRATIVE ACTIVITIES	
Professional and consulting fees	467,840
Salaries and other operating expenses	237,253
Directors' expenses	132,424
	837,517
NET INCOME FROM OPERATIONS	\$ 7,717,175

Statement of Changes in Net Assets

June 30, 1999

(unaudited)

	Three months ended June 30, 1999
NET ASSETS, BEGINNING OF PERIOD	\$ 12,144,462
CHANGES IN NET ASSETS	
Canada Pension Plan transfers (Note 3)	512,715,000
Net income from operations	7,717,175
INCREASE IN NET ASSETS FOR THE PERIOD	520,432,175
NET ASSETS, END OF PERIOD	\$ 532,576,637

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

June 30, 1999

(unaudited)

	<u>Fair Value</u>	<u>Cost</u>	<u>% of Portfolio (At Cost)</u>
CANADIAN EQUITIES			
(Managed by TD Quantitative Capital)			
Emerald Canadian Equity Funds - 21,072,853 units (invested to substantially replicate performance of the Toronto Stock Exchange 300 Composite Index)	\$ 435,529,838	\$ 427,819,201	
Total Canadian equities	435,529,838	427,819,201	82%
NON-CANADIAN EQUITIES			
(Managed by Barclays Global Investors)			
Barclays Global Investors Canada Limited US Equity Index Fund (Canada) - 4,734,201 units	52,861,209	50,418,046	
EAFE Equity Index Fund B - 887,486 units	44,899,402	44,344,221	
Barclays Global Investors Canada Limited Unhedged Synthetic EAFE Equity Index Fund - 6,010 units	60,486	58,977	
(collectively invested to substantially replicate the Morgan Stanley Capital International World Index ex-Canada)			
Money Market Fund B - 4,620 units (used in conjunction with the EAFE Equity Index Fund B for cash management purposes)	6,833	6,750	
Total Non-Canadian equities	97,827,930	94,827,994	18%
TOTAL EQUITIES	\$ 533,357,768	\$ 522,647,195	100%

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 1999

(unaudited)

ORGANIZATION

The Canada Pension Plan Investment Board (the "Investment Board") was formed pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The shares of the Investment Board are owned by Her Majesty in right of Canada.

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

The Investment Board commenced operations October 1, 1998.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Valuation of investments

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

Fair value for the investments represents unit values in pooled and mutual funds which reflect the market prices of the underlying securities.

2. INVESTMENTS

The Investment Board has prepared an Interim Statement of Investment Policies, Standards and Procedures (the "Statement") which sets out the manner in which assets shall be invested. In determining the asset mix, the Investment Board must take into consideration certain assets of the CPP which are held outside of the Investment Board. As of June 30, 1999, these assets totalled approximately \$30.7 billion (at cost) and consisted of government debt obligations. As a result, and in accordance with the Statement, 100% of the Investment Board's investments are allocated to equities with approximately 80% allocated to Canadian equities and the remainder to non-Canadian equities.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

June 30, 1999

(unaudited)

2. INVESTMENTS (continued)

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

3. CANADA PENSION PLAN TRANSFERS

During the quarter, a total of \$512,715,000 was transferred to the Investment Board under Section 111 of the *Canada Pension Plan*.