Canada Pension Plan Investment Board
One Queen Street East, Suite 2500
Toronto, ON M5C 2W5 Canada
www.cppib.com

Condensed Interim Consolidated

Financial Statements of

Canada Pension Plan Investment Board

June 30, 2014

Canada Pension Plan Investment Board

Condensed Interim Consolidated Balance Sheet

As at June 30, 2014
(Unaudited)

(CAD millions)	June 30, 2014	March 31, 2014	June 30, 2013	April 1, 2013
Assets				
Investments (note 3)	$ 265,740	$ 249,671	$ 223,805	$ 207,053
Amounts receivable from pending trades	2,286	2,251	4,017	2,580
Premises and equipment	322	320	295	68
Other assets	44	34	41	28
Total assets	268,392	252,276	228,158	209,729
Liabilities				
Investment liabilities (note 3)	39,011	30,820	33,010	22,383
Amounts payable from pending trades	2,365	1,979	6,017	3,779
Accounts payable and accrued liabilities	216	385	193	303
Total liabilities	41,592	33,184	39,220	26,465
Net assets	$ 226,800	$ 219,092	$ 188,938	$ 183,264
Net assets, represented by:				
Share capital (note 6)	$ -	$ -	$ -	$ -
Accumulated net income from operations	99,077	95,667	67,411	65,533
Accumulated net transfers from the Canada Pension Plan (note 7)	127,723	123,425	121,527	117,731
Net assets	$ 226,800	$ 219,092	$ 188,938	$ 183,264

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Statement of Comprehensive Income

For the three-month period ended June 30, 2014
(Unaudited)

	Three-months ended	
(CAD millions)	June 30, 2014	June 30, 2013
Net investment income (note 8)	$ 3,554	$ 2,003
Operating expenses		
Personnel costs	91	83
General operating expenses	40	34
Professional services	13	8
Total operating expenses	144	125
Net income from operations	$ 3,410	$ 1,878

Condensed Interim Consolidated Statement of Changes in Net Assets

For the three-month period ended June 30, 2014
(Unaudited)

(CAD millions)	Number of shares outstanding	Share capital	Accumulated net transfers from the Canada Pension Plan	Accumulated net income from operations	Total net assets
As at April 1, 2013	10	$ -	$ 117,731	$ 65,533	$ 183,264
Total net income for the period		-	-	1,878	1,878
Canada Pension Plan transfers (note 7):					
Transfers from the Canada Pension Plan		-	11,337	-	11,337
Transfers to the Canada Pension Plan		-	(7,541)	-	(7,541)
Balance at June 30, 2013	10	$ -	$ 121,527	$ 67,411	$ 188,938
As at March 31, 2014	10	$ -	$ 123,425	$ 95,667	$ 219,092
Total net income for the period		-	-	3,410	3,410
Canada Pension Plan transfers (note 7):					
Transfers from the Canada Pension Plan		-	11,186	-	11,186
Transfers to the Canada Pension Plan		-	(6,888)	-	(6,888)
Balance at June 30, 2014	10	$ -	$ 127,723	$ 99,077	$ 226,800

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

Condensed Interim Consolidated Statement of Cash Flows

For the three-month period ended June 30, 2014
(Unaudited)

	Three-months ended	
(CAD millions)	June 30, 2014	June 30, 2013
Cash flows from operating activities		
Net income from operations	$ 3,410	$ 1,878
Adjustments for non-cash items:		
Amortization of premises and equipment	6	6
Effect of exchange rate changes on cash and cash equivalents	(9)	24
Unrealized (gains) losses on debt financing liabilities	(256)	251
Adjustments for net changes in operating assets and liabilities:		
(Increase) decrease in investments	(10,633)	(15,672)
(Increase) decrease in pending trades receivable	(35)	(1,437)
Increase (decrease) in pending trades payable	386	2,238
Increase (decrease) in investment-related liabilities	8,255	10,498
(Increase) decrease in other assets	(3)	(3)
Increase (decrease) in accounts payable and accrued liabilities	(169)	(110)
Proceeds from debt financing liabilities	9,666	9,407
Repayment of debt financing liabilities	(9,474)	(9,529)
Net cash flows provided by (used in) operating activities	1,144	(2,449)
Cash flows from financing activities		
Transfers from the Canada Pension Plan (note 7)	11,186	11,337
Transfers to the Canada Pension Plan (note 7)	(6,888)	(7,541)
Net cash flows provided by (used in) financing activities	4,298	3,796
Cash flows from investing activities		
Acquisitions of premises and equipment	(8)	(233)
Net cash flows provided by (used in) investing activities	(8)	(233)
Net increase (decrease) in cash and cash equivalents	5,434	1,114
Effect of exchange rate changes on cash and cash equivalents	9	(24)
Cash and cash equivalents at the beginning of the period	11,763	12,946
Cash and cash equivalents at the end of the period	17,206	14,036
Cash and cash equivalents at the end of the period are comprised of:		
Cash held for operating purposes[1]	34	35
Cash and cash equivalents held for investment purposes[2]	17,172	14,001
Total	$ 17,206	$ 14,036

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

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

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

Canada Pension Plan Investment Board

Condensed Interim Consolidated Schedule of Investment Portfolio

As at June 30, 2014

(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. These investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(CAD millions)	June 30, 2014	March 31, 2014	June 30, 2013	April 1, 2013
Equities (note 3a)				
Canada				
Public equities	$ 5,985	$ 5,562	$ 4,984	$ 4,789
Private equities	3,081	2,902	2,252	2,250
	9,066	8,464	7,236	7,039
Foreign developed markets				
Public equities	53,680	49,722	39,385	35,957
Private equities	36,053	35,516	29,238	28,529
	89,733	85,238	68,623	64,486
Emerging markets				
Public equities	9,126	8,212	7,863	8,525
Private equities	2,911	2,856	2,027	1,788
	12,037	11,068	9,890	10,313
Total equities	110,836	104,770	85,749	81,838
Fixed income (note 3b)				
Bonds	58,292	55,258	61,900	52,755
Other debt	15,702	13,883	10,995	10,215
Money market securities	24,161	19,663	20,050	19,991
Total fixed income	98,155	88,804	92,945	82,961
Absolute return strategies[1] (note 3c)	12,277	12,243	9,707	9,028
Real assets (note 3d)				
Real estate	24,631	25,461	20,867	19,922
Infrastructure	12,614	13,123	10,864	11,069
Total real assets	37,245	38,584	31,731	30,991
Investment receivables				
Securities purchased under reverse repurchase agreements (note 3e)	5,002	3,221	1,632	630
Accrued interest	668	907	692	725
Derivative receivables (note 3f)	1,440	1,010	1,213	742
Dividends receivable	117	132	136	138
Total investment receivables	7,227	5,270	3,673	2,235
Total investments	$ 265,740	$ 249,671	$ 223,805	$ 207,053
Investment liabilities				
Securities sold under repurchase agreements (note 3e)	(10,643)	(5,230)	(11,307)	(2,180)
Securities sold short	(17,916)	(14,874)	(10,690)	(9,715)
Debt financing liabilities (note 3g)	(9,590)	(9,654)	(9,672)	(9,543)
Derivative liabilities (note 3f)	(862)	(1,062)	(1,341)	(945)
Total investment liabilities	(39,011)	(30,820)	(33,010)	(22,383)
Amounts receivable from pending trades	2,286	2,251	4,017	2,580
Amounts payable from pending trades	(2,365)	(1,979)	(6,017)	(3,779)
Net investments	$ 226,650	$ 219,123	$ 188,795	$ 183,471

[1] Includes only investments in funds.

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

Condensed Interim Consolidated Schedule of Investment Asset Mix

As at June 30, 2014
(Unaudited)

This Condensed Interim Consolidated Schedule of Investment Asset Mix is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios. These investments, after allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

(CAD millions)	June 30, 2014 Fair value	(%)	March 31, 2014 Fair value	(%)	June 30, 2013 Fair value	(%)	April 1, 2013 Fair value	(%)
Equities								
Canada	$ **19,713**	**8.7** %	$ 18,625	8.5 %	$ 15,430	8.2 %	$ 15,316	8.4 %
Foreign developed markets	**80,337**	**35.4**	75,610	34.5	66,409	35.1	63,985	34.9
Emerging markets	**12,681**	**5.6**	12,574	5.7	11,691	6.2	12,356	6.7
	112,731	**49.7**	106,809	48.7	93,530	49.5	91,657	50.0
Fixed income								
Bonds	**55,634**	**24.6**	54,409	24.8	54,673	28.9	52,912	28.8
Other debt	**12,798**	**5.7**	11,385	5.2	9,236	4.9	8,640	4.7
Money market securities[1]	**17,657**	**7.8**	17,415	8.0	9,193	4.9	8,725	4.8
Debt financing liabilities	**(9,590)**	**(4.3)**	(9,654)	(4.4)	(9,672)	(5.1)	(9,543)	(5.2)
	76,499	**33.8**	73,555	33.6	63,430	33.6	60,734	33.1
Real assets								
Real estate	**24,631**	**10.9**	25,461	11.6	20,868	11.1	19,922	10.8
Infrastructure	**12,789**	**5.6**	13,298	6.1	10,967	5.8	11,158	6.1
	37,420	**16.5**	38,759	17.7	31,835	16.9	31,080	16.9
Net investments	$ **226,650**	**100** %	$ 219,123	100 %	$ 188,795	100 %	$ 183,471	100 %

[1] Includes absolute return strategies' investments in funds and internally managed portfolios, as described in note 3c.

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

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(Unaudited)

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Corporate information

The Canada Pension Plan Investment Board (the CPP Investment Board) was established in December 1997 pursuant to the *Canada Pension Plan Investment Board Act* (the Act). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the *Canada Pension Plan* (the CPP) in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan*. It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan* in the best interests of CPP beneficiaries and contributors. The CPP Investment Board received its first funds for investing purposes from the CPP in March 1999. The CPP Investment Board's assets are to be invested in accordance with the Act, regulations and the investment policies with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The CPP Investment Board is exempt from Part I tax under paragraphs 149(1) (d) and 149(1) (d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPP Investment Board are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

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

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

The Consolidated Financial Statements were approved by the Board of Directors and authorized for issue on August 13, 2014.

1. First time adoption of IFRS

These are the CPP Investment Board's first Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS was April 1, 2013.

The CPP Investment Board's IFRS accounting policies presented in note 2 have been applied in preparing the Consolidated Financial Statements for the three-month period ended June 30, 2014, the comparative information and the opening consolidated Balance Sheet at the date of transition.

The CPP Investment Board has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1), in preparing these first IFRS Consolidated Financial Statements. IFRS 1 sets out the procedures that the CPP Investment Board must follow when it adopts IFRS for the first time as the basis for preparing its Consolidated Financial Statements. The CPP Investment Board is required to establish its IFRS accounting policies as at June 30, 2014 and, in general, apply these retrospectively to determine the IFRS opening consolidated Balance Sheet at its date of transition, April 1, 2013.

There is no impact on net assets and net income from operations as a result of adopting IFRS. However, a Statement of Cash Flows is required which was not a requirement under previous Generally Accepted Accounting Principles (Canadian GAAP).

2. Summary of significant accounting policies

a) Basis of presentation

These Consolidated Financial Statements present the financial position and results of operations of the CPP Investment Board in accordance with IFRS and are presented in compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*.

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

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

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

Statement of compliance

The Consolidated Financial Statements of the CPP Investment Board have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and the requirements of the Act and the regulations of the CPP Investment Board.

b) Subsidiaries

The CPP Investment Board is required to report the results of operations in accordance with IFRS 10, *Consolidated Financial Statements*. As a consequence, the Consolidated CPP Investment Board Financial Statements represent the results of operations of the CPP Investment Board and its wholly-owned subsidiaries that were created to provide investment-related services to support its operations. Operating subsidiaries of this nature include those that provide investment advisory services or subsidiaries that were created to provide financing to the CPP Investment Board. Subsidiaries that were created to structure and hold investments are investment holding companies and are not consolidated in these Consolidated Financial Statements but instead measured and reported at fair value.

c) Financial instruments

(i) Classification

The CPP Investment Board classifies its financial assets and financial liabilities into the categories below in accordance with IFRS 9*, Financial Instruments*.

Financial assets classified at fair value through profit or loss

Financial assets are either classified at fair value through profit or loss or at amortized cost. The classification depends on (a) the business model for managing the financial assets and (b) the cash flow characteristics of the financial assets. All financial assets through profit or loss are classified at fair value on the basis that they are part of a portfolio of financial assets which are managed and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of the CPP Investment Board. Financial assets classified at fair value through profit or loss includes investments, other than accrued interest and dividends receivable.

Financial liabilities classified at fair value through profit or loss

Financial liabilities are either classified at fair value through profit or loss or at amortized cost. The classification depends on (a) whether the financial liability meets the definition of held for trading or (b) upon initial recognition the financial liability is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

All financial liabilities are classified at fair value through profit or loss on the basis that they meet the definition of held for trading. Financial liabilities classified at fair value through profit or loss includes securities sold under repurchase agreements, securities sold short, debt financing liabilities and derivative liabilities.

(ii) Recognition

The CPP Investment Board recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Investments, investment receivables and investment liabilities are recorded on a trade date basis.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset expire or where the CPP Investment Board has transferred its rights to receive cash flows from the asset and where:

- The CPP Investment Board has transferred substantially all the risks and rewards of the asset; or
- The CPP Investment Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The CPP Investment Board derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

Financial assets and financial liabilities are measured on initial recognition at fair value.

(v) Subsequent measurement

After initial measurement, financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Subsequent changes in the fair value of those financial assets and financial liabilities are recorded as a net gain (loss) on investments and included in investment income (loss) (see note 8). Interest income and dividend income elements of such financial instruments are included in investment income (loss) (see note 8).

d) Valuation of investments, investment receivables and investment liabilities

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

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, pricing models and other accepted industry valuation methods. See note 3 for more details about the determination of fair value.

e) Income recognition

Income from investments includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income, interest income and net operating income from private real estate investments. Dividend income is recognized on the ex-dividend date, which is when the CPP Investment Board's right to receive the dividend has been established. Interest income is recognized using the effective interest rate method.

f) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Financial Statements if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

g) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and included in net investment income (loss) (see note 8).

h) Investment management fees

Investment management fees are paid to investment managers for externally managed investments. Investment management fees are expensed as incurred and included in net investment income (loss) (see note 8).

i) Cash equivalents

Cash equivalents consist of short-term deposits with a maturity of 90 days or less.

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

Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP Investment Board. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained, when appropriate, to protect against credit exposure (see note 9). In the event of counterparty default, the CPP Investment Board has the right to liquidate the collateral held.

Securities sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified price at a specified future date. The securities sold continue to be recognized as an investment of the CPP Investment Board with any changes in fair value recorded as net gain (loss) on investments and included in investment income (loss) (see note 8). Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is included in investment income (loss) (see note 8).

k) Securities sold short

Securities sold short represent securities that are sold, but not owned, by the CPP Investment Board. The CPP Investment Board has an obligation to cover these short positions, which are accounted for as an investment liability based on the fair value of the securities sold. Collateral is pledged to the counterparty, when appropriate (see note 9). Interest and dividend expense on securities sold short are included in investment income (loss) (see note 8).

l) Functional and presentation currency

The CPP Investment Board's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. The CPP Investment Board's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

m) Foreign currency translation

Transactions, including purchases and sales of investments, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Investments and monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate at each balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in net investment income in the Consolidated Statement of Comprehensive Income.

n) Canada Pension Plan transfers

Net amounts from the CPP are recorded as received.

o) Use of estimates, judgments and assumptions

The preparation of the Consolidated Financial Statements requires management to make estimates, judgments and assumptions that affect the amounts recognized for assets and liabilities, principally the valuation of financial instruments which are not actively traded. Uncertainty about these estimates, judgments and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

3. Investments and investment liabilities

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

a) Equities

(i) Public equity investments are made directly or through funds. As at June 30, 2014, public equities include fund investments with a fair value of $6,489 million (March 31, 2014 - $6,000 million, June 30, 2013 - $3,998 million, April 1, 2013 - $3,657 million).

Fair value for publicly traded equities, including equity short positions, is based on quoted market prices. Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

(ii) Private equity investments are generally made directly or through ownership in limited partnership funds. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at June 30, 2014, private equities include direct investments with a fair value of $15,739 million (March 31, 2014 - $15,037 million, June 30, 2013 - $9,783 million, April 1, 2013 - $9,803 million).

The fair value for investments held directly is primarily determined using earnings multiples of comparable publicly traded companies. Significant inputs include company specific earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings multiples of comparable publicly traded companies. Recent market transactions, where available, is also used. In the case of investments held through a limited partnership fund, fair value is generally determined based on relevant information reported by the general partner using similar accepted industry valuation methods.

b) Fixed income

(i) Bonds consist of non-marketable and marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act. These provisions permit each issuer, at its option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPP Investment Board and the provinces permit each province to repay the bond and concurrently cause the CPP Investment Board to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not more than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and subject in all cases to the maximum 30 years outside the maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

Fair value for non-marketable Canadian government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, and adjusted for rollover provisions of the bonds. In the case of marketable bonds, including bond short positions, fair value is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on relevant benchmark yield curves and credit spreads pertaining to the issuer.

(ii) Other debt consists of investments in direct private debt, asset-backed securities, intellectual property, royalties, distressed mortgage funds and private debt funds.

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

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

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

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

c) Absolute return strategies

Absolute return strategies consist of investments in funds and internally managed portfolios whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds and the internally managed portfolios could include, but are not limited to, equities, fixed income securities and derivatives. Fair value for fund investments is generally based on the net asset value as reported by the external administrators or managers of the funds.

d) Real assets

(i) The CPP Investment Board obtains exposure to real estate through direct investments in privately held real estate, real estate funds and publicly-traded securities. Private real estate investments are managed by investment managers primarily through co-ownership arrangements.

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

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

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

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

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

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

f) Derivative contracts

A derivative contract is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or negotiated in over-the-counter markets.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Balance Sheet. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Schedule of Investment Portfolio. In the Consolidated Schedule of Investment Asset Mix, the derivative contracts are allocated to the asset class to which each contract relates.

Fair value for exchange-traded derivatives, which includes futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which includes swaps, options, forward contracts and warrants, is determined based on valuation techniques such as option pricing models, discounted cash flows and consensus pricing from independent brokers and/or third-party vendors. Inputs used in these valuation techniques can include, but are not limited to, spot prices, price volatilities, currency exchange rates, interest rate curves and credit spreads. In determining fair value, consideration is also given to the credit risk of the counterparty.

The CPP Investment Board uses derivatives to generate value-added investment returns and to manage or adjust exposures to interest rate, currency, credit and other market risks without directly purchasing or selling the underlying instrument.

(i) Derivative instruments

The CPP Investment Board uses the following types of derivative instruments and are subject to the following types of risks:

Futures and forwards

Futures are standardized contracts transacted on an exchange, whereas forwards are customized over-the-counter contracts negotiated between counterparties. Futures contracts may be cash-settled or require physical delivery of the underlying asset. Examples of futures and forwards are described below:

Equity futures are contractual obligations to purchase or sell a specified quantity of an equity index, a basket of stocks, or a single stock at a predetermined price and date in the future.

Foreign exchange forwards are contractual obligations negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future.

Interest rate futures, including bond futures, are contractual obligations to purchase or sell a specified amount of an interest rate sensitive financial instrument(s) or index at a predetermined price and date in the future.

Commodity futures are contractual obligations to purchase or sell a specified quantity of a commodity, such as precious metals and energy related products at a predetermined price and date in the future.

Swaps

Swaps are over-the counter contracts between two parties to exchange a series of cash flows. Examples of swaps are described below:

Equity-based swaps include equity swaps and variance swaps. Equity swaps are contracts where one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument. Variance swaps are contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

Interest rate-related swaps include bond swaps, interest rate swaps and cross-currency interest rate swaps. Bond swaps are contracts in which counterparties exchange the return on a bond, or group of such instruments for the return on a fixed or floating interest rate or the return on another instrument.

Interest rate swaps are contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency, with no exchange of a notional amount. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit default swaps are contracts that provide credit protection against a specified credit event such as the default or bankruptcy of the underlying financial instrument (referenced asset). The purchaser (buyer) pays a premium to the writer (seller) in return for payment, which is contingent on a credit event affecting the referenced asset.

The CPP Investment Board purchases (buys) and writes (sells) credit default swaps. Credit default swaps require the writer to compensate counterparties for the decline in value of an underlying financial instrument (referenced asset) as a result of the occurrence of a specified credit event. The notional amount represents the maximum amount payable to these counterparties under these written credit default swap contracts.

Options and warrants

Options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified amount of an equity security, currency, interest rate sensitive financial instrument, credit, commodity or other financial instrument at or before a specified future date at a predetermined price. The purchaser pays a premium to the seller for this right. Options can be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

The CPP Investment Board purchases (buys) and writes (sells) options. Call or put options may require the writer to sell or purchase the underlying asset at any time at a fixed date or within a fixed future period. Due to the nature of these contracts, the CPP Investment Board cannot make a reasonable estimate of the potential maximum amount of future payments.

Warrants are transacted both over-the-counter and through exchanges where the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price.

(ii) Derivative-related risk

The following are primary risks associated with derivatives:

Market risk

Derivatives generate positive or negative value, as the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk, which is managed through the Risk/Return Accountability Framework described in note 5.

Credit risk

Credit risk is the risk of a financial loss that occurs as a result of the failure of a counterparty to meet its obligations to the CPP Investment Board. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument and is normally a small fraction of the contract's notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded contracts is limited because these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPP Investment Board limits credit risk on over-the-counter contracts through a variety of means, including dealing only with authorized counterparties that meet the minimum credit rating and limiting the maximum exposures to any individual counterparty, and the use of master netting agreements and collateral as discussed in note 5c.

(iii) The fair value of derivative contracts is as follows:

Fair value of derivative contracts

	As at June 30, 2014		As at March 31, 2014		As at June 30, 2013	
(CAD millions)	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Equity contracts						
Futures	$ 1	$ (2)	$ 13	$ (3)	$ 3	$ (18)
Swaps	742	(205)	608	(320)	469	(476)
Options:						
Exchange-traded – purchased	1	-	1	-	-	-
Exchange-traded – written	-	(1)	-	-	-	-
Over-the-counter – purchased	12	-	-	-	-	-
Over-the-counter – written	-	(5)	-	-	-	-
Warrants	4	-	13	-	3	-
Total equity contracts	760	(213)	635	(323)	475	(494)
Foreign exchange contracts						
Forwards	567	(171)	188	(330)	437	(395)
Options:						
Over-the-counter – purchased	1	-	-	-	2	-
Over-the-counter – written	-	(1)	-	-	-	(1)
Total foreign exchange contracts	568	(172)	188	(330)	439	(396)
Interest rate contracts						
Futures	1	(2)	3	(1)	2	(3)
Swaps	107	(136)	95	(134)	231	(268)
Options:						
Exchange-traded – purchased	-	-	-	-	-	-
Exchange-traded – written	-	-	-	-	-	-
Over-the-counter – purchased	1	-	-	-	-	-
Over-the-counter – written	-	(2)	-	-	-	-
Total interest rate contracts	109	(140)	98	(135)	233	(271)
Credit contracts						
Purchased credit default swaps	6	(303)	10	(252)	27	(146)
Written credit default swaps	196	(14)	188	(14)	93	(17)
Options:						
Over-the-counter – purchased	3	-	-	-	3	-
Over-the-counter – written	-	(3)	-	-	-	(3)
Total credit contracts	205	(320)	198	(266)	123	(166)
Commodity contracts						
Futures	11	(17)	4	(8)	13	(14)
Total commodity contracts	11	(17)	4	(8)	13	(14)
Subtotal	1,653	(862)	1,123	(1,062)	1,283	(1,341)
Less: Cash collateral received under derivative contracts	(213)	-	(113)	-	(70)	-
Total	$ 1,440	$ (862)	$ 1,010	$ (1,062)	$ 1,213	$ (1,341)

(iv) The terms to maturity of the notional amounts for derivative contracts is as follows:

Notional amount of derivatives by terms to maturity

	Terms to maturity						
	As at June 30, 2014					As at March 31, 2014	As at June 30, 2013
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Total	Total
Equity contracts							
Futures	$ 905	$ -	$ -	$ -	$ 905	$ 1,513	$ 4,188
Swaps	27,945	20,615	168	-	48,728	47,360	35,393
Options:							
Exchange-traded – purchased	181	-	-	-	181	107	85
Exchange-traded – written	233	-	-	-	233	180	-
Over-the-counter – purchased	44	-	-	-	44	-	-
Over-the-counter – written	1	-	-	-	1	-	-
Warrants	7	75	6	-	88	161	412
Total equity contracts	29,316	20,690	174	-	50,180	49,321	40,078
Foreign exchange contracts							
Forwards	47,364	-	-	-	47,364	37,832	31,193
Options:							
Over-the-counter – purchased	237	-	-	-	237	44	218
Over-the-counter – written	531	-	-	-	531	-	185
Total foreign exchange contracts	48,132	-	-	-	48,132	37,876	31,596
Interest rate contracts							
Futures	10,344	36	-	-	10,380	11,553	31,980
Swaps	5,610	6,615	2,743	935	15,903	15,870	43,435
Options:							
Exchange-traded – purchased	-	-	-	-	-	2,625	-
Exchange-traded – written	107	-	-	-	107	3,849	-
Over-the-counter – purchased	746	-	-	-	746	-	-
Over-the-counter – written	1,278	-	-	-	1,278	-	-
Total interest rate contracts	18,085	6,651	2,743	935	28,414	33,897	75,415
Credit contracts							
Purchased credit default swaps	741	8,282	513	-	9,536	8,598	6,228
Written credit default swaps	651	7,164	161	-	7,976	7,914	4,968
Options:							
Over-the-counter – purchased	1,141	-	-	-	1,141	1,656	1,319
Over-the-counter – written	1,750	-	-	-	1,750	-	1,002
Total credit contracts	4,283	15,446	674	-	20,403	18,168	13,517
Commodity contracts							
Futures	1,237	-	-	-	1,237	1,013	1,345
Total commodity contracts	1,237	-	-	-	1,237	1,013	1,345
Total	$ 101,053	$ 42,787	$ 3,591	$ 935	$ 148,366	$ 140,275	$ 161,951

g) Debt financing liabilities

Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to the short-term nature of these liabilities.

h) Unconsolidated subsidiaries

The CPP Investment Board consolidates those subsidiaries that provide investment-related services to support its investment operations. All other subsidiaries are not consolidated but rather measured at fair value (see note 2b). Investments in unconsolidated subsidiaries include 157 wholly-owned subsidiaries (March 31, 2014 – 153, June 30, 2013 - 147) incorporated to hold investments primarily in private equities, debt, real estate and infrastructure. Of the 157 wholly-owned subsidiaries, 108 are incorporated in Canada, 16 are incorporated in United States, 16 are incorporated in Australia and 17 are incorporated in other jurisdictions.

The CPP Investment Board has commitments to provide financial or other support to wholly-owned subsidiaries to fund day-to-day operations and investment activity under loan agreements or shareholder's resolutions as needed.

Unconsolidated subsidiaries, that are not wholly-owned but controlled, typically include those that were acquired by the CPP Investment Board or indirectly acquired through its investment holding companies. Fair value for unconsolidated investment holding companies is based on the fair value of the underlying investments and investment liabilities held by the investment holding company together with its accumulated net income from operations. The determination of the fair value of the underlying investments and investment liabilities are based on the valuation techniques and related inputs outlined in note 3.

4. Fair value measurement

(a) Fair value hierarchy

The following shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

Fair value hierarchy

(CAD millions)	As at June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	$ 5,980	$ 5	$ -	$ 5,985
Private equities	-	-	3,081	3,081
	5,980	5	3,081	9,066
Foreign developed markets				
Public equities[1]	48,616	5,011	53	53,680
Private equities	2,311	1,758	31,984	36,053
	50,927	6,769	32,037	89,733
Emerging markets				
Public equities[1]	7,628	1,498	-	9,126
Private equities	106	-	2,805	2,911
	7,734	1,498	2,805	12,037
Total equities	64,641	8,272	37,923	110,836
Fixed income				
Bonds	31,461	26,831	-	58,292
Other debt	-	5,105	10,597	15,702
Money market securities	-	24,161	-	24,161
Total fixed income	31,461	56,097	10,597	98,155
Absolute return strategies	-	10,845	1,432	12,277
Real assets				
Real estate	788	-	23,843	24,631
Infrastructure	256	-	12,358	12,614
Total real assets	1,044	-	36,201	37,245
Investment receivables				
Securities purchased under reverse repurchase agreements	-	5,002	-	5,002
Accrued interest	-	668	-	668
Derivative receivables	14	1,422	4	1,440
Dividends receivable	-	117	-	117
Total investment receivables	14	7,209	4	7,227
Total investments	97,160	82,423	86,157	265,740
Investment liabilities				
Securities sold under repurchase agreements	-	(10,643)	-	(10,643)
Securities sold short	(17,916)	-	-	(17,916)
Debt financing liabilities	-	(9,590)	-	(9,590)
Derivative liabilities	(22)	(840)	-	(862)
Total investment liabilities	(17,938)	(21,073)	-	(39,011)
Amounts receivable from pending trades	-	2,286	-	2,286
Amounts payable from pending trades	-	(2,365)	-	(2,365)
Net investments	$ 79,222	$ 61,271	$ 86,157	$ 226,650

(CAD millions)	As at March 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	$ 5,562	$ -	$ -	$ 5,562
Private equities	-	455	2,447	2,902
	5,562	455	2,447	8,464
Foreign developed markets				
Public equities[1]	45,117	4,569	36	49,722
Private equities	2,034	2,938	30,544	35,516
	47,151	7,507	30,580	85,238
Emerging markets				
Public equities[1]	6,781	1,431	-	8,212
Private equities	101	-	2,755	2,856
	6,882	1,431	2,755	11,068
Total equities	59,595	9,393	35,782	104,770
Fixed income				
Bonds	29,593	25,665	-	55,258
Other debt	-	4,531	9,352	13,883
Money market securities	-	19,663	-	19,663
Total fixed income	29,593	49,859	9,352	88,804
Absolute return strategies	-	10,775	1,468	12,243
Real assets				
Real estate	383	1,535	23,543	25,461
Infrastructure	271	-	12,852	13,123
Total real assets	654	1,535	36,395	38,584
Investment receivables				
Securities purchased under reverse repurchase agreements	-	3,221	-	3,221
Accrued interest	-	907	-	907
Derivative receivables	21	976	13	1,010
Dividends receivable	-	132	-	132
Total investment receivables	21	5,236	13	5,270
Total investments	89,863	76,798	83,010	249,671
Investment liabilities				
Securities sold under repurchase agreements	-	(5,230)	-	(5,230)
Securities sold short	(14,874)	-	-	(14,874)
Debt financing liabilities	-	(9,654)	-	(9,654)
Derivative liabilities	(12)	(1,050)	-	(1,062)
Total investment liabilities	(14,886)	(15,934)	-	(30,820)
Amounts receivable from pending trades	-	2,251	-	2,251
Amounts payable from pending trades	-	(1,979)	-	(1,979)
Net investments	$ 74,977	$ 61,136	$ 83,010	$ 219,123

(CAD millions)	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	$ 4,984	$ -	$ -	$ 4,984
Private equities	-	-	2,252	2,252
	4,984	-	2,252	7,236
Foreign developed markets				
Public equities[1]	36,409	2,934	42	39,385
Private equities	456	-	28,782	29,238
	36,865	2,934	28,824	68,623
Emerging markets				
Public equities[1]	6,799	1,064	-	7,863
Private equities	-	-	2,027	2,027
	6,799	1,064	2,027	9,890
Total equities	48,648	3,998	33,103	85,749
Fixed income				
Bonds	38,927	22,973	-	61,900
Other debt	-	4,101	6,894	10,995
Money market securities	-	20,050	-	20,050
Total fixed income	38,927	47,124	6,894	92,945
Absolute return strategies	-	8,435	1,272	9,707
Real assets				
Real estate	-	-	20,867	20,867
Infrastructure	211	-	10,653	10,864
Total real assets	211	-	31,520	31,731
Investment receivables				
Securities purchased under reverse repurchase agreements	-	1,632	-	1,632
Accrued interest	-	692	-	692
Derivative receivables	16	1,197	-	1,213
Dividends receivable	-	136	-	136
Total investment receivables	16	3,657	-	3,673
Total investments	87,802	63,214	72,789	223,805
Investment liabilities				
Securities sold under repurchase agreements	-	(11,307)	-	(11,307)
Securities sold short	(10,690)	-	-	(10,690)
Debt financing liabilities	-	(9,672)	-	(9,672)
Derivative liabilities	(26)	(1,315)	-	(1,341)
Total investment liabilities	(10,716)	(22,294)	-	(33,010)
Amounts receivable from pending trades	-	4,017	-	4,017
Amounts payable from pending trades	-	(6,017)	-	(6,017)
Net investments	$ 77,086	$ 38,920	$ 72,789	$ 188,795

(CAD millions)	As at April 1, 2013			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	$ 4,789	$ -	$ -	$ 4,789
Private equities	-	-	2,250	2,250
	4,789	-	2,250	7,039
Foreign developed markets				
Public equities[1]	33,282	2,675	-	35,957
Private equities	602	92	27,835	28,529
	33,884	2,767	27,835	64,486
Emerging markets				
Public equities[1]	7,529	996	-	8,525
Private equities	-	-	1,788	1,788
	7,529	996	1,788	10,313
Total equities	46,202	3,763	31,873	81,838
Fixed income				
Bonds	28,639	24,116	-	52,755
Other debt	-	4,060	6,155	10,215
Money market securities	-	19,991	-	19,991
Total fixed income	28,639	48,167	6,155	82,961
Absolute return strategies	-	7,813	1,215	9,028
Real assets				
Real estate	-	-	19,922	19,922
Infrastructure	199	-	10,870	11,069
Total real assets	199	-	30,792	30,991
Investment receivables				
Securities purchased under reverse repurchase agreements	-	630	-	630
Accrued interest	-	725	-	725
Derivative receivables	24	715	3	742
Dividends receivable	-	138	-	138
Total investment receivables	24	2,208	3	2,235
Total investments	75,064	61,951	70,038	207,053
Investment liabilities				
Securities sold under repurchase agreements	-	(2,180)	-	(2,180)
Securities sold short	(9,715)	-	-	(9,715)
Debt financing liabilities	-	(9,543)	-	(9,543)
Derivative liabilities	(9)	(936)	-	(945)
Total investment liabilities	(9,724)	(12,659)	-	(22,383)
Amounts receivable from pending trades	-	2,580	-	2,580
Amounts payable from pending trades	-	(3,779)	-	(3,779)
Net investments	$ 65,340	$ 48,093	$ 70,038	$ 183,471

[1] Includes investments in funds.

(b) Transfers between level 1 and level 2

During the three-month period ended June 30, 2014, there were no transfers from Level 1 to Level 2 (June 30, 2013 - $nil) and no transfers from Level 2 to Level 1 (June 30, 2013 - $112 million).

(c) Level 3 reconciliation

The following presents the reconciliations for investments included in Level 3 of the fair value hierarchy for the three-month period ended June 30, 2014:

Reconciliation of changes in fair value for level 3 investments

For the three-month period ended June 30, 2014								
(CAD millions)	Fair value as at April 1, 2014	Gain (loss) included in net investment income (loss)[1]	Purchases	Sales[2]	Transfers into level 3[3]	Transfers out of level 3[3]	Fair value as at June 30, 2014	Change in unrealized gains (losses) on investments still held at June 30, 2014[1,4]
Investments								
Equities								
Canada								
Public equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Private equities	2,447	10	36	(49)	637	-	3,081	177
	2,447	10	36	(49)	637	-	3,081	177
Foreign developed markets								
Public equities	36	17	-	-	-	-	53	17
Private equities	30,544	(372)	3,376	(1,564)	-	-	31,984	(1,029)
	30,580	(355)	3,376	(1,564)	-	-	32,037	(1,012)
Emerging markets								
Private equities	2,755	62	157	(169)	-	-	2,805	(70)
	2,755	62	157	(169)	-	-	2,805	(70)
Total equities	35,782	(283)	3,569	(1,782)	637	-	37,923	(905)
Fixed income								
Other debt	9,352	(212)	1,943	(482)	-	(4)	10,597	(250)
Total fixed income	9,352	(212)	1,943	(482)	-	(4)	10,597	(250)
Absolute return strategies	1,468	(35)	-	(1)	-	-	1,432	(35)
Real assets								
Real estate	23,543	(636)	778	(1,305)	1,522	(59)	23,843	(591)
Infrastructure	12,852	(334)	21	(181)	-	-	12,358	(273)
Total real assets	36,395	(970)	799	(1,486)	1,522	(59)	36,201	(864)
Investment receivables								
Derivative receivables	13	(5)	-	(4)	-	-	4	1
Total investment receivables	13	(5)	-	(4)	-	-	4	1
Total	$ 83,010	$ (1,505)	$ 6,311	$ (3,755)	$ 2,159	$ (63)	$ 86,157	$ (2,053)

	For the three-month period ended June 30, 2013							
(CAD millions)	Fair value as at April 1, 2013	Gain (loss) included in net investment income (loss)[1]	Purchases	Sales[2]	Transfers into level 3[3]	Transfers out of level 3[3]	Fair value as at June 30, 2013	Change in unrealized gains (losses) on investments still held at June 30, 2013[1,4]
Investments								
Equities								
Canada								
Public equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Private equities	2,250	28	38	(64)	-	-	2,252	18
	2,250	28	38	(64)	-	-	2,252	18
Foreign developed markets								
Public equities	-	1	41	-	-	-	42	1
Private equities	27,835	1,700	784	(1,537)	-	-	28,782	1,228
	27,835	1,701	825	(1,537)	-	-	28,824	1,229
Emerging markets								
Private equities	1,788	138	194	(93)	-	-	2,027	77
	1,788	138	194	(93)	-	-	2,027	77
Total equities	31,873	1,867	1,057	(1,694)	-	-	33,103	1,324
Fixed income								
Other debt	6,155	307	1,034	(653)	51	-	6,894	315
Total fixed income	6,155	307	1,034	(653)	51	-	6,894	315
Absolute return strategies	1,215	57	-	-	-	-	1,272	57
Real assets								
Real estate	19,922	420	1,067	(542)	-	-	20,867	385
Infrastructure	10,870	(40)	15	(192)	-	-	10,653	(80)
Total real assets	30,792	380	1,082	(734)	-	-	31,520	305
Investment receivables								
Derivative receivables	3	(3)	-	-	-	-	-	(3)
Total investment receivables	3	(3)	-	-	-	-	-	(3)
Total	$ 70,038	$ 2,608	$ 3,173	$ (3,081)	$ 51	$ -	$ 72,789	$ 1,998

1 Presented as investment income (loss) (see note 8).
2 Includes return of capital.
3 Transfers into and out of Level 3 are assumed to occur at the end of period values.
4 Includes the entire change in fair value for the period for those investments that were transferred into Level 3 during the period, and excludes the entire change in fair value for the period for those investments that were transferred out of Level 3 during the period.

During the three-month period ended June 30, 2014 and June 30, 2013, transfers into and out of Level 3 were primarily due to changes in the availability of market observable inputs used to determine fair value.

(d) Level 3 – Significant unobservable inputs

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

	June 30, 2014				
(CAD millions)	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values[3]	Weighted average[3]
Public equities					
Direct[2]	$ 53	Broker quotes	-	-	-
Private equities					
Direct[1]	11,565	Earnings multiples of comparable companies	EBITDA multiple	7.6X – 12.0X	9.9X
Fund investments[2]	26,305	Net asset value provided by Investment Manager	-	-	-
Other debt					
Direct private debt[1]	5,849	Discounted cash flow	Discount rate	6.9% – 30.0%	11.9%
Asset-backed securities[2]	2,978	Broker quotes	-	-	-
Fund investments[2]	1,770	Net asset value provided by Investment Manager	-	-	-
Absolute return strategies					
Fund investments[2]	1,432	Net asset value provided by Investment Manager	-	-	-
Real estate					
Direct[1,2]	19,177	Discounted cash flow	Discount rate	4.3% – 12.3%	6.6%
			Terminal capitalization rate	4.3% – 10.0%	5.6%
		Net asset value provided by Investment Manager	-	-	-
Fund investments[2]	4,666	Net asset value provided by Investment Manager	-	-	-
Infrastructure					
Direct[1]	12,037	Discounted cash flow	Discount rate	8.3% – 13.0%	11.2%
Fund investments[2]	321	Net asset value provided by Investment Manager	-	-	-
Derivative receivables					
Warrants	4	Option model	Market volatility	10.0%	10.0%
Total	**$ 86,157**				

	March 31, 2014				
(CAD millions)	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values[3]	Weighted average[3]
Public equities					
Direct[2]	$ 36	Broker quotes	-	-	-
Private equities					
Direct[1]	9,478	Earnings multiples of comparable companies	EBITDA multiple	7.6X – 12.0X	10.0X
Fund investments[2]	26,268	Net asset value provided by Investment Manager	-	-	-
Other debt					
Direct private debt[1]	5,167	Discounted cash flow	Discount rate	7.3% – 30.0%	11.5%
Asset-backed securities[2]	2,569	Broker quotes	-	-	-
Fund investments[2]	1,616	Net asset value provided by Investment Manager	-	-	-
Absolute return strategies					
Fund investments[2]	1,468	Net asset value provided by Investment Manager	-	-	-
Real estate					
Direct[1,2]	17,954	Discounted cash flow	Discount rate	4.3% – 12.3%	6.5%
			Terminal capitalization rate	4.3% – 10.0%	5.7%
		Net asset value provided by Investment Manager	-	-	-
Fund investments[2]	5,589	Net asset value provided by Investment Manager	-	-	-
Infrastructure					
Direct[1]	12,524	Discounted cash flow	Discount rate	8.3% – 13.0%	11.2%
Fund investments[2]	328	Net asset value provided by Investment Manager	-	-	-
Derivative receivables					
Warrants	13	Option model	Market volatility	10.0% – 30.0%	16.7%
Total	$ 83,010				

	June 30, 2013				
(CAD millions)	Fair value	Primary valuation techniques used	Significant unobservable inputs	Range of input values[3]	Weighted average[3]
Public equities					
Direct[2]	$ 42	Broker quotes	-	-	-
Private equities					
Direct[1]	9,421	Earnings multiples of comparable companies	EBITDA multiple	5.5X – 12.0X	9.3X
Fund investments[2]	23,640	Net asset value provided by Investment Manager	-	-	-
Other debt					
Direct private debt[1]	3,140	Discounted cash flow	Discount rate	8.3% – 30.3%	12.8%
Asset-backed securities[2]	1,848	Broker quotes	-	-	-
Fund investments[2]	1,906	Net asset value provided by Investment Manager	-	-	-
Absolute return strategies					
Fund investments[2]	1,272	Net asset value provided by Investment Manager	N/A	-	-
Real estate					
Direct[1,2]	16,161	Discounted cash flow	Discount rate	4.3% – 12.5%	6.9%
			Terminal capitalization rate	4.3% – 10.3%	5.9%
		Net asset value provided by Investment Manager	-	-	-
Fund investments[2]	4,706	Net asset value provided by Investment Manager	-	-	-
Infrastructure					
Direct[1]	10,360	Discounted cash flow	Discount rate	8.1% – 12.8%	11.1%
Fund investments[2]	293	Net asset value provided by Investment Manager	N/A	-	-
Derivative receivables					
Warrants	-	Option model	Market volatility	-	-
Total	$ 72,789				

[1] May include certain recently acquired investments held at cost, which approximates fair value.
[2] In certain cases, external valuations are prepared by a third-party and hence, valuation information is not available.
[3] The range of input values represents the highest and lowest inputs used to value the investments in a particular asset class. The weighted average of the input values is calculated based on the relative fair values of the investments within the asset class. The diversity of investments reported within each asset class, such as the geographic location and industry sector of the investments, may result in certain ranges of inputs being wide and unevenly distributed across the range.

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

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

The fair value of these direct investments classified within Level 3 of the fair value hierarchy above are based on accepted industry valuation methods that may include the use of estimates made by management, appraisers or both where significant judgment is required. By using valuation methods based on reasonable alternative assumptions, different fair values could result. Management has determined that the potential impact on fair values using these reasonable alternative assumptions would not be significant.

5. Investment risk management

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

The CPP Investment Board manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies and approved by the Board of Directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions. It has been designed to achieve the mandate of the CPP Investment Board, which is to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

An active risk limit is included within the Risk/Return Accountability Framework, which represents a limit on the amount of investment risk that the CPP Investment Board can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the Board of Directors and serves as a performance benchmark against which the CPP Investment Board’s value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPP Investment Board is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPP Investment Board monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the Board of Directors on at least a quarterly basis. Financial risk management is discussed in greater detail on page 30 in the Risk/Return Accountability Framework section of the Management’s Discussion and Analysis in the 2014 Annual Report.

a) Market risk

Market risk (including currency risk, interest rate risk and other price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. As discussed previously, the CPP Investment Board manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures.

Market risk is comprised of the following:

Currency risk

The CPP Investment Board is exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value or future cash flows of these investments and investment liabilities.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives are as follows:

Currency risk exposures

(CAD millions)	June 30, 2014			March 31, 2014			June 30, 2013		
Currency	**Net exposure**	**% of total**		Net exposure	% of total		Net exposure	% of total	
United States dollar	$ 87,793	58	%	$ 83,612	58	%	$ 65,308	56	%
Euro	23,241	15		22,241	15		15,798	14	
British pound sterling	9,260	6		9,380	7		8,617	8	
Japanese yen	8,248	6		6,966	5		7,737	7	
Australian dollar	6,947	5		7,222	5		4,810	4	
Hong Kong dollar	2,400	2		2,285	2		2,352	2	
South Korean won	1,746	1		1,468	1		1,138	1	
Chilean pesos	1,401	1		1,459	1		1,182	1	
Brazilian real	1,185	1		1,017	1		722	1	
Other	8,174	5		7,232	5		6,603	6	
Total	$ 150,395	100	%	$ 142,882	100	%	$ 114,267	100	%

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of an investment or investment-related liability will fluctuate because of changes in market interest rates. The CPP Investment Board is exposed to interest rate risk primarily through holdings of fixed income securities, certain investment liabilities and interest rate derivative instruments.

The terms to maturity of fixed income securities, as at June 30, 2014, are as follows:

Investments terms to maturity

	Terms to maturity										
	June 30, 2014						March 31, 2014		June 30, 2013		
(CAD millions)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield	Total	Average effective yield
Non-marketable bonds										
Canadian provincial government	$ 490	$ 1,690	$ 8,491	$ 12,805	$ 23,476	3.3 %	$ 23,051	3.5 %	$ 22,973	3.6 %
Marketable bonds										
Government of Canada	1	6,623	1,873	545	9,042	2.3	10,700	2.4	20,440	2.0
Canadian provincial government	-	1,339	5,775	4,768	11,882	3.2	12,093	3.4	10,870	3.6
Canadian government corporations	-	2,854	1,030	1,435	5,319	2.7	5,360	2.9	4,290	2.6
Foreign government	-	3,226	1,380	612	5,218	2.3	1,439	2.6	1,310	1.0
Corporate bonds	309	2,043	652	351	3,355	2.6	2,615	3.1	2,016	3.3
Inflation-linked bonds	-	-	-	-	-	-	-	-	1	0.4
Other debt										
Private debt	22	2,553	2,189	234	4,998	9.5	4,477	11.0	3,059	9.5
Real estate private debt	80	1,250	746	408	2,484	5.7	1,890	5.7	1,618	6.1
Asset-backed securities	-	331	1,208	1,477	3,016	1.0	2,607	0.9	1,886	0.8
Securities purchased under reverse repurchase agreements	5,002	-	-	-	5,002	0.7	3,221	0.9	1,632	1.0
Total	$ 5,904	$ 21,909	$ 23,344	$ 22,635	$ 73,792	3.2 %	$ 67,453	3.4 %	$ 70,095	3.3 %

The terms to maturity of investment liabilities and the notional amount of derivative receivables are disclosed in note 5d and note 3f, respectively.

Other price risk

Other price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices arising primarily from equity price risk, commodity price risk and credit spread risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

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

b) Value at Risk

The CPP Investment Board uses a Value at Risk (VaR) methodology to monitor market risk exposure and credit risk exposure (see note 5c) in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and other market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst-case scenario.

Market VaR calculated by the CPP Investment Board is estimated using a historical simulation method, evaluated at a 90% confidence level and scaled to a one-year holding period. The significant assumptions used in this method are the incorporation of the most recent 10 years of weekly market returns and the use of public market proxies to represent investment returns on those investments, valued with inputs that are based on non-observable market data (e.g., those for private real estate and private equities), both of which are reasonable for estimating their contribution to the VaR.

Credit VaR is estimated using a Monte Carlo simulation with a sufficient number of scenarios to simulate low probability credit events over a one-year investment horizon. Significant assumptions under this method include using a statistical process to determine asset correlations and using empirical based default and loss rates.

In order to estimate Total Active Risk, both Market and Credit VaR are estimated using a similar confidence level and combined using an appropriate correlation factor approved by the Investment Planning Committee (IPC).

The CPP Investment Board monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Active Risk is expressed using VaR, at a 90% confidence level, which indicates that one year in 10 the portfolio can be expected to lose at least the following amounts:

Value at Risk

	June 30, 2014		March 31, 2014		June 30, 2013	
(CAD millions)	VaR	% of CPP Investment Portfolio[1]	VaR	% of CPP Investment Portfolio[1]	VaR	% of CPP Investment Portfolio[1]
CPP Reference Portfolio	$ 20,148	8.9 %	$ 19,840	9.1 %	$ 16,781	8.9 %
CPP Investment Portfolio[2]	$ 23,119	10.3 %	$ 22,993	10.5 %	$ 19,416	10.3 %
CPP Investment Portfolio Total Active Risk[3,4]	$ 4,251	1.9 %	$ 5,053	2.3 %	$ 4,137	2.2 %
CPP Investment Portfolio Active Market Risk[4]	$ 4,101	1.8 %	$ 4,908	2.2 %	$ 4,002	2.1 %
CPP Investment Portfolio Active Credit Risk[4]	$ 569	0.3 %	$ 573	0.3 %	$ 520	0.3 %

1 Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio, which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.

2 CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Market Risk due to the beneficial impact of risk diversification.

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

4 Active Risk is the estimated risk for the Investment Portfolio relative to the Reference Portfolio.

c) Credit risk

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations, or a reduction in the value of the assets due to a decline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPP Investment Board's most significant exposure to credit risk is through its investment in debt securities and over-the-counter derivatives (as discussed in note 3f). The carrying amounts of these investments as presented in the Consolidated Schedule of Investment Portfolio represent the maximum credit risk exposure at the Balance Sheet date.

The IPC, chaired by the Chief Investment Strategist, is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. Credit risk measurement and reporting are performed by experienced risk managers within the Investment Risk group (IR). IR monitors board-approved exposure limits, provides detailed analysis of single-name and sector exposures, and oversees the credit risk inherent in certain fund investments. Credit VaR is the common measure of credit risk across all investment strategies. IR works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to management and monthly to members of the IPC.

The CPP Investment Board manages credit risk by setting overall credit exposure limits within categories that include credit rating, region and institution type. The Board of Directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined through an internal credit rating process or by recognized credit rating agencies, where applicable. Credit exposure to any single counterparty is limited to a maximum amount as specified in the investment policies. The IPC has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to financial institution counterparties. IR measures and monitors credit exposure daily for compliance to approved credit limits and reports to the IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements are as follows:

Credit risk exposures

(CAD millions)	As at June 30, 2014							As at March 31, 2014	As at June 30, 2013
Credit rating	Bonds[1]	Money market securities[1]	Reverse repurchase agreements[1]	Over-the-counter derivatives	Other[1,2]	Total	% of total	Total	Total
AAA	$ 24,859	$ 25	$ -	$ -	$ 1,902	$ 26,786	27 %	$ 27,532	$ 33,908
AA	22,666	4,123	584	101	603	28,077	29	22,523	23,578
A	9,045	18,690	4,418	1,367	838	34,358	35	29,872	27,728
BBB	1,425	6	-	169	612	2,212	2	1,885	1,383
BB	620	-	-	-	2,280	2,900	2	1,950	2,204
B	66	-	-	-	3,653	3,719	4	2,952	1,515
CCC/D	-	-	-	-	711	711	1	765	586
Total	$ 58,681	$ 22,844	$ 5,002	$ 1,637	$ 10,599	$ 98,763	100 %	$ 87,479	$ 90,902

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

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

Financial instruments – rights of offset

Certain financial assets and financial liabilities have conditional offset rights in the event of default, insolvency or bankruptcy, which will mitigate credit risk exposures. Given that the rights of offset are conditional, they do not qualify for netting on the Consolidated Balance Sheet.

For securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and over-the-counter derivatives, collateral is collected from or pledged to counterparties to manage credit exposure. In addition, in the event of default, amounts with a specific counterparty are settled on a net basis under master netting or similar arrangements, such as the Global Master Repurchase Agreement and the International Swaps and Derivatives Association Netting Agreements.

The following presents the effect of conditional master netting and similar arrangements:

Rights of offset

As at June 30, 2014						
				Less: Amounts subject to master netting or similar arrangements but not presented net		
(CAD millions)	Gross amounts subject to netting arrangements	Less: Amounts offset in Consolidated Financial Statements	Net amount presented in the Consolidated Schedule of Investment Portfolio	Subject to agreements	Securities and cash collateral[1]	Net exposure
Securities purchased under reverse repurchase agreements	$ 5,002	$ -	$ 5,002	$ (4,475)	$ (527)	$ -
Derivative receivables	1,653	(213)	1,440	(741)	(212)	487
Total investment receivables	**$ 6,655**	**$ (213)**	**$ 6,442**	**$ (5,216)**	**$ (739)**	**$ 487**
Securities sold under repurchase agreements	$ (10,643)	$ -	$ (10,643)	$ 4,475	$ 6,168	$ -
Derivative liabilities	(862)	-	(862)	741	-	(121)
Total investment payables	**$ (11,505)**	**$ -**	**$ (11,505)**	**$ 5,216**	**$ 6,168**	**$ (121)**

As at March 31, 2014						
				Less: Amounts subject to master netting or similar arrangements but not presented net		
(CAD millions)	Gross amounts subject to netting arrangements	Less: Amounts offset in Consolidated Financial Statements	Net amount presented in the Consolidated Schedule of Investment Portfolio	Subject to agreements	Securities and cash collateral[1]	Net exposure
Securities purchased under reverse repurchase agreements	$ 3,221	$ -	$ 3,221	$ (1,810)	$ (1,411)	$ -
Derivative receivables	1,123	(113)	1,010	(809)	(21)	180
Total investment receivables	$ 4,344	$ (113)	$ 4,231	$ (2,619)	$ (1,432)	$ 180
Securities sold under repurchase agreements	$ (5,230)	$ -	$ (5,230)	$ 1,810	$ 3,420	$ -
Derivative liabilities	(1,062)	-	(1,062)	809	-	(253)
Total investment payables	$ (6,292)	$ -	$ (6,292)	$ 2,619	$ 3,420	$ (253)

As at June 30, 2013						
				Less: Amounts subject to master netting or similar arrangements but not presented net		
(CAD millions)	Gross amounts subject to netting arrangements	Less: Amounts offset in Consolidated Financial Statements	Net amount presented in the Consolidated Schedule of Investment Portfolio	Subject to agreements	Securities and cash collateral[1]	Net exposure
Securities purchased under reverse repurchase agreements	$ 1,632	$ -	$ 1,632	$ (1,632)	$ -	$ -
Derivative receivables	1,283	(70)	1,213	(1,101)	(75)	37
Total investment receivables	$ 2,915	$ (70)	$ 2,845	$ (2,733)	$ (75)	$ 37
Securities sold under repurchase agreements	$ (11,307)	$ -	$ (11,307)	$ 1,632	$ 9,675	$ -
Derivative liabilities	(1,341)	-	(1,341)	1,101	-	(240)
Total investment payables	$ (12,648)	$ -	$ (12,648)	$ 2,733	$ 9,675	$ (240)

[1] Securities and cash collateral excludes over-collateralization and collateral in transit. Refer to Note 9 for the total amount of collateral.

d) Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPP Investment Board manages liquidity risk through its ability to raise funds through the issuance of commercial paper and transacting in securities sold under repurchase agreements.

The terms to maturity of investment liabilities, as at June 30, 2014, are as follows:

Investment liabilities terms to maturity

	Terms to maturity June 30, 2014							March 31, 2014			June 30, 2013		
(CAD millions)	**Within 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**	**Fair value**	**Weighted average interest rate**	Total	Fair value	Weighted average interest rate	Total	Fair value	Weighted average interest rate
Securities sold under repurchase agreements	**$ 10,644**	**$ -**	**$ -**	**$ -**	**$ 10,644**	**$ 10,643**	**0.7 %**	$ 5,231	$ 5,230	1.0 %	$ 11,307	$ 11,305	0.9 %
Securities sold short[1,2]	**17,916**	**-**	**-**	**-**	**17,916**	**17,916**	**n/a**	14,874	14,874	n/a	10,690	10,690	n/a
Debt financing liabilities	**9,598**	**-**	**-**	**-**	**9,598**	**9,590**	**0.4**	9,663	9,654	0.3	9,679	9,672	0.3
Total	**$ 38,158**	**$ -**	**$ -**	**$ -**	**$ 38,158**	**$ 38,149**	**n/a**	$ 29,768	$ 29,758	n/a	$ 31,676	$ 31,667	n/a

[1] Considered repayable within one year based on the earliest period in which the counterparty could request payment under certain conditions.
[2] Consists primarily of equities sold short for which the average interest rate is not applicable.

The terms to maturity of the notional amount of derivative liabilities are disclosed in note 3f.

The CPP Investment Board also maintains $1.5 billion (March 31, 2014 - $1.5 billion, June 30, 2013 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at June 30, 2014, the total amount drawn on the credit facilities is $nil (March 31, 2014 - $nil, June 30, 2013 - $nil).

The CPP Investment Board also has the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly traded equities, money market securities and marketable bonds.

The CPP Investment Board is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see note 7). In order to manage liquidity risk associated with this short-term cash management program, certain assets are segregated and managed separately. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring that the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

6. Share capital

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares with a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

7. Canada Pension Plan transfers

Pursuant to Section 108.1 of the *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP.

The CPP Investment Board is also responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

The accumulated transfers from the CPP since inception are as follows:

Canada Pension Plan Transfers

(CAD millions)		June 30, 2014		March 31, 2014		June 30, 2013
Accumulated transfers from the Canada Pension Plan	$	352,848	$	341,662	$	318,667
Accumulated transfers to the Canada Pension Plan		(225,125)		(218,237)		(197,140)
Accumulated net transfers from the Canada Pension Plan	**$**	**127,723**	$	123,425	$	121,527

8. Net investment income (loss)

Net investment income (loss) is reported net of transaction costs and investment management fees, and is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios.

Net investment income (loss), after giving effect to derivative contracts and investment receivables and liabilities are as follows:

Net investment income

	For the three-month period ended June 30, 2014			
(CAD millions)	Investment income (loss)[1]	Investment management fees	Transaction costs	Net investment income (loss)
Equities	$ 2,367	$ (94)	$ (19)	$ 2,254
Fixed income[2]	1,996	(110)	(16)	1,870
Real assets	(523)	(18)	(29)	(570)
Total	$ 3,840	$ (222)	$ (64)	$ 3,554

	For the three-month period ended June 30, 2013			
(CAD millions)	Investment income (loss)[1]	Investment management fees	Transaction costs	Net investment income (loss)
Equities	$ 2,273	$ (83)	$ (11)	$ 2,179
Fixed income[2]	(751)	(118)	(10)	(879)
Real assets	737	(18)	(16)	703
Total	$ 2,259	$ (219)	$ (37)	$ 2,003

[1] Includes realized gains and losses from investments, changes in unrealized gains and losses on investments, interest income, dividends, private real estate operating income (net of interest expense), interest expense on the debt financing liabilities and other investment-related income and expenses.

[2] Includes absolute return strategies, consisting of investments in funds and internally managed portfolios.

9. Collateral

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

Collateral held and pledged

(CAD millions)		**June 30, 2014**		March 31, 2014		June 30, 2013
Assets held as collateral on:						
Reverse repurchase agreements[1]	**$**	**5,006**	$	3,221	$	1,633
Over-the-counter derivative transactions[1]		**425**		134		145
Other debt[1]		**1,103**		1,129		996
Assets pledged as collateral on:						
Repurchase agreements		**(10,669)**		(5,227)		(11,305)
Securities sold short		**(15,496)**		(14,690)		(11,813)
Debt on private real estate properties		**(2,517)**		(2,605)		(2,355)
Total	**$**	**(22,148)**	$	(18,038)	$	(22,699)

[1] The fair value of the collateral held that may be sold or repledged as at June 30, 2014 is $6,322 million (March 31, 2014 - $4,371 million, June 30, 2013 - $2,704 million). The fair value of collateral sold or repledged as at June 30, 2014 is $4,662 million (March 31, 2014 - $3,216 million, June 30, 2013 - $1,633 million).

10. Commitments

The CPP Investment Board has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at June 30, 2014, the commitments totalled $27.4 billion (March 31, 2014 - $27.9 billion, June 30, 2013 - $23.8 billion).

As at June 30, 2014, the CPP Investment Board made lease and other commitments of $191.6 million (March 31, 2014 - $165.9 million, June 30, 2013 - $160.7 million) that will be paid over the next 11 years.

11. Related party transactions

Related parties of the CPP Investment Board consist of investments in unconsolidated subsidiaries (see note 2b), joint ventures and associates, all of which are measured at fair value. Investments in joint ventures are those arrangements where the CPP Investment Board has joint control. An associate is an entity which the CPP Investment Board has the ability to exercise significant influence over decision making.

Related party transactions consist of investments primarily in private equities, debt, real estate and infrastructure and are presented in detail in the Consolidated Schedule of Investment Portfolio on page 4. Related party transactions are measured at fair value and will therefore have the same impact on net assets and net investment income (loss) as those investment transactions with unrelated parties.

Related party transactions with consolidated subsidiaries are eliminated upon consolidation.

12. Guarantees and indemnifications

a) Guarantees

As part of certain investment transactions, the CPP Investment Board agreed to guarantee, as at June 30, 2014, up to $1.4 billion (March 31, 2014 - $1.5 billion, June 30, 2013 - $1.4 billion) to other counterparties in the event certain investee entities default under the terms of loan and other related agreements.

b) Indemnifications

The CPP Investment Board provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPP Investment Board may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws, regulations and litigation claims. The contingent nature of these indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments pursuant to such indemnifications.