

Condensed Interim Consolidated
Financial Statements of
Canada Pension Plan Investment Board

SEPTEMBER 30, 2020



Condensed Interim Consolidated Balance Sheet

(Unaudited)

<i>(CAD millions)</i>	As at September 30, 2020	As at March 31, 2020
Assets		
Investments	\$ 559,222	\$ 535,464
Pending trades receivable	1,559	6,944
Premises and equipment	456	474
Other assets	260	262
Total assets	561,497	543,144
Liabilities		
Investment liabilities	101,998	127,062
Pending trades payable	2,213	5,702
Accounts payable and accrued liabilities	607	792
Total liabilities	104,818	133,556
Net assets	\$ 456,679	\$ 409,588
Net assets, represented by:		
Share capital	\$ -	\$ -
Accumulated net income from operations	304,226	259,721
Accumulated net transfers from the Canada Pension Plan	152,453	149,867
Net assets	\$ 456,679	\$ 409,588

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

Condensed Interim Consolidated Statement of Comprehensive Income

(Unaudited)

<i>(CAD millions)</i>	For the three months ended		For the six months ended	
	September 30, 2020	September 30, 2019 ¹	September 30, 2020	September 30, 2019 ¹
Investment income (note 4)	\$ 22,450	\$ 10,335	\$ 46,345	\$ 15,354
Investment-related expenses (note 5)	(513)	(817)	(1,155)	(1,399)
Net investment income	\$ 21,937	\$ 9,518	\$ 45,190	\$ 13,955
Operating expenses	357	293	685	580
Net income from operations and comprehensive income	\$ 21,580	\$ 9,225	\$ 44,505	\$ 13,375

¹ 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)

	For the three months ended				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
<i>(CAD millions)</i>					
As at July 1, 2020	10	\$ -	\$ 151,788	\$ 282,646	\$ 434,434
Total net income for the period		-	-	21,580	21,580
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	11,275	-	11,275
Transfers to the Canada Pension Plan		-	(10,610)	-	(10,610)
Balance at September 30, 2020	10	\$ -	\$ 152,453	\$ 304,226	\$ 456,679

	For the six months ended				
	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
<i>(CAD millions)</i>					
As at April 1, 2019	10	\$ -	\$ 144,356	\$ 247,624	\$ 391,980
Total net income for the period		-	-	13,375	13,375
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	23,630	-	23,630
Transfers to the Canada Pension Plan		-	(19,497)	-	(19,497)
Balance at September 30, 2019	10	\$ -	\$ 148,489	\$ 260,999	\$ 409,488
As at April 1, 2020	10	\$ -	\$ 149,867	\$ 259,721	\$ 409,588
Total net income for the period		-	-	44,505	44,505
Canada Pension Plan transfers:					
Transfers from the Canada Pension Plan		-	23,199	-	23,199
Transfers to the Canada Pension Plan		-	(20,613)	-	(20,613)
Balance at September 30, 2020	10	\$ -	\$ 152,453	\$ 304,226	\$ 456,679

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

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

(CAD millions)	For the six months ended	
	September 30, 2020	September 30, 2019 ³
Cash flows from operating activities		
Net income from operations	\$ 44,505	\$ 13,375
Adjustments for non-cash items:		
Amortization of premises and equipment	26	22
(Gains) losses on debt financing liabilities (note 11)	(1,019)	310
Adjustments for net changes in operating assets and liabilities:		
(Increase) in investments	(25,407)	(25,428)
Decrease (increase) in pending trades receivable	5,385	(49)
(Increase) decrease in other assets	(13)	61
(Decrease) increase in investment-related liabilities	(25,287)	4,896
(Decrease) increase in pending trades payable	(3,489)	79
(Decrease) in accounts payable and accrued liabilities	(185)	(194)
Net cash flows (used in) operating activities	(5,484)	(6,928)
Cash flows from financing activities		
Transfers from the Canada Pension Plan	23,199	23,630
Transfers to the Canada Pension Plan	(20,613)	(19,497)
Proceeds from debt financing liabilities (note 11)	8,101	11,402
Repayments of debt financing liabilities (note 11)	(6,859)	(8,582)
Net cash flows provided by financing activities	3,828	6,953
Cash flows from investing activities		
Acquisitions of premises and equipment	(8)	(18)
Net cash flows (used in) investing activities	(8)	(18)
Net (decrease) increase in cash and cash equivalents	(1,664)	7
Effect of exchange rate changes on cash and cash equivalents	(471)	(237)
Cash and cash equivalents at the beginning of the period	23,749	8,706
Cash and cash equivalents at the end of the period	21,614	8,476
Cash and cash equivalents at the end of the period are comprised of:		
Cash held for operating purposes ¹	179	200
Cash and cash equivalents held for investment purposes ²	21,435	8,276
Total	\$ 21,614	\$ 8,476

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.

³ 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.

<i>(CAD millions)</i>	As at September 30, 2020	As at March 31, 2020
Equities		
Public equities	\$ 141,704	\$ 118,241
Private equities	117,431	105,381
Total equities	259,135	223,622
Fixed income		
Bonds	97,939	103,658
Other debt	27,886	27,214
Money market securities	23,608	24,908
Total fixed income	149,433	155,780
Absolute return strategies	29,627	27,922
Real assets		
Real estate	39,837	43,718
Infrastructure	36,576	34,679
Power and renewables	8,684	8,711
Energy and resources	8,105	7,281
Total real assets	93,202	94,389
Investment receivables		
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	20,870	18,658
Derivative assets	3,658	9,730
Other	3,128	6,212
Total investment receivables	27,656	34,600
Total investments¹	\$ 559,053	\$ 536,313
Investment liabilities		
Securities sold under repurchase agreements and cash collateral received on securities lent	(38,788)	(52,347)
Debt financing liabilities	(38,618)	(38,395)
Securities sold short	(19,022)	(20,776)
Derivative liabilities	(2,724)	(10,023)
Short-term secured debt	(1,325)	(1,430)
Other	(1,526)	(4,104)
Total investment liabilities¹	(102,003)	(127,075)
Pending trades receivable ¹	2,130	7,025
Pending trades payable ¹	(2,610)	(6,619)
Net investments	\$ 456,570	\$ 409,644

¹ 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 \$(169) million (March 31, 2020 - \$849 million), \$5 million (March 31, 2020 - \$13 million), \$571 million (March 31, 2020 - \$81 million) and \$397 million (March 31, 2020 - \$917 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 note 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. 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. With that, 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” mean base CPP and additional CPP collectively.

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 and six months ended September 30, 2020 were approved by the Board of Directors and authorized for issue on November 13, 2020.

1. Summary of significant accounting policies

1.1 Basis of presentation

The Interim Financial Statements have been prepared in compliance with International Accounting Standard 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’ 2020 Annual Consolidated Financial Statements included on pages 133 to 179 of CPP Investments’ 2020 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 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.

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. 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 from operations less dividends paid.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2. Fair value measurement

This note categorizes the fair value of investments and investment liabilities within the three levels of the fair value hierarchy. For investment valuations that require significant judgment, the note further provides the roll-forward of these investments during the period and the range of valuation techniques and inputs used.

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

	As at September 30, 2020			Total
	Level 1	Level 2	Level 3	
	Quoted Market Price	Valuation technique - observable market inputs	Valuation technique - non- observable market inputs	
<i>(CAD millions)</i>				
Investments				
Equities				
Public equities ¹	\$ 123,993	\$ 4,078	\$ 39	\$ 128,110
Private equities	-	79	6,133	6,212
Total equities	123,993	4,157	6,172	134,322
Fixed income				
Bonds	57,608	37,232	4	94,844
Other debt	-	1,128	2,785	3,913
Money market securities	-	21,486	-	21,486
Total fixed income	57,608	59,846	2,789	120,243
Absolute return strategies	-	16,478	1,350	17,828
Real assets				
Real estate	-	-	10,494	10,494
Infrastructure	-	-	7,982	7,982
Power and renewables	-	-	1,113	1,113
Energy and resources	-	-	1,901	1,901
Total real assets	-	-	21,490	21,490
Investment receivables				
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	20,870	-	20,870
Derivative assets	1	3,657	-	3,658
Other ²	-	2,685	-	2,685
Total investment receivables	1	27,212	-	27,213
Investments in investment holding subsidiaries (note 2.2)	-	-	238,126	238,126
Total investments	\$ 181,602	\$ 107,693	\$ 269,927	\$ 559,222
Investment liabilities				
Securities sold under repurchase agreements and cash collateral received on securities lent	-	(38,788)	-	(38,788)
Debt financing liabilities	(37,615)	(1,003)	-	(38,618)
Securities sold short	(19,016)	-	(6)	(19,022)
Derivative liabilities	(38)	(2,684)	-	(2,722)
Short-term secured debt	-	(1,325)	-	(1,325)
Other ²	-	(1,523)	-	(1,523)
Total investment liabilities	(56,669)	(45,323)	(6)	(101,998)
Pending trades receivable ³	-	1,559	-	1,559
Pending trades payable ³	-	(2,213)	-	(2,213)
Net investments	\$ 124,933	\$ 61,716	\$ 269,921	\$ 456,570

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2020				Total
	Level 1	Level 2	Level 3		
(CAD millions)	Quoted Market Price	Valuation technique – observable market inputs	Valuation technique - non- observable market inputs		
Investments					
Equities					
Public equities ¹	\$ 100,769	\$ 3,891	\$ 33	\$ 104,693	
Private equities	-	-	5,702	5,702	
Total equities	100,769	3,891	5,735	110,395	
Fixed income					
Bonds	60,295	40,829	-	101,124	
Other debt	-	1,325	2,552	3,877	
Money market securities	-	24,282	-	24,282	
Total fixed income	60,295	66,436	2,552	129,283	
Absolute return strategies	-	14,735	1,534	16,269	
Real assets					
Real estate	-	-	14,469	14,469	
Infrastructure	-	-	7,622	7,622	
Power and renewables	-	-	1,114	1,114	
Energy and resources	-	-	1,770	1,770	
Total real assets	-	-	24,975	24,975	
Investment receivables					
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	-	18,658	-	18,658	
Derivative assets	-	9,730	-	9,730	
Other ²	-	5,925	-	5,925	
Total investment receivables	-	34,313	-	34,313	
Investments in investment holding subsidiaries (note 2.2)	-	-	220,229	220,229	
Total investments	\$ 161,064	\$ 119,375	\$ 255,025	\$ 535,464	
Investment liabilities					
Securities sold under repurchase agreements and cash collateral received on securities lent	-	(52,347)	-	(52,347)	
Debt financing liabilities	(32,639)	(5,756)	-	(38,395)	
Securities sold short	(20,776)	-	-	(20,776)	
Derivative liabilities	(353)	(9,670)	-	(10,023)	
Short-term secured debt	-	(1,430)	-	(1,430)	
Other ²	-	(4,091)	-	(4,091)	
Total investment liabilities	(53,768)	(73,294)	-	(127,062)	
Pending trades receivable ³	-	6,944	-	6,944	
Pending trades payable ³	-	(5,702)	-	(5,702)	
Net investments	\$ 107,296	\$ 47,323	\$ 255,025	\$ 409,644	

¹ Includes investments in funds.

² Included in other investment receivables and other investment liabilities is cash pledged as collateral of \$1,494 million (March 31, 2020 - \$3,855 million) and cash held as collateral of \$1,457 million (March 31, 2020 - \$3,709 million) on over-the-counter derivative transactions, respectively.

³ Pending trades receivable and payable are measured at amortized cost, which approximates fair value.

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 September 30, 2020			Total
	Level 1	Level 2	Level 3	
<i>(CAD millions)</i>	Quoted Market Price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
Investments				
Equities				
Public equities ¹	\$ 7,497	\$ 6,058	\$ 39	\$ 13,594
Private equities	-	2,193	109,026	111,219
Total equities	7,497	8,251	109,065	124,813
Fixed income				
Bonds	-	3,095	-	3,095
Other debt	-	4,402	19,571	23,973
Money market securities	-	2,122	-	2,122
Total fixed income	-	9,619	19,571	29,190
Absolute return strategies	-	10,119	1,680	11,799
Real assets				
Real estate	-	-	29,343	29,343
Infrastructure	-	-	28,594	28,594
Power and renewables	-	-	7,571	7,571
Energy and resources	-	-	6,204	6,204
Total real assets	-	-	71,712	71,712
Investment receivables				
Other	-	443	-	443
Total investment receivables	-	443	-	443
Total investments held by investment holding subsidiaries	\$ 7,497	\$ 28,432	\$ 202,028	\$ 237,957
Investment liabilities				
Derivative liabilities	-	(2)	-	(2)
Other	-	(3)	-	(3)
Total investment liabilities held by investment holding subsidiaries	-	(5)	-	(5)
Pending trades receivable ²	-	571	-	571
Pending trades payable ²	-	(397)	-	(397)
Investments in investment holding subsidiaries	\$ 7,497	\$ 28,601	\$ 202,028	\$ 238,126

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

	As at March 31, 2020			Total
	Level 1	Level 2	Level 3	
(CAD millions)	Quoted Market Price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
Investments				
Equities				
Public equities ¹	\$ 5,496	\$ 7,956	\$ 96	\$ 13,548
Private equities	-	-	99,679	99,679
Total equities	5,496	7,956	99,775	113,227
Fixed income				
Bonds	-	2,534	-	2,534
Other debt	-	3,533	19,804	23,337
Money market securities	-	626	-	626
Total fixed income	-	6,693	19,804	26,497
Absolute return strategies	-	9,973	1,680	11,653
Real assets				
Real estate	-	-	29,249	29,249
Infrastructure	-	-	27,057	27,057
Power and renewables	-	-	7,597	7,597
Energy and resources	-	-	5,511	5,511
Total real assets	-	-	69,414	69,414
Investment receivables				
Derivative assets	-	-	-	-
Other	-	287	-	287
Total investment receivables	-	287	-	287
Total investments held by investment holding subsidiaries	\$ 5,496	\$ 24,909	\$ 190,673	\$ 221,078
Investment liabilities				
Other	-	(13)	-	(13)
Total investment liabilities held by investment holding subsidiaries	-	(13)	-	(13)
Pending trades receivable ²	-	81	-	81
Pending trades payable ²	-	(917)	-	(917)
Investments in investment holding subsidiaries	\$ 5,496	\$ 24,060	\$ 190,673	\$ 220,229

¹ Includes investments in funds.

² Pending trades receivable and payable are measured at amortized cost, which is a reasonable approximation of fair value.

2.3 Transfers between Level 1 and Level 2

During the six months ended September 30, 2020, transfers from Level 1 to Level 2 included \$63 million of investments and \$1,002 million of investment liabilities held directly by CPP Investments (during the year ended March 31, 2020 - \$2 million and nil, respectively). During the six months ended September 30, 2020, transfers from Level 2 to Level 1 included \$2 million of investments held directly by CPP Investments (during the year ended March 31, 2020 – 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 have been recognized at the end of period values.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.4 Level 3 reconciliation

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy:

For the six months ended September 30, 2020								
<i>(CAD millions)</i>	Fair value as at April 1, 2020	Gain (loss) included in investment income	Purchases	Sales ¹	Transfers into Level 3	Transfers out of Level 3	Fair value as at September 30, 2020	Change in unrealized gains (losses) on investments still held at September 30, 2020 ²
Investments								
Equities								
Public equities	\$ 33	\$ 7	\$ -	\$ (1)	\$ -	\$ -	\$ 39	\$ 8
Private equities	5,702	1,096	47	(158)	120	(674)	6,133	1,105
Total equities	5,735	1,103	47	(159)	120	(674)	6,172	1,113
Fixed income								
Bonds	-	-	4	-	-	-	4	-
Other debt	2,552	112	101	(309)	449	(120)	2,785	93
Total fixed income	2,552	112	105	(309)	449	(120)	2,789	93
Absolute return strategies	1,534	(29)	237	(392)	-	-	1,350	(54)
Real assets								
Real estate	14,469	(1,508)	116	(2,583)	-	-	10,494	(1,341)
Infrastructure	7,622	281	79	-	-	-	7,982	281
Power and renewables	1,114	-	-	(1)	-	-	1,113	-
Energy and resources	1,770	98	75	(42)	-	-	1,901	97
Total real assets	24,975	(1,129)	270	(2,626)	-	-	21,490	(963)
Securities sold short	-	-	-	-	(6)	-	(6)	-
Investments in investment holding subsidiaries³	220,229	17,886	489	(478)	-	-	238,126	17,886
Total	\$ 255,025	\$ 17,943	\$ 1,148	\$ (3,964)	\$ 563	\$ (794)	\$ 269,921	\$ 18,075

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the year ended March 31, 2020								
<i>(CAD millions)</i>	Fair value as at April 1, 2019	Gain (loss) included in investment income	Purchases	Sales ¹	Transfers into Level 3	Transfers out of Level 3	Fair value as at March 31, 2020	Change in unrealized gains (losses) on investments still held at March 31, 2020 ²
Investments								
Equities								
Public equities	\$ 63	\$ (28)	\$ -	\$ (2)	\$ -	\$ -	\$ 33	\$ (27)
Private equities	6,194	(912)	730	(319)	9	-	5,702	(918)
Total equities	6,257	(940)	730	(321)	9	-	5,735	(945)
Fixed income								
Other debt	2,159	(61)	983	(529)	-	-	2,552	(27)
Absolute return strategies	447	57	68	(120)	1,082	-	1,534	98
Real assets								
Real estate	15,217	531	890	(2,169)	-	-	14,469	392
Infrastructure	12,534	(388)	-	(4,524)	-	-	7,622	(7)
Power and renewables	1,215	(101)	-	-	-	-	1,114	(101)
Energy and resources	1,888	(118)	-	-	-	-	1,770	(118)
Total real assets	30,854	(76)	890	(6,693)	-	-	24,975	166
Investment receivables								
Other	2	(2)	-	-	-	-	-	-
Total investment receivables	2	(2)	-	-	-	-	-	-
Investments in investment holding subsidiaries³								
	199,571	(2,784)	24,854	(1,412)	-	-	220,229	(2,784)
Total	\$ 239,290	\$ (3,806)	\$ 27,525	\$ (9,075)	\$ 1,091	\$ -	\$ 255,025	\$ (3,492)

¹ Includes return of capital.

² Included in investment income.

³ 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 from these subsidiaries.

Transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value. Transfers into and out of Level 3 are deemed to have occurred at the end of period values. The entire 'change in unrealized gains (losses) on investments still held' column in the above reconciliation includes or excludes the investments transferred into and out of Level 3, respectively.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

2.5 Level 3 – Significant unobservable inputs

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

Investment holding subsidiaries are also classified as Level 3 in the fair value hierarchy. The fair value is largely driven by Level 3 investments, for which the valuation techniques, ranges and weighted averages of unobservable inputs are included below. However, certain investments held by the investment holding subsidiaries are based on quoted prices in active markets (Level 1) or valued using observable inputs (Level 2). These amount to \$7,497 million (March 31, 2020 - \$5,496 million) and \$28,601 million (March 31, 2020 - \$24,060 million), respectively. Refer to note 2.2 for further details on Level 1 and Level 2 investments relating to investment holding subsidiaries. As each investment holding subsidiary is largely composed of Level 3 investments, the entire subsidiary is classified as Level 3.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

As at September 30, 2020						
(CAD millions)	Fair value of investments held by:		Primary valuation techniques used ^{1,2}	Significant unobservable inputs	Range of input values ³	Weighted average ³
	CPP Investments	Investment holding subsidiaries				
Public equities						
Direct	\$ -	\$ 7,497	Quoted market price	-	-	-
Fund Investments	39	6,097	Net asset value provided by investment manager	-	-	-
Private equities						
Direct	5,932	44,655	Earnings multiples of comparable companies	EBITDA multiple	8.1X-29.3X	15.9X
	55	13,713	Discounted cash flow	Discount rate	8.0%-21.5%	11.8%
			Net asset value provided by investment manager	-	-	-
Fund investments	146	52,851	Net asset value provided by investment manager	-	-	-
Bonds						
Direct	4	3,095	Quoted market prices or discounted cash flows using observable inputs	-	-	-
Other debt						
Direct private debt	567	17,919	Discounted cash flow	Discount rate	4.3%-22.5%	9.1%
	-	1,363	Net asset value provided by investment manager	-	-	-
Asset-backed securities	2,191	419	Comparable pricing	Price	56.3%-111.2%	98.0%
Fund investments	27	4,272	Net asset value provided by investment manager	-	-	-
Money market securities						
Direct	-	2,122	Cost with accrued interest	-	-	-
Absolute return strategies						
Fund investments	1,350	11,799	Net asset value provided by investment manager	-	-	-
Real estate						
Direct	9,865	8,026	Discounted cash flow	Discount rate	5.0%-14.3%	6.8%
	556	18,903	Net asset value provided by investment partner	Terminal capitalization rate	3.5%-10.8%	5.6%
Fund investments	73	2,414	Net asset value provided by investment manager	-	-	-
Infrastructure						
Direct	7,982	28,569	Discounted cash flow	Discount rate	7.2%-13.8%	8.8%
Fund investments	-	25	Net asset value provided by investment manager	-	-	-
Power and Renewables						
Direct	1,113	7,571	Discounted cash flow	Discount rate	7.3%-13.5%	9.9%
Energy and Resources						
Direct	1,901	6,204	Discounted cash flow	Discount rate	9.0%-32.9%	11.5%
Investment receivables - Other	-	443	Cost with accrued interest	-	-	-
Securities sold short	(6)	-	Last quoted price	Price	\$16.20-\$16.20	\$16.20
Derivative liabilities	-	(2)	Discounted cash flow	-	-	-
Investment liabilities - Other	-	(3)	Cost with accrued interest	-	-	-
Pending trades net receivable/(payable)	-	174	Amortized cost	-	-	-
Total	\$ 31,795	\$ 238,126				

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	As at March 31, 2020					
	Fair value of investments held by:		Primary valuation techniques used ^{1,2}	Significant unobservable inputs	Range of input values ³	Weighted average ³
(CAD millions)	CPP Investments	Investment holding subsidiaries				
Public equities						
Direct	\$ -	\$ 7,643	Quoted market price	-	-	-
Fund Investments	33	5,905	Net asset value provided by investment manager	-	-	-
Private equities						
Direct	5,623	37,730	Earnings multiples of comparable companies	EBITDA multiple	6.2X-21.2X	13.4X
			Discounted cash flow	Discount rate	8.6%-13.6%	11.8%
	-	12,540	Net asset value provided by investment manager	-	-	-
Fund investments	79	49,409	Net asset value provided by investment manager	-	-	-
Bonds						
Direct	-	2,534	Quoted market prices or discounted cash flows using observable inputs	-	-	-
Other debt						
Direct private debt	210	17,359	Discounted cash flow	Discount rate	5.6%-64.9%	12.5%
	-	1,475	Net asset value provided by investment manager	-	-	-
Asset-backed securities	2,311	203	Comparable pricing	Price	49.5%-101.1%	89.6%
Fund investments	31	4,300	Net asset value provided by investment manager	-	-	-
Money market securities						
Direct	-	626	Cost with accrued interest	-	-	-
Absolute return strategies						
Fund investments	1,534	11,653	Net asset value provided by investment manager	-	-	-
Real estate						
Direct	12,791	5,799	Discounted cash flow	Discount rate	5.0%-14.3%	6.7%
				Terminal capitalization rate	3.3%-10.8%	5.5%
	1,559	20,738	Net asset value provided by investment partner	-	-	-
Fund investments	119	2,712	Net asset value provided by investment manager	-	-	-
Infrastructure						
Direct	7,622	27,027	Discounted cash flow	Discount rate	7.1%-13.8%	8.6%
Fund investments	-	30	Net asset value provided by investment manager	-	-	-
Power and Renewables						
Direct	1,114	7,597	Discounted cash flow	Discount rate	7.6%-14.7%	10.3%
Energy and Resources						
Direct	1,770	5,511	Discounted cash flow	Discount rate	9.0%-15.0%	11.6%
Investment receivables - Other	-	287	Cost with accrued interest	-	-	-
Investment liabilities - Other	-	(13)	Cost with accrued interest	-	-	-
Pending trades net receivable/(payable)	-	(836)	Amortized cost	-	-	-
Total	\$ 34,796	\$ 220,229				

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

- ¹ In certain cases, external valuations are prepared by a third-party and hence, valuation information is not available.
- ² May include certain recently acquired investments held at cost, which approximates fair value.
- 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.

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. By using valuation methods based on reasonable alternative assumptions, different fair values could result. With all other variables held constant, the use of reasonable alternative assumptions would result in a decrease of \$7,700 million (March 31, 2020 - \$11,100 million) or an increase of \$9,800 million (March 31, 2020 - \$10,600 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. While CPP Investments has used all available information in providing its best estimate of the magnitude of the potential impact on Level 3 investments from the COVID-19 pandemic, the ranges noted above are based on alternate assumptions that are subject to material change.

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3. Derivatives

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

<i>(CAD millions)</i>	As at September 30, 2020		As at March 31, 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Equity contracts				
Futures	\$ -	\$ -	\$ -	\$ -
Swaps	1,883	(2,079)	7,032	(8,237)
Options:				
Exchange-traded – purchased	-	-	-	-
Exchange-traded – written	-	-	-	(2)
Over-the-counter – purchased	6	-	20	-
Over-the-counter – written	-	(90)	-	(197)
Warrants	-	-	-	-
Total equity contracts	1,889	(2,169)	7,052	(8,436)
Foreign exchange contracts				
Forwards	404	(304)	1,146	(853)
Options:				
Over-the-counter – purchased	44	-	66	-
Over-the-counter – written	-	(42)	-	(61)
Total foreign exchange contracts	448	(346)	1,212	(914)
Interest rate contracts				
Futures	-	-	-	-
Forwards	-	-	-	-
Swaps	1,286	(56)	1,412	(85)
Options:				
Over-the-counter – written	-	(45)	-	(110)
Total interest rate contracts	1,286	(101)	1,412	(195)
Credit contracts				
Purchased credit default swaps	6	(15)	19	(19)
Written credit default swaps	22	(21)	21	(21)
Options:				
Over-the-counter – purchased	6	-	14	-
Over-the-counter – written	-	(34)	-	(87)
Total credit contracts	34	(70)	54	(127)
Commodity contracts				
Futures	-	-	-	-
Options:				
Exchange-traded – purchased	1	-	-	-
Exchange-traded – written	-	(38)	-	(351)
Total commodity contracts	1	(38)	-	(351)
Total¹	\$ 3,658	\$ (2,724)	\$ 9,730	\$ (10,023)

¹ Includes \$2M (March 31, 2020 - nil) relating to interest rate derivative liabilities transacted by investment holding subsidiaries.

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4. Investment income

4.1 Investment income by nature

<i>(CAD millions)</i>	For the three months ended	
	September 30, 2020	September 30, 2019 ²
Interest, dividends, and other investment income	\$ 1,252	\$ 1,513
Realized gains (losses) on private equities and real assets	145	(233)
Unrealized gains on private equities and real assets	544	418
Unrealized gains on investment holding subsidiaries (note 4.2)	11,477	4,480
Realized and unrealized gains on public and other investments ¹	9,032	4,157
Total investment income	\$ 22,450	\$ 10,335

¹ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

² Certain comparatives have been reclassified to conform to the current period's presentation.

<i>(CAD millions)</i>	For the six months ended	
	September 30, 2020	September 30, 2019 ²
Interest, dividends, and other investment income	\$ 2,675	\$ 3,361
Realized gains (losses) on private equities and real assets	65	(183)
Unrealized (losses) on private equities and real assets	(31)	(387)
Unrealized gains on investment holding subsidiaries (note 4.2)	17,886	5,962
Realized and unrealized gains on public and other investments ¹	25,750	6,601
Total investment income	\$ 46,345	\$ 15,354

¹ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

² Certain comparatives have been reclassified to conform to the current period's presentation.

4.2 Supplemental information on investment income

The change in unrealized gains generated from investment holding subsidiaries is a composite of the following:

<i>(CAD millions)</i>	For the three months ended	
	September 30, 2020	September 30, 2019 ²
Interest, dividends, and other investment income	\$ 1,087	\$ 1,203
Realized gains on private equities and real assets	2,983	1,117
Unrealized gains on private equities and real assets	6,840	2,052
Realized and unrealized gains on public and other investments ¹	1,250	458
Dividends paid to CPP Investments	-	-
Investment-related expenses (note 5.2)	(683)	(350)
Unrealized gains on investment holding subsidiaries	\$ 11,477	\$ 4,480

¹ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

² Certain comparatives have been reclassified to conform to the current period's presentation.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

<i>(CAD millions)</i>	For the six months ended	
	September 30, 2020	September 30, 2019 ²
Interest, dividends, and other investment income	\$ 1,892	\$ 2,262
Realized gains on private equities and real assets	3,927	2,518
Unrealized gains on private equities and real assets	7,998	1,223
Realized and unrealized gains on public and other investments ¹	5,006	608
Dividends paid to CPP Investments	-	(1)
Investment-related expenses (note 5.2)	(937)	(648)
Unrealized gains on investment holding subsidiaries	\$ 17,886	\$ 5,962

¹ Consists of investment income from public equities, fixed income, absolute return strategies, derivatives and other.

² Certain comparatives have been reclassified to conform to the current period's presentation.

5. Investment-related expenses

5.1 Investment-related expenses of CPP Investments

Investment-related expenses borne by CPP Investments consist of the following:

<i>(CAD millions)</i>	For the three months ended	
	September 30, 2020	September 30, 2019
Borrowing costs	\$ 245	\$ 574
Investment management fees	245	156
Transaction costs	23	87
Total	\$ 513	\$ 817

<i>(CAD millions)</i>	For the six months ended	
	September 30, 2020	September 30, 2019
Borrowing costs	\$ 548	\$ 968
Investment management fees	518	299
Transaction costs	89	132
Total	\$ 1,155	\$ 1,399

5.2 Supplemental information on investment-related expenses

Investment-related expenses borne by CPP Investments' investment holding subsidiaries consist of the following:

<i>(CAD millions)</i>	For the three months ended	
	September 30, 2020	September 30, 2019
Investment management fees	\$ 647	\$ 290
Transaction costs	36	60
Total	\$ 683	\$ 350

<i>(CAD millions)</i>	For the six months ended	
	September 30, 2020	September 30, 2019
Investment management fees	\$ 882	\$ 583
Transaction costs	55	65
Total	\$ 937	\$ 648

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6. Segment information

6.1 Net income from operations by investment segment

Investments are managed by six departments consistent with what was in place as at March 31, 2020, other than changes to certain departments described below. Effective September 2020, Balancing & Collateral, a subgroup of the Capital Markets and Factor Investing department, was combined with Total Portfolio Management to form a new department, Total Fund Management. Total Fund Management is responsible for capital allocation between investment programs, long-term investment department signals, medium- and near-term portfolio guidance and balance sheet management. The change between departments did not have an impact on the net assets, income and expenses incurred by each investment department.

There is no change to the remaining investment departments, namely Active Equities, Credit Investments, Private Equity, and Real Assets.

The table below illustrates the investment income generated and the associated investment-related expenses and operating expenses incurred by each investment department to support their activities.

For the three months ended September 30, 2020									
(CAD millions)	Capital		Active	Credit	Private	Real	Adjustment ³	Total	
	Total	Markets							
	Fund	and Factor	Equities	Investments	Equity	Assets			
	Management	Investing							
Investment income (loss)	\$ 9,430	\$ 1,010	\$ 1,034	\$ 770	\$ 9,647	\$ 1,271	\$ (712)	\$	22,450
Investment-related expenses ^{1,2}	(284)	(471)	(19)	(17)	(200)	(234)	712		(513)
Net investment income	9,146	539	1,015	753	9,447	1,037	-		21,937
Operating expenses	(55)	(60)	(51)	(42)	(63)	(86)	-		(357)
Net income from operations	\$ 9,091	\$ 479	\$ 964	\$ 711	\$ 9,384	\$ 951	-	\$	21,580

For the three months ended September 30, 2019 ⁴									
(CAD millions)	Capital		Active	Credit	Private	Real	Adjustment ³	Total	
	Total	Markets							
	Fund	and Factor	Equities	Investments	Equity	Assets			
	Management	Investing							
Investment income (loss)	\$ 4,495	\$ 136	\$ 1,133	\$ 912	\$ 3,790	\$ 458	\$ (589)	\$	10,335
Investment-related expenses ^{1,2}	(838)	(281)	(25)	(12)	(164)	(86)	589		(817)
Net investment income (loss)	3,657	(145)	1,108	900	3,626	372	-		9,518
Operating expenses	(47)	(47)	(42)	(35)	(51)	(71)	-		(293)
Net income (loss) from operations	\$ 3,610	\$ (192)	\$ 1,066	\$ 865	\$ 3,575	\$ 301	-	\$	9,225

¹ Costs of \$274 million (September 30, 2019 – \$813 million) attributable to Total Fund Management represent borrowing costs as described in note 5 of \$245 million (September 30, 2019 - \$574 million), as well as the leverage-generating elements of additional derivative transactions of \$29 million (September 30, 2019 - \$239 million). Together these amounts reflect the financing costs described in note 10.2, which is a measure used by Management to monitor the total costs associated with all sources of leverage to CPP Investments.

² Includes borrowing costs, investment management fees and transaction costs borne by CPP Investments and its investment holding subsidiaries in relation to the respective departments.

³ Consists of costs on the leverage-generating elements of additional derivative transactions, and investment management fees and transaction costs borne by investment holding subsidiaries, all of which are reclassified into investment income.

⁴ Certain comparatives have been reclassified to conform to the current period's presentation.

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For the six months ended September 30, 2020									
(CAD millions)	Capital							Adjustment ³	Total
	Total Fund Management	Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets			
Investment income (loss)	\$ 25,507	\$ 3,035	\$ 2,182	\$ 2,445	\$ 13,046	\$ 1,178	(1,048)	\$ 46,345	
Investment-related expenses ^{1,2}	(683)	(782)	(31)	(22)	(378)	(307)	1,048	(1,155)	
Net investment income	24,824	2,253	2,151	2,423	12,668	871	-	45,190	
Operating expenses	(98)	(113)	(106)	(81)	(124)	(163)	-	(685)	
Net income from operations	\$ 24,726	\$ 2,140	\$ 2,045	\$ 2,342	\$ 12,544	\$ 708	-	\$ 44,505	

For the six months ended September 30, 2019 ⁴									
(CAD millions)	Capital							Adjustment ³	Total
	Total Fund Management	Markets and Factor Investing	Active Equities	Credit Investments	Private Equity	Real Assets			
Investment income (loss)	\$ 7,448	\$ 392	\$ 2,314	\$ 878	\$ 5,862	\$ (429)	(1,111)	\$ 15,354	
Investment-related expenses ^{1,2}	(1,476)	(545)	(47)	(18)	(298)	(126)	1,111	(1,399)	
Net investment income (loss)	5,972	(153)	2,267	860	5,564	(555)	-	13,955	
Operating expenses	(100)	(90)	(83)	(65)	(104)	(138)	-	(580)	
Net income (loss) from operations	\$ 5,872	\$ (243)	\$ 2,184	\$ 795	\$ 5,460	\$ (693)	-	\$ 13,375	

¹ Costs of \$659 million (September 30, 2019 – \$1,431 million) attributable to Total Fund Management represent borrowing costs as described in note 5 of \$548 million (September 30, 2019 - \$968 million), as well as the leverage-generating elements of additional derivative transactions of \$111 million (September 30, 2019 - \$463 million). Together these amounts reflect the financing costs described in note 10.2, which is a measure used by Management to monitor the total costs associated with all sources of leverage to CPP Investments.

² Includes borrowing costs, investment management fees and transaction costs borne by CPP Investments and its investment holding subsidiaries in relation to the respective departments.

³ Consists of costs on the leverage-generating elements of additional derivative transactions, and investment management fees and transaction costs borne by investment holding subsidiaries, all of which are reclassified into investment income.

⁴ Certain comparatives have been reclassified to conform to the current period's presentation.

6.2 Net assets (liabilities) by investment segment

Net assets (liabilities)									
(CAD millions)	Capital							Real Assets	Total
	Total Fund Management ¹	Markets and Factor Investing	Active Equities	Credit Investments	Private Equity				
As at:									
September 30, 2020	\$ 211,312	\$ (549)	\$ 1,073	\$ 40,755	\$ 105,766	\$ 98,322	\$ 456,679		
March 31, 2020	179,681	(2,686)	430	39,965	94,557	97,641	409,588		

¹ Net assets attributable to Total Fund Management include net corporate assets of \$109 million (March 31, 2020 – net corporate liabilities of \$56 million).

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6.3 Geographic information

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

<i>(CAD millions)</i>	Net investments ¹						Total
	Canada	U.S.	Asia	Europe (excluding U.K.)	U.K.	Other	
As at:							
September 30, 2020	\$ 72,550	\$ 155,799	\$ 119,103	\$ 53,244	\$ 17,999	\$ 37,875	\$ 456,570
March 31, 2020	63,858	144,259	102,855	42,723	20,698	35,251	409,644

¹ Includes debt financing liabilities of \$3,756 million, \$20,568 million, \$9,988 million, and \$4,306 million (March 31, 2020 - \$3,629 million, \$23,990 million, \$9,890 million, and \$886 million), based on the currencies of the issuances, in Canada, the U.S., Europe (excluding the U.K.) and the U.K., respectively.

7. Risk management

CPP Investments' framework to monitor, evaluate and manage key risks is consistent with what was in place as at March 31, 2020, other than changes to certain investment risk limits which are further described in note 7.1.

7.1 Total portfolio 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 investment risk to which the Investment Portfolios are exposed.

Plan adjustment risk is the percentage probability of a 0.25% increase in the Minimum Contribution Rate applicable to CPP contributors, over a 20-year horizon, due solely to adverse investment experience. It is an overarching measure that is impacted by market, credit, liquidity and leverage risk. Additional investment risk governance measures include:

- Potential investment losses: The reported loss of the Investment Portfolios over a one-and five-year horizon is not expected to exceed the established limit of fund value for that horizon 19 times out of 20. It is based on the value-at-risk measure at a 95 percent confidence level.
- Liquidity and leverage risk measures, which are further described in Note 10.

These measures are monitored in addition to the 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 and credit risk as that of the applicable Investment Portfolio.

The monitoring of adherence to investment risk limits is conducted independently by the Risk group using both industry standards and internally developed risk models. Effective April 1, 2020, the one-year potential loss risk appetite statement limit for the base CPP increased from \$80 billion to \$90 billion to reflect the increase in the size of the base CPP Investment Portfolio. For the additional CPP, the one-year potential loss risk appetite statement limit increased from \$300 million to \$800 million to reflect the increase in the additional CPP Investment Portfolio size as well as updated expected returns of the additional CPP Investment Portfolio. The tables below provide a summary of the key investment risk governance measures of the Investment Portfolios.

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<i>(CAD millions, unless otherwise specified)</i>	Limit	As at September 30, 2020		As at March 31, 2020	
		base CPP		base CPP	
Plan adjustment risk	30 %		26 %		26 %
Potential investment loss:					
One-year horizon	\$ 90,000	\$	83,389	\$	69,377
Five-year horizon ¹	25 %		16 %		13 %
Equity/debt risk equivalence ratio ²	55 - 100 %		85 %		84 %

<i>(CAD millions, unless otherwise specified)</i>	Limit	As at September 30, 2020		As at March 31, 2020	
		additional CPP		additional CPP	
Plan adjustment risk	30 %		28 %		28 %
Potential investment loss:					
One-year horizon	\$ 800	\$	503	\$	252
Five-year horizon ¹	15 %		10 %		8 %
Equity/debt risk equivalence ratio ²	40 - 70 %		51 %		49 %

¹ Percentage of investment value.

² Conditional value-at-risk is measured to calculate the equity/debt risk equivalence ratio.

We continue to remain within our risk appetite levels despite the significant market movements observed globally as a result of the COVID-19 pandemic.

As part of our ongoing monitoring, we perform scenario analysis to quantify the impact of potential stress events, including how severe market or geopolitical events could affect CPP Investments' portfolios. In addition, we continue to refine a series of scenarios relating to the COVID-19 pandemic in an attempt to assess the potential financial impact on our Investment Portfolios.

8. Market risk

Market 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. Market risk includes equity risk, interest rate risk, spread risk and currency risk.

8.1. Equity risk

The Investment Portfolios invest in both publicly traded and private equities. Equity risk, which is the risk that the fair value or future cash flows will fluctuate because of changes in equity prices, is a significant source of risk of the Investment Portfolios.

8.2. 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 Investment Portfolios are exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivatives.

8.3. Spread risk

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. Spread risk is the risk that the fair value of these securities

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will fluctuate because of changes in spread. With all other variables held constant, an increase in spread rates would result in a decrease in assets or an increase in liabilities.

8.4. Currency risk

The Investment Portfolios are 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.

8.4.1 Currency risk exposures

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

<i>(CAD millions)</i>	As at September 30, 2020			As at March 31, 2020		
Currency	Net exposure	% of total ¹	%	Net exposure	% of total ¹	%
United States dollar	\$ 255,663	56	%	\$ 230,536	56	%
Euro	32,390	7		25,921	6	
Chinese renminbi	20,725	4		14,954	4	
Australian dollar	14,132	3		12,669	3	
British pound sterling	12,691	3		15,438	4	
Hong Kong dollar	12,355	3		11,526	3	
Japanese yen	8,636	2		8,153	2	
Indian rupee	8,121	1		7,897	2	
Brazilian real	4,121	1		3,813	1	
Swiss Franc	3,835	1		3,286	1	
Mexican peso	3,539	1		1,948	-	
Chilean peso	2,733	1		2,652	1	
Other	8,828	2		8,824	2	
Total foreign exposure	387,769	85		347,617	85	
Canadian dollar	68,801	15		62,027	15	
Total	\$ 456,570	100	%	\$ 409,644	100	%

¹ May not reflect actual percentage of total due to rounding.

9. 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 underlying entity. The Investment Portfolios' credit risk exposure arises primarily 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 direct credit risk exposure at the Balance Sheet date.

9.1. Credit value-at-risk

A standalone measure for losses due to defaults and credit rating migration is monitored. A Monte Carlo simulation that incorporates likelihood of default, credit rating migration and recovery in the event of default for underlying credit instruments is adopted to quantify this dimension of risk. Credit value-at-risk, at a 99% confidence level, implies there is a 1% chance that the credit instruments in the Investment Portfolios will lose more than the amounts shown below in any given year due to default and credit migration risk.

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(CAD millions)	As at September 30, 2020				As at March 31, 2020	
	base CPP	additional CPP		base CPP	additional CPP	
Credit value-at-risk	\$ 6,050	\$ 43	\$	6,299	\$ 26	

10. Liquidity and leverage risk

Liquidity and leverage risk includes three main components:

- Solvency risk – The risk of failing to obtain the funds needed to meet payment obligations as they come due.
- Portfolio rebalancing risk – The risk that CPP Investments is unable to fund investment programs and rebalance investment portfolios back to their target level of market risk and leverage during periods of stress.
- Leverage risk – The risk that excessive on-and-off balance sheet leverage accelerates the worsening of market and liquidity risk factors during periods of stress.

10.1 Solvency risk and portfolio rebalancing risk

Liquidity risk increases from 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 (Note 10.2), and through liquidity risk limits which require sufficient liquidity to be available to manage both solvency and portfolio rebalancing risks.

The table below presents the unsecured credit facilities that CPP Investments maintained at each reporting date. There were no credit facilities drawn as at September 30, 2020 and March 31, 2020.

(CAD millions)	As at September 30, 2020		As at March 31, 2020	
Unsecured credit facilities held	\$	6,175	\$	6,482

The liquidity coverage ratio measures the level of liquidity CPP Investments maintains to meet all CPP and investment obligations over various time horizons including any 10-day period. It measures the amount of liquid securities available to meet CPP Investments' payment obligations as they become due, to fund investment programs, and to rebalance the portfolio in periods of market stress, all without realizing unacceptable losses.

	Limit	As at September 30, 2020	As at March 31, 2020
Liquidity coverage ratio	1.0x	3.1x	3.3x

10.2 Leverage risk

Leverage risk is monitored against two metrics which together capture different aspects of leverage across the Investment Portfolios:

- Total financing liabilities is a notional-based measure which represents all financing activities that are undertaken to obtain leverage using both on-balance sheet and off-balance sheet items.
- Risk weighted liabilities is determined using risk-weighted notionals of recourse liabilities which represent the risk of the underlying leverage products, including derivatives, used by CPP Investments.

The table below presents the key leverage risk metrics of the Investment Portfolios.

	As at September 30, 2020		As at March 31, 2020	
Total financing liabilities	22.6	%	24.9	%
Risk weighted liabilities	11.8	%	13.0	%

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For the three and six months ended September 30, 2020, the associated financing costs on total financing liabilities were \$274 million and \$659 million, respectively (three and six months ended September 30, 2019 - \$813 million and \$1,431 million, respectively). These financing costs are higher than the borrowing costs disclosed in note 5.1 due to the inclusion of certain derivative transactions which are utilized to provide additional sources of leverage to CPP Investments.

10.3 Terms to maturity

10.3.1 Terms to maturity of non-derivative investments held directly by CPP Investments

(CAD millions)	Terms to maturity						Average effective yield	As at March 31, 2020 ³	
	As at September 30, 2020							Total ²	Average effective yield
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total ²		Total ²		
Non-marketable bonds									
Canadian provincial government	\$ 1,362	\$ 6,234	\$ 1,249	\$ 13,782	\$ 22,627	1.8 %	\$ 22,369	2.4 %	
Marketable bonds									
Government of Canada	-	4,282	269	814	5,365	0.5	7,478	0.8	
Canadian provincial government	-	1,117	2,325	3,938	7,380	1.8	6,287	2.4	
Canadian government corporations	-	1,668	1,215	897	3,780	0.5	3,789	1.1	
Foreign government	13	18,277	8,361	20,116	46,767	1.3	52,952	1.5	
Corporate bonds	63	3,222	2,973	2,667	8,925	2.6	8,249	3.8	
Other debt									
Private debt ¹	118	578	-	-	696	1.4	552	6.2	
Asset-backed securities	50	35	440	1,666	2,191	2.1	2,311	3.9	
Securities purchased under reverse repurchase agreements	19,832	-	-	-	19,832	0.6	17,665	0.5	
Cash collateral pledged on securities borrowed	1,038	-	-	-	1,038	n/a	993	n/a	
Total	\$ 22,476	\$ 35,413	\$ 16,832	\$ 43,880	\$ 118,601	n/a	\$ 122,645	n/a	

¹ Includes direct investments and excludes fund investments.

² Represents fair value.

³ Certain comparatives have been reclassified to conform to the current year's presentation.

10.3.2 Terms to maturity of non-derivative investments held by investment holding subsidiaries

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

(CAD millions)	Terms to maturity						Average effective yield	As at March 31, 2020 ³	
	As at September 30, 2020							Total ²	Average effective yield
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total ²		Total ²		
Marketable bonds									
Corporate bonds	\$ -	\$ 783	\$ 2,153	\$ 159	\$ 3,095	5.3 %	\$ 2,534	7.3 %	
Other debt									
Private debt ¹	1,154	7,063	7,331	-	15,548	8.0	14,092	10.2	
Asset-backed securities	-	87	106	226	419	3.5	203	6.2	
Total	\$ 1,154	\$ 7,933	\$ 9,590	\$ 385	\$ 19,062	n/a	\$ 16,829	n/a	

¹ Includes direct investments and excludes fund investments.

² Represents fair value.

³ Certain comparatives have been reclassified to conform to the current year's presentation.

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

Terms to maturity										
As at September 30, 2020								As at March 31, 2020 ⁴		
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total ³	Fair value	Weighted average interest rate	Total ³	Fair value	Weighted average interest rate
Securities sold under repurchase agreements	\$ 38,649	\$ -	\$ -	\$ -	\$ 38,649	\$ 38,621	0.32 %	\$ 52,261	\$ 52,189	1.0 %
Cash collateral received on securities lent	167	-	-	-	167	167	n/a	158	158	n/a
Securities sold short ^{1,2}	19,022	-	-	-	19,022	19,022	n/a	20,776	20,776	n/a
Debt financing liabilities										
Commercial paper payable	-	-	-	-	-	-	-	5,775	5,757	1.7
Term debt	7,358	16,807	9,508	3,093	36,766	38,618	0.41	31,152	32,638	0.7
Short-term secured debt	1,325	-	-	-	1,325	1,325	0.25	1,430	1,430	1.1
Total	\$ 66,521	\$ 16,807	\$ 9,508	\$ 3,093	\$ 95,929	\$ 97,753	n/a	\$ 111,552	\$ 112,948	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.

³ Represents contractual amounts.

⁴ Certain comparatives have been reclassified to conform to the current year's presentation.

11. Reconciliation of debt financing liabilities

The following table provides a reconciliation of debt financing liabilities arising from financing activities:

For the six months ended September 30, 2020						
(CAD millions)	As at April 1, 2020	Proceeds	Repayments	Non-cash Changes in fair value ¹	As at September 30, 2020	As at September 30, 2019
Debt financing liabilities	\$ 38,395	\$ 8,101	\$ (6,859)	\$ (1,019)	\$ 38,618	\$ 33,991

For the six months ended September 30, 2019						
(CAD millions)	As at April 1, 2019	Proceeds	Repayments	Non-cash Changes in fair value ¹	As at September 30, 2019	As at September 30, 2018
Debt financing liabilities	\$ 30,861	\$ 11,402	\$ (8,582)	\$ 310	\$ 33,991	\$ 33,991

¹ Includes foreign exchange (gains) of \$(1,422) million (September 30, 2019 - \$(496) million).

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12. Collateral

12.1 Collateral held and pledged directly by CPP Investments

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

<i>(CAD millions)</i>	As at September 30, 2020	As at March 31, 2020
Third-party assets held as collateral on¹:		
Reverse repurchase agreements	\$ 19,761	\$ 17,606
Over-the-counter derivative transactions	1,457	3,709
Securities lent ^{2,4}	1,074	613
Own and third-party assets pledged as collateral on:		
Repurchase agreements	(38,591)	(52,072)
Securities borrowed ^{3,4}	(21,976)	(23,265)
Short-term secured debt ⁵	(1,574)	(1,879)
Over-the-counter derivative transactions	(1,494)	(3,855)
Loans ⁶	-	(3,607)
Total	\$ (41,343)	\$ (62,750)

¹ The fair value of the collateral that may be sold or repledged as at September 30, 2020 was \$20,527 million (March 31, 2020 - \$18,025 million). The fair value held of collateral sold or repledged as at September 30, 2020 was \$8,000 million (March 31, 2020 - \$11,145 million).

² The fair value of securities lent as at September 30, 2020 was \$1,035 million (March 31, 2020 - \$675 million).

³ The fair value of securities borrowed as at September 30, 2020 was \$17,330 million (March 31, 2020 - \$16,953 million) of which \$16,469 million was sold or repledged (March 31, 2020 - \$16,160 million) for securities sold short.

⁴ Cash collateral payable on the balance sheet of \$167 million (March 31, 2020 - \$158 million) consists of collateral receivable of \$140 million and collateral payable of \$307 million that qualify for netting (March 31, 2020 - \$98 million and \$256 million, respectively).

⁵ Represents securities pledged as collateral on short-term cash borrowings from prime brokers.

⁶ Represents investment assets pledged by CPP Investments on loan liabilities held by its investment holding subsidiaries.

12.2 Supplemental information on collateral relating to investment holding subsidiaries

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

<i>(CAD millions)</i>	As at September 30, 2020	As at March 31, 2020
Third-party assets held as collateral on¹:		
Other debt	\$ 841	\$ 987
Own and third-party assets pledged as collateral on:		
Loans ²	(14,946)	(10,762)
Total	\$ (14,105)	\$ (9,775)

¹ The fair value of the collateral held that may be sold or repledged as at September 30, 2020 was \$841 million (March 31, 2020 - \$987 million). The fair value of collateral sold or repledged as at September 30, 2020 was nil (March 31, 2020 - nil).

² The loans liability is included in the fair value of investment holding subsidiaries.

13. 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 September 30, 2020, the unfunded commitments for CPP Investments and its investment holding subsidiaries totalled \$1,590 million (March 31, 2020 - \$1,940 million) and \$48,759 million (March 31, 2020 - \$53,453 million), respectively.

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14. Guarantees

As part of certain investment transactions, CPP Investments and its investment holding subsidiaries agreed to guarantee, as at September 30, 2020, up to \$248 million (March 31, 2020 - \$263 million) and \$5,047 million (March 31, 2020 - \$4,832 million), respectively, to other counterparties in the event certain investee entities default under the terms of loan and other related agreements.

15. 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.

15.1 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 since inception, are as follows:

<i>(CAD millions)</i>	For the three months ended							Total net assets
	Accumulated net transfers from CPP			Accumulated net income				
	base CPP	additional CPP	Total	base CPP	additional CPP	Total		
As at July 1, 2020	\$ 148,658	\$ 3,130	\$ 151,788	\$ 282,482	\$ 164	\$ 282,646	\$ 434,434	
Total net income for the period	-	-	-	21,469	111	21,580	21,580	
Transfers from CPP	10,556	719	11,275	-	-	-	11,275	
Transfers to CPP	(10,610)	-	(10,610)	-	-	-	(10,610)	
Balance as at September 30, 2020	\$ 148,604	\$ 3,849	\$ 152,453	\$ 303,951	\$ 275	\$ 304,226	\$ 456,679	

<i>(CAD millions)</i>	For the six months ended							Total net assets
	Accumulated net transfers from CPP			Accumulated net income				
	base CPP	additional CPP	Total	base CPP	additional CPP	Total		
As at April 1, 2019	\$ 143,935	\$ 421	\$ 144,356	\$ 247,622	\$ 2	\$ 247,624	\$ 391,980	
Total net income for the period	-	-	-	13,346	29	13,375	13,375	
Transfers from CPP	22,871	759	23,630	-	-	-	23,630	
Transfers to CPP	(19,497)	-	(19,497)	-	-	-	(19,497)	
Balance as at September 30, 2019	\$ 147,309	\$ 1,180	\$ 148,489	\$ 260,968	\$ 31	\$ 260,999	\$ 409,488	
As at April 1, 2020	\$ 147,544	\$ 2,323	\$ 149,867	\$ 259,706	\$ 15	\$ 259,721	\$ 409,588	
Total net income for the period	-	-	-	44,245	260	44,505	44,505	
Transfers from CPP	21,673	1,526	23,199	-	-	-	23,199	
Transfers to CPP	(20,613)	-	(20,613)	-	-	-	(20,613)	
Balance as at September 30, 2020	\$ 148,604	\$ 3,849	\$ 152,453	\$ 303,951	\$ 275	\$ 304,226	\$ 456,679	

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15.2 Net assets of base CPP and additional CPP

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

	As at September 30, 2020			
<i>(CAD millions)</i>	base CPP	additional CPP		Total
Cash and cash equivalents held for investment purposes	\$ 21,329	\$ 106	\$	21,435
Net investments other than cash and cash equivalents	431,129	4,006		435,135
Net investments	452,458	4,112		456,570
Premises and equipment	441	15		456
Other assets ¹	256	4		260
Accounts payable and accrued liabilities	(600)	(7)		(607)
Net assets	\$ 452,555	\$ 4,124	\$	456,679

	As at March 31, 2020			
<i>(CAD millions)</i>	base CPP	additional CPP		Total
Cash and cash equivalents held for investment purposes	\$ 23,469	\$ 86	\$	23,555
Net investments other than cash and cash equivalents	383,848	2,241		386,089
Net investments	407,317	2,327		409,644
Premises and equipment	461	13		474
Other assets ¹	261	1		262
Accounts payable and accrued liabilities	(789)	(3)		(792)
Net assets	\$ 407,250	\$ 2,338	\$	409,588

¹ Includes cash held for operating purposes.

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15.3 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:

<i>(CAD millions)</i>	As at September 30, 2020		
	base CPP	additional CPP	Total ¹
Equities			
Public equities	\$ 140,928	\$ 776	\$ 141,704
Private equities	116,788	643	117,431
Total equities	257,716	1,419	259,135
Fixed income			
Bonds	95,788	2,151	97,939
Other debt	27,733	153	27,886
Money market securities	23,490	118	23,608
Total fixed income	147,011	2,422	149,433
Absolute return strategies	29,465	162	29,627
Real assets			
Real estate	39,618	219	39,837
Infrastructure	36,376	200	36,576
Power and renewables	8,637	47	8,684
Energy and resources	8,060	45	8,105
Total real assets	92,691	511	93,202
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	20,756	114	20,870
Derivative assets	3,638	20	3,658
Other	3,103	25	3,128
Total investment receivables	27,497	159	27,656
Total investments	\$ 554,380	\$ 4,673	\$ 559,053
Investment liabilities			
Securities sold under repurchase agreements and cash collateral received on securities lent	(38,576)	(212)	(38,788)
Debt financing liabilities	(38,406)	(212)	(38,618)
Securities sold short	(18,918)	(104)	(19,022)
Derivative liabilities	(2,709)	(15)	(2,724)
Short-term secured debt	(1,318)	(7)	(1,325)
Other	(1,517)	(9)	(1,526)
Total investment liabilities	(101,444)	(559)	(102,003)
Pending trades receivable	2,119	11	2,130
Pending trades payable	(2,597)	(13)	(2,610)
Net investments	\$ 452,458	\$ 4,112	\$ 456,570

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(CAD millions)	As at March 31, 2020		
	base CPP	additional CPP	Total ¹
Equities			
Public equities	\$ 117,847	\$ 394	\$ 118,241
Private equities	105,030	351	105,381
Total equities	222,877	745	223,622
Fixed income			
Bonds	102,363	1,295	103,658
Other debt	27,123	91	27,214
Money market securities	24,818	90	24,908
Total fixed income	154,304	1,476	155,780
Absolute return strategies	27,829	93	27,922
Real assets			
Real estate	43,572	146	43,718
Infrastructure	34,563	116	34,679
Power and renewables	8,682	29	8,711
Energy and resources	7,257	24	7,281
Total real assets	94,074	315	94,389
Investment receivables			
Securities purchased under reverse repurchase agreements and cash collateral pledged on securities borrowed	18,595	63	18,658
Derivative assets	9,698	32	9,730
Other	6,186	26	6,212
Total investment receivables	34,479	121	34,600
Total investments	\$ 533,563	\$ 2,750	\$ 536,313
Investment liabilities			
Securities sold under repurchase agreements and cash collateral received on securities lent	(52,173)	(174)	(52,347)
Debt financing liabilities	(38,267)	(128)	(38,395)
Securities sold short	(20,707)	(69)	(20,776)
Derivative liabilities	(9,989)	(34)	(10,023)
Short-term secured debt	(1,425)	(5)	(1,430)
Other	(4,090)	(14)	(4,104)
Total investment liabilities	(126,651)	(424)	(127,075)
Pending trades receivable	7,002	23	7,025
Pending trades payable	(6,597)	(22)	(6,619)
Net investments	\$ 407,317	\$ 2,327	\$ 409,644

¹ 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 Consolidated Schedule of investment portfolio for further details.

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15.4 Net income of base CPP and additional CPP

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

<i>(CAD millions)</i>	For the three months ended September 30, 2020			
		base CPP	additional CPP	Total
Investment income	\$	22,334	\$ 116	\$ 22,450
Investment-related expenses		(510)	(3)	(513)
Net investment income		21,824	113	21,937
Operating expenses		(355)	(2)	(357)
Net income	\$	21,469	\$ 111	\$ 21,580

<i>(CAD millions)</i>	For the three months ended September 30, 2019 ¹			
		base CPP	additional CPP	Total
Investment income	\$	10,314	\$ 21	\$ 10,335
Investment-related expenses		(816)	(1)	(817)
Net investment income		9,498	20	9,518
Operating expenses		(292)	(1)	(293)
Net income	\$	9,206	\$ 19	\$ 9,225

<i>(CAD millions)</i>	For the six months ended September 30, 2020			
		base CPP	additional CPP	Total
Investment income	\$	46,075	\$ 270	\$ 46,345
Investment-related expenses		(1,149)	(6)	(1,155)
Net investment income		44,926	264	45,190
Operating expenses		(681)	(4)	(685)
Net income	\$	44,245	\$ 260	\$ 44,505

<i>(CAD millions)</i>	For the six months ended September 30, 2019 ¹			
		base CPP	additional CPP	Total
Investment income	\$	15,321	\$ 33	\$ 15,354
Investment-related expenses		(1,397)	(2)	(1,399)
Net investment income		13,924	31	13,955
Operating expenses		(578)	(2)	(580)
Net income	\$	13,346	\$ 29	\$ 13,375

¹ Certain comparatives have been reclassified to conform to the current period's presentation.