



Caisse de dépôt et placement
du Québec

COMBINED FINANCIAL STATEMENTS

2006

MANAGEMENT'S RESPONSIBILITY FOR COMBINED FINANCIAL REPORTING

Preparation and presentation of the combined financial statements of the Caisse de dépôt et placement du Québec (the "Caisse") are the responsibility of management. The combined financial statements were prepared in accordance with generally accepted accounting principles (GAAP) in Canada. We ensure that the financial data in the Annual Report are consistent with those in the combined financial statements.

The combined financial statements include amounts based on management's best estimates and judgment, with due regard for their relative importance. Moreover, in the preparation of the financial data, management has made decisions regarding the information to be presented, has made estimates and has made assumptions that affect the information presented. Future results may differ considerably from our current estimates, because of changes in the financial markets or other events that may have an impact on the fair value of the investments established as at December 31, 2006.

In our responsibility for the reliability of financial information, we use a sophisticated internal control mechanism applied systematically on all levels of the organization. This mechanism consists of organizational and operational controls, financial information disclosure controls and procedures, and internal control over financial information. The Caisse's internal control mechanism is based, among other things, on a clear definition of responsibilities, effective allocation of duties, delegation of powers, competent resources, appropriate procedures, information systems, tools and practices, relevant and reliable information whose adequacy enables all employees to fulfill their responsibilities, control, compliance and integrated risk management measures that are proportional to the issues specific to each process and designed to reduce risks likely to affect achievement of the Caisse's objects, and compliance with an extensive body of internal policies.

This control mechanism makes it possible to ensure that appropriate internal controls are in place as regards operations, assets and records. Moreover, the Caisse's internal audit group reviews the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the combined financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which the Caisse is subject, including the Act respecting the Caisse de dépôt et placement du Québec.

Each year, we certify that the design of the internal control regarding financial information is effective and that the design and functioning of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of the Caisse, as necessary.

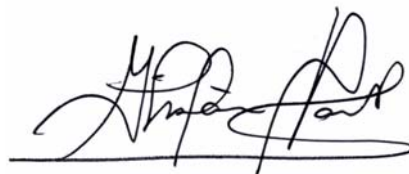
The Auditor General of Québec has audited the combined financial statements of the Caisse, and his report covers the nature and scope of the audit and expresses his opinion. The Auditor General has unrestricted access to the Audit Committee to discuss any matter relating to his audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks and evaluation of major transactions. Moreover, it approves the combined financial statements and the Annual Report.

The Board of Directors has approved the combined financial statements as at December 31, 2006. It is assisted in its responsibilities by the Audit Committee, of which all members are outside directors. This Committee meets with management and the Auditor General, examines the combined financial statements and recommends their approval to the Board of Directors.



Henri-Paul Rousseau
President and Chief Executive Officer



Ghislain Parent, CA
Executive Vice-President
Finance, Treasury and Strategic Initiatives

Montréal, February 16, 2007

AUDITOR'S REPORT

To the National Assembly

I have audited the combined statement of net assets of the Funds of the Caisse de dépôt et placement du Québec as at December 31, 2006, along with the combined statement of income and changes in net assets for the year then ended. These financial statements are the responsibility of the Caisse's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada. These standards require that I plan and perform an audit in such a way as to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of these Funds as at December 31, 2006, as well as the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that in my opinion, these principles have been applied on a consistent basis with that of the preceding year.



Renaud Lachance, CA

Auditor General of Québec

Québec City, February 16, 2007

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
(R.S.Q., chapter C-2)

COMBINED STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
ASSETS		
Investments at fair value <i>(note 3a)</i>	203,819	177,108
Advances to depositors	1,024	941
Investment income, accrued and receivable	1,098	950
Transactions being settled	1,277	349
Other assets	640	391
	<u>207,858</u>	<u>179,739</u>
LIABILITIES		
Liabilities related to investments <i>(note 3b)</i>	60,857	51,632
Transactions being settled	514	3,718
Other liabilities	1,534	970
Non-controlling interests <i>(note 3c)</i>	1,474	1,260
	<u>64,379</u>	<u>57,580</u>
DEPOSITORS' HOLDINGS <i>(note 4)</i>	<u>143,479</u>	<u>122,159</u>

DERIVATIVE FINANCIAL INSTRUMENTS *(note 7)*

COMMITMENTS AND CONTINGENCIES *(note 9)*

The accompanying notes are an integral part of the combined financial statements.

For the Board of Directors,



Henri-Paul Rousseau



Claude Garcia

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED STATEMENT OF INCOME AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
Investment income (<i>note 5a</i>)	5,516	4,724
Less :		
Operating expenses (<i>note 6</i>)	<u>262</u>	<u>239</u>
Net investment income	5,254	4,485
Gains (losses) on the sale of investments (<i>note 5d</i>)	<u>4,594</u>	<u>7,715</u>
Total realized income	9,848	12,200
Unrealized increase (decrease) in the value of investments and liabilities related to investments (<i>note 5e</i>)	<u>7,920</u>	<u>2,955</u>
Total investment operations	17,768	15,155
Excess depositors' deposits over withdrawals	<u>3,552</u>	<u>4,571</u>
INCREASE IN COMBINED NET ASSETS	21,320	19,726
COMBINED NET ASSETS, BEGINNING OF YEAR	<u>122,159</u>	<u>102,433</u>
COMBINED NET ASSETS, END OF YEAR	<u><u>143,479</u></u>	<u><u>122,159</u></u>

The accompanying notes are an integral part of the combined financial statements.

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED FUNDS

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2006

1. Constitution and operations

The Caisse de dépôt et placement du Québec, a legal person established in the public interest within the meaning of the *Civil Code*, is governed by the *Loi sur la Caisse de dépôt et placement du Québec* (R.S.Q., chapter C-2). It receives funds, the deposit of which is provided under the Act. Pursuant to both the federal and provincial income tax acts, the Caisse is not subject to income taxes.

General Fund (consolidated statements)

The General Fund comprises all treasury operations (management of demand and term deposits, and corporate financing).

Individual funds

The individual funds are comprised of diversified investments, and each fund has only one depositor that exclusively makes participation deposits therein. The individual funds are for the use of the following depositors:

Fund 300: Fonds du Régime de rentes du Québec administered by the Régie des rentes du Québec;

Fund 301: Government and Public Employees Retirement Plan administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 302: Pension Plan for Management administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 303: Individual plans administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 305: Pension Plan for Elected Municipal Officers administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers oeuvrant au Québec;

Fund 307: Fonds d'assurance automobile du Québec administered by the Société de l'assurance automobile du Québec;

Fund 311: Supplemental Pension Plan for employees of the Québec construction industry – general account – administered by the Commission de la construction du Québec;

Fund 312: Supplemental Pension Plan for employees of the Québec construction industry – retirees account – administered by the Commission de la construction du Québec;

Fund 313: Supplemental Pension Plan for employees of the Québec construction industry – supplementary account – administered by the Commission de la construction du Québec;

Fund 314: Fonds d'assurance-dépôts administered by the Autorité des marchés financiers;

Fund 315: Fonds d'assurance-prêts agricoles et forestiers administered by La Financière agricole du Québec;

Fund 316: Fonds d'amortissement du régime de retraite – RREGOP administered by the ministère des Finances, Government of Québec;

Fund 317: Fonds d'amortissement du régime de retraite – RRPE administered by the ministère des Finances, Government of Québec;

Fund 318: Fonds d'amortissement des autres régimes de retraite administered by the ministère des Finances, Government of Québec;

Fund 326: Fonds d'assurance-récolte administered by La Financière agricole du Québec;

Fund 327: Fédération des producteurs de bovins du Québec;

Fund 328: Régime de rentes de survivants administered by the Conseil du trésor, Government of Québec;

Fund 329: Fonds d'assurance-garantie administered by the Régie des marchés agricoles et alimentaires du Québec;

Fund 330: Fonds de la santé et de la sécurité du travail administered by the Commission de la santé et de la sécurité du travail;

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels administered by the Office de la protection du consommateur;

Fund 333: Fonds d'indemnisation des clients des agents de voyages administered by the Office de la protection du consommateur;

Fund 341: Fonds réservé administered by the Autorité des marchés financiers;

Fund 342: Régime de retraite de l'Université du Québec administered by the Comité de retraite du Régime de retraite de l'Université du Québec;

Fund 343: Fonds d'assurance parentale administered by the Conseil de gestion de l'assurance parentale;

Fund 346: Fonds d'assurance parentale – Réserve administered by the Conseil de gestion de l'assurance parentale (created February 1, 2006);

Fund 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec administered by the Groupe-conseil Aon (created January 1, 2006);

Fund 348: Régime complémentaire de retraite des employés syndiqués de la Commission de la construction du Québec administered by the Comité de retraite du Régime complémentaire de retraite des employés syndiqués de la CCQ (created July 1, 2006).

Specialized portfolios

The specialized portfolios are pooled funds for participation deposits of the various funds. The specialized portfolios are the following :

- | | |
|---|---|
| - Short Term Investments (740) | - Emerging Markets Equity (732) |
| - Real Return Bonds (762) | - Québec International (761) |
| - Bonds (760) (consolidated statements) | - Investments and Infrastructures (781) (consolidated statements) |
| - Long Term Bonds (764) | - Private Equity (780) (consolidated statements) |
| - Canadian Equity (720) | - Real Estate Debt (750) (consolidated statements) |
| - U.S. Equity – hedged (731) | - Real Estate (710) (consolidated statements) |
| - U.S. Equity – unhedged (734) | - Commodity Financial Instruments (763) |
| - Foreign Equity – hedged (730) | - Hedge Funds (770) (consolidated statements) |
| - Foreign Equity – unhedged (733) | - Asset Allocation (771) (consolidated statements) |

2. Accounting policies

The preparation of the combined financial statements of the Caisse in accordance with generally accepted accounting principles in Canada requires that management make estimates and assumptions, which have an impact on the accounting of assets and liabilities, the presentation of contingent assets and liabilities at the date of the financial statements and the accounting of revenues and expenses during the financial year covered by the financial statements. Actual results may differ from such estimates.

A statement of cash flows is not presented as it would provide no further useful information for the comprehension of cash flows during the year.

a) Combined financial statements

The combined financial statements comprise the accounts of the Caisse's subsidiaries, along with those of the General Fund, the individual funds, and the specialized portfolios. The accounts of each fund and each portfolio are presented in financial statements audited by the Auditor General of Québec.

b) Investments and joint operations

Investments and related assets and liabilities are accounted for at fair value, which is the estimated exchange value that would be agreed upon in an arm's-length transaction between competent, willing parties in conditions of full competition, established at year-end.

Fixed-income securities

Fixed-income securities comprise short-term investments, bonds and mortgages. These securities are recorded as at the commitment date, except mortgages, which are recorded as at the date of agreement.

i) Valuation method

The fair value of fixed-income securities is determined by means of valuation methods used in capital markets, such as the annualization of future cash flows at the current interest rate and the prices of the major stock exchanges as well as those provided by recognized financial institutions. In addition, certain valuations are made according to commonly used valuation methods or on the basis of similar arm's-length transactions.

ii) Investment income and gains and losses on the sale of investments

Investment income from fixed-income securities includes amortization of the premium and the discount, which makes it possible to maintain a constant real return until maturity. Income from mortgages are reduced by operating expenses, financial costs of CMBS and write-off of deferred charges and are recorded under Investment Income – Fixed-income securities.

Gains and losses on the sale of investments represent the difference between the unamortized cost and the net realizable fair value on the sale of investments. The unamortized cost corresponds to the acquisition cost and the costs inherent to the acquisition of investments, and is restated to take into account amortization of the premium or the discount.

Variable-income securities

Variable-income securities comprise equities and convertible securities as well as real estate holdings. Equities and convertible securities are recorded as at the commitment date, whereas real estate holdings are recorded as at the date of agreement.

i) Valuation method

The fair value of equities traded on a stock exchange is determined from prices on major stock exchanges as well as those provided by recognized financial institutions. For equities not traded on a stock exchange and real estate holdings, valuations are made by independent valuers, while others are made according to commonly used valuation methods or on the basis of similar arm's-length transactions. The valuations of equities and convertible securities that are not publicly traded are reviewed biannually by an independent valuation committee.

ii) Investment income and gains and losses on the sale of investments

Dividend income is recognized on the ex-dividend date. Income from real estate holdings is reduced by operating expenses related to real estate holdings, operation expenses and loan financial expenses, and is recorded under the item Investment income – Variable-income securities.

Gains and losses on the sale of investments represent the difference between the cost and the net realizable value on the sale of investments. The cost corresponds to the acquisition cost and the costs inherent to the acquisition of investments, except for the costs of investments in joint ventures, which are recorded on an equity basis.

Derivative financial instruments

Pursuant to its investment management, the Caisse conducts transactions involving various derivative financial instruments to manage the risks associated with exchange rate, interest rate, and market fluctuations.

Derivative financial instruments whose fair value is favourable are recorded under the item Investments, whereas those whose fair value is unfavourable are recorded under Liabilities related to investments.

i) Valuation method

Derivative financial instruments are recorded at their fair value at year-end. These values are established from prices on the major stock exchanges as well as those provided by recognized financial institutions. In the case of unlisted instruments, certain valuations are made on the basis of similar arm's-length transactions, or according to recognized, commonly used models.

ii) Investment income and gains and losses on the sale of investments

Investment income from derivative financial instruments is included in income from fixed-income and variable-income securities, whereas gains and losses from derivative financial instruments are included in gains (losses) on the sale of investments on the basis of the underlying investments.

Securities acquired under reverse repurchase agreements

The Caisse conducts security-borrowing operations involving short-term investments and bonds to cover short sales or to generate additional income from security-borrowing operations. These security-borrowing operations are recorded under Securities acquired under reverse repurchase agreements. Interest earned on reverse repurchase agreements is recorded as interest income under the item Investment income – Fixed-income securities.

Securities sold under repurchase agreements

The Caisse conducts security-lending operations involving short-term investments and bonds to generate cash flow liquidity or to generate additional income from security-lending operations. These security-lending operations are recorded under Securities sold under repurchase agreements. Interest paid on repurchase agreements is applied against Investment income – Fixed-income securities.

Short selling of securities

Short selling of securities represents the commitment by the Caisse to purchase securities from third parties to cover such positions. Interest related to commitments involving short selling of short-term investments and bonds are recorded under Investment income – Fixed-income securities, whereas costs related to commitments involving short selling of equities are recorded under Investment income – Variable-income securities.

Gains and losses on commitments related to short selling of short-term investments and bonds are recorded in Gains and losses on the sale of investments – Fixed-income securities, whereas those related to short selling of equities are recorded in Gains and losses on the sale investments – Variable-income securities.

c) Administered property and property under management

Some subsidiaries of the Caisse administer and manage property entrusted to them by clients and on their behalf. This property is not included in the combined statement of net assets of the Caisse. Some subsidiaries of the Caisse receive fees in return for such portfolio management services and administrative services, which include administration of real estate properties and management of securitized loans.

d) Foreign currency translation

The fair value of investments and any other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rate of exchange prevailing at year-end.

The cost of investments in equities and that of real estate holdings from integrated foreign operations and the unamortized costs of investments in bonds, mortgages, and short-term investments are translated at the rate of exchange prevailing on the acquisition date. The cost of investments from self-sustaining foreign operations is translated at the rate prevailing at year-end.

Income is translated at the rate of exchange prevailing on the transaction date, with the exception of income from the specialized real estate portfolio, which is translated at the average rate for the year.

e) Loan securitization

The Caisse periodically securitizes loans by selling loans to a collateralized security entity, which then issues securities to investors. Such transactions are recorded as sales where the Caisse is deemed to have relinquished control over such assets and to have received compensation other than the beneficial rights attached to the assets disposed of, in accordance with Accounting Guideline AcG-12 “Transfers of receivables”. At time of securitization, no beneficial right attached to the securitized loans is retained. Any gains and losses deriving from such transactions are recorded under Gains (losses) on sale of investments – Mortgages.

Companies under common control usually continue to manage loans after disposition. Since management fees are established on the basis of the market for such services, no assets or liabilities under management are recorded at the date of disposition.

f) Operating expenses

Operating expenses cover all expenses related to investment operations, including expenses paid to external financial institutions, and are presented under a specific item, with the exception of those related to real estate management and operation expenses and real estate debt, which are deducted from real estate holdings investment income and mortgages investment income respectively.

g) Future accounting changes

The Canadian Institute of Chartered Accountants” (CICA) issued Sections 3855 “Financial instruments: Recognition and Measurement” and 3861 “Financial instruments: Disclosure and Presentation”, which came into effect for financial statements for fiscal periods beginning October 1, 2006. As the Caisse qualifies as an investment company according to the Accounting Guideline AcG-18 “Investment companies”, the only provisions in Section 3855 applying to Caisse investments are those concerning the accounting, regular-way purchase or sale and measurement at fair value. Considerations concerning valuation at fair value including specific requirements for the measurement at fair value, and provisions on the accounting of transaction costs will have an impact on the Caisse.

In addition, Section 3861 will impact the notes to financial statements of the Caisse. For example, the Caisse will be required to disclose a description of its objectives and policies with respect to the management of financial risks.

The Caisse will apply these new standards during the year 2007 and will follow up on any changes the CICA could make to such standards.

3. Investments and liabilities related to investments

	2006		2005	
	<i>(in millions of dollars)</i>			
	Fair value	Cost	Fair value	Cost
a) Investments				
Fixed-income securities				
Short-term investments				
Canadian	28,945	28,947	29,738	29,741
Foreign	4,609	4,558	2,099	2,170
	<u>33,554</u>	<u>33,505</u>	<u>31,837</u>	<u>31,911</u>
Bonds				
<i>Issued or guaranteed by :</i>				
Canadian government	18,213	17,794	26,999	26,146
Province of Québec	9,309	8,388	9,391	8,372
Other Canadian provinces	4,002	3,907	1,898	1,815
Municipalities and other Canadian bodies	1,535	1,505	1,248	1,202
Canadian government corporations	10,681	9,932	9,883	9,073
U.S. government	1,180	1,148	1,807	1,886
Other foreign governments	950	916	1,842	2,116
Mortgage securities	3,634	3,628	1,887	2,025
Canadian corporations	14,583	14,447	9,551	9,418
Foreign corporations	3,076	3,068	2,040	2,184
Inflation-indexed securities				
Canadian	1,054	978	1,277	1,111
Foreign	3,328	3,380	1,858	1,958
Hedge funds	1,899	1,806	1,473	1,491
	<u>73,444</u>	<u>70,897</u>	<u>71,154</u>	<u>68,797</u>
Mortgages				
Canadian	4,877	4,779	4,402	4,288
Foreign	2,036	2,057	579	591
	<u>6,913</u>	<u>6,836</u>	<u>4,981</u>	<u>4,879</u>
Total fixed-income securities	<u>113,911</u>	<u>111,238</u>	<u>107,972</u>	<u>105,587</u>
Variable-income securities				
Equities and convertible securities				
Canadian	17,615	14,610	17,350	15,584
U.S.	15,903	15,571	13,987	15,205
Foreign and emerging markets	24,595	19,175	16,057	14,490
Hedge funds	4,477	4,267	3,754	3,739
	<u>62,590</u>	<u>53,623</u>	<u>51,148</u>	<u>49,018</u>
Real estate holdings (1)				
Canadian	11,382	8,357	9,247	7,490
Foreign	7,422	6,638	3,635	3,843
	<u>18,804</u>	<u>14,995</u>	<u>12,882</u>	<u>11,333</u>
Total variable-income securities	<u>81,394</u>	<u>68,618</u>	<u>64,030</u>	<u>60,351</u>

	2006		2005	
	<i>(in millions of dollars)</i>			
	Fair value	Cost	Fair value	Cost
a) Investments (cont.)				
Amounts receivable with respect to investments				
Securities acquired under reverse repurchase agreements				
Canadian	1,332	1,332	675	675
Foreign	3,975	3,931	2,694	2,717
Amount pertaining to derivative instruments				
Canadian	394	9	416	10
Foreign	2,813	1,105	1,321	472
	<u>8,514</u>	<u>6,377</u>	<u>5,106</u>	<u>3,874</u>
Total investments	<u>203,819</u>	<u>186,233</u>	<u>177,108</u>	<u>169,812</u>

(1) Investments – Real estate holdings includes investments in joint ventures now reported on an equity basis. These investments at fair value were as follows:

	2006	2005
	<i>(in millions of dollars)</i>	
Investments in joint ventures	<u>5,957</u>	<u>5,643</u>
Real estate holdings	8,839	9,167
Short-term investments	6	3
Investment income, accrued and receivable	7	5
Other assets	250	337
	<u>9,102</u>	<u>9,512</u>
Mortgage loans payable	2,642	3,439
Other liabilities	488	404
Non-controlling interests	15	26
	<u>3,145</u>	<u>3,869</u>

	2006		2005	
	<i>(in millions of dollars)</i>			
	Fair value	Cost	Fair value	Cost
b) Liabilities related to investments				
Securities sold under repurchase agreements				
Canadian	26,944	26,951	25,458	25,462
Foreign	3,650	3,615	4,022	4,062
Commercial paper payable	4,111	4,112	2,519	2,519
Medium-term notes	1,091	1,090	1,215	1,206
Loans payable				
Canadian	160	159	113	110
Foreign	361	359	86	86
Canadian commercial mortgage-backed securities				
Canadian	333	311	356	327
Foreign	847	843	--	--
Short selling of securities				
Canadian	13,395	12,249	12,232	11,565
Foreign	5,126	4,854	3,560	3,559
Mortgage loans payable				
Canadian	661	641	640	612
Foreign	954	958	233	227
Amount pertaining to derivative instruments				
Canadian	189	35	243	38
Foreign	3,035	857	955	343
	<u>60,857</u>	<u>57,034</u>	<u>51,632</u>	<u>50,116</u>

	2006		2005	
	<i>(in millions of dollars)</i>			
	Fair value	Cost	Fair value	Cost
c) Non-controlling interests				
Canadian	1,209	1,021	1,023	948
Foreign	265	263	237	183
	<u>1,474</u>	<u>1,284</u>	<u>1,260</u>	<u>1,131</u>

d) Summary geographic breakdown of fair value of investments and liabilities related to investments

	2006		
	<i>(in millions of dollars)</i>		
	Canadian	Foreign	Total
Investments			
Fixed-income securities	93,466	20,445	113,911
Equities and convertible securities	17,627	44,963	62,590
Real estate holdings	11,382	7,422	18,804
Amounts receivable with respect to investments	1,726	6,788	8,514
	<u>124,201</u>	<u>79,618</u>	<u>203,819</u>
Liabilities related to investments	<u>46,884</u>	<u>13,973</u>	<u>60,857</u>
Non-controlling interests	<u>1,209</u>	<u>265</u>	<u>1,474</u>
	2005		
	<i>(in millions of dollars)</i>		
	Canadian	Foreign	Total
Investments			
Fixed-income securities	94,749	13,223	107,972
Equities and convertible securities	17,349	33,799	51,148
Real estate holdings	9,247	3,635	12,882
Amounts receivable with respect to investments	1,091	4,015	5,106
	<u>122,436</u>	<u>54,672</u>	<u>177,108</u>
Liabilities related to investments	<u>42,776</u>	<u>8,856</u>	<u>51,632</u>
Non-controlling interests	<u>1,023</u>	<u>237</u>	<u>1,260</u>

e) Summary of maturities of investments and liabilities related to investments at par value

	2006				2005		
	<i>(in millions of dollars)</i>				Effective interest rate	Total par value	Effective interest rate
	Less than 2 years	2 to 5 years	More than 5 years	Total			
Fixed-income securities							
Short-term investments							
Canadian	28,826	247	71	29,144	4.5%	29,834	3.3%
Foreign	4,361	87	151	4,599	6.8%	2,103	5.1%
	<u>33,187</u>	<u>334</u>	<u>222</u>	<u>33,743</u>	4.8%	<u>31,937</u>	3.5%
Bonds							
<i>Securities issued or guaranteed by :</i>							
Canadian government	1,352	3,401	11,608	16,361	4.1%	23,895	3.8%
Province of Québec	70	1,744	5,526	7,340	4.8%	7,988	4.9%
Other Canadian provinces	112	431	3,062	3,605	4.6%	1,711	4.3%
Municipalities and other							
Canadian bodies	248	577	668	1,493	5.2%	1,185	5.3%
Canadian government corporations	1,205	4,583	3,638	9,426	4.6%	8,972	4.5%
U.S. government	--	7	1,173	1,180	4.7%	1,719	4.0%
Other foreign governments	--	92	858	950	3.9%	1,884	2.0%
Mortgage securities	6	127	5,546	5,679	11.4%	3,384	13.1%
Canadian corporations	1,094	3,382	9,819	14,295	5.0%	9,279	4.9%
Foreign corporations	172	490	2,405	3,067	6.3%	2,099	5.8%
Inflation-indexed securities							
Canadian	--	--	658	658	2.3%	745	2.4%
Foreign	116	596	2,439	3,151	1.9%	1,671	1.7%
	<u>4,375</u>	<u>15,430</u>	<u>47,400</u>	<u>67,205</u>	5.1%	<u>64,532</u>	4.7%
Mortgages							
Canadian	1,452	1,722	1,605	4,779	6.8%	4,280	6.4%
Foreign	745	1,280	32	2,057	7.9%	589	8.2%
	<u>2,197</u>	<u>3,002</u>	<u>1,637</u>	<u>6,836</u>	7.2%	<u>4,869</u>	6.6%
	<u>39,759</u>	<u>18,766</u>	<u>49,259</u>	<u>107,784</u>	5.1%	<u>101,338</u>	4.4%
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements							
Canadian	1,332	--	--	1,332	4.2%	676	3.3%
Foreign	4,010	--	--	4,010	3.9%	2,704	3.6%
	<u>5,342</u>	<u>--</u>	<u>--</u>	<u>5,342</u>	4.0%	<u>3,380</u>	3.5%
Liabilities related to investments							
Securities sold under repurchase agreements	30,826	--	--	30,826	4.2%	29,530	3.2%
Commercial paper payable	4,143	--	--	4,143	4.3%	2,525	3.3%
Medium-term notes	936	156	--	1,092	4.2%	1,210	4.2%
Loans payable	371	150	--	521	4.4%	193	3.9%
Canadian commercial mortgage-backed securities	8	280	807	1,095	13.3%	335	6.9%
Short selling of securities	1,419	1,565	8,126	11,110	5.3%	10,818	4.0%
Mortgage loans payable	689	137	773	1,599	6.7%	839	8.1%
	<u>38,392</u>	<u>2,288</u>	<u>9,706</u>	<u>50,386</u>	4.7%	<u>45,450</u>	3.5%

The fair value of investments includes Canadian and foreign private companies' securities for which no market price is available. The fair value of such securities details as follows:

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
Canadian securities		
Short-term investments	1,303	541
Bonds	814	528
Equities and convertible securities	4,154	3,478
	<u>6,271</u>	<u>4,547</u>
Foreign securities		
Short-term investments	2,248	729
Bonds	751	530
Equities and convertible securities	13,898	7,359
	<u>16,897</u>	<u>8,618</u>
	<u>23,168</u>	<u>13,165</u>

In addition, gains in the amount of \$4,594 million (\$7,715 million in 2005) on the sale of investments recorded in changes in net assets were reduced by foreign exchanges losses of \$3,383 million (increased by gains of \$1,257 million in 2005).

4. Depositors' holdings

Demand and term deposits bear interest, and constitute indebtedness on the part of the Caisse toward the depositors.

During the year, the Caisse paid \$6 million (recovered \$2 million in 2005) in interests on demand and term deposits.

Participation deposits are expressed in units, and each unit gives its holder a proportionate share in the net equity and the net income of a particular fund. At the end of each monthly period for the General Fund and the individual funds, the net investment income and the gains and losses on the sale of investments are distributed to participation deposit holders. At the beginning of the following period, the amounts distributed are paid out to (recovered from) the depositors' demand deposit accounts.

During the year, the Caisse paid \$8,724 million (\$6,350 million in 2005) in net income to participation deposit holders.

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
Caisse's indebtedness toward depositors		
Demand deposits	739	220
Term deposits	24	14
Interest on demand and term deposits	--	(1)
Net income to be paid out to participation deposit holders	782	828
	<u>1,545</u>	<u>1,061</u>
Participation deposit holders' holdings		
Participation deposits		
Balance, beginning of year	104,162	93,317
Units issued	12,119	11,957
Units cancelled	(334)	(1,112)
Balance, end of year	115,947	104,162
Amount not allocated with respect to real estate holdings*	29	31
Unrealized increase (decrease) in value allocated after interfund transactions	(1,080)	(597)
Amount not allocated after gains and losses on the sale of investments in the specialized portfolios**	13,465	11,851
Unrealized increase (decrease) in value of investments and other related assets and liabilities	13,573	5,651
	<u>141,934</u>	<u>121,098</u>
Depositors' holdings	<u>143,479</u>	<u>122,159</u>

* Represents the restated amount of accumulated depreciation of real estate properties resulting from the recording of investments at fair value. This amount will be allocated upon the sale of the properties.

** Represents the gains and losses on the sale of investments in the specialized portfolios that are not distributed at year-end. This amount will be allocated upon the sale of the participation units in portfolios.

5. Investment income, gains (losses) on the sale of investments, and unrealized increase (decrease) in value of investments and liabilities related to investments

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
a) Investment income		
Fixed-income securities		
Short-term investments	489	189
Bonds	2,589	2,440
Mortgages (note 5b)	206	259
	<u>3,284</u>	<u>2,888</u>
Variable-income securities		
Equities and convertible securities	1,544	1,370
Real estate holdings (note 5c)	707	527
	<u>2,251</u>	<u>1,897</u>
Other income	57	37
Non-controlling interests	<u>(76)</u>	<u>(98)</u>
	<u>5,516</u>	<u>4,724</u>

Investment income – Fixed-income securities were reduced of \$1,003 million (\$672 million in 2005) in net expenses related to securities sold (acquired) under repurchase (reverse repurchase) agreements.

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
b) Net income from mortgages		
Income from mortgages	<u>332</u>	<u>321</u>
Less :		
Expenses related to real estate debt subsidiaries		
Operation expenses	36	13
Financial costs of CMBS	79	49
Write-off of deferred charges	11	--
	<u>126</u>	<u>62</u>
	<u>206</u>	<u>259</u>

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
c) Net income from real estate holdings		
Income from real estate holdings	<u>1,965</u>	<u>1,746</u>
Less :		
Expenses related to real estate subsidiaries		
Operating expenses related to real estate holdings	952	893
Operation expenses	83	73
Loan financial expenses	238	275
	<u>1,273</u>	<u>1,241</u>
Other income	<u>15</u>	<u>22</u>
	<u>707</u>	<u>527</u>

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
d) Gains (losses) on the sale of investments		
Fixed-income securities		
Short-term investments	31	31
Bonds	(195)	1,041
Mortgages	(2)	24
	<u>(166)</u>	<u>1,096</u>
Variable-income securities		
Equities and convertible securities	4,824	6,577
Real estate holdings	(45)	68
	<u>4,779</u>	<u>6,645</u>
Non-controlling interests	<u>(19)</u>	<u>(26)</u>
	<u><u>4,594</u></u>	<u><u>7,715</u></u>

e) Unrealized increase (decrease) in value of investments and liabilities related to investments

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
Fixed-income securities		
Short-term investments	200	(142)
Bonds	322	2
Mortgages	(23)	(36)
Securities acquired under reverse repurchase agreements	80	29
	<u>579</u>	<u>(147)</u>
Variable-income securities		
Equities and convertible securities	7,491	2,335
Real estate holdings	2,218	1,150
	<u>9,709</u>	<u>3,485</u>
Total investments	<u>10,288</u>	<u>3,338</u>
Less :		
Liabilities related to investments		
Securities sold under repurchase agreements	72	50
Commercial paper payable	(1)	--
Medium-term notes	(8)	(20)
Loans payable	--	10
Commercial mortgage-backed securities	(3)	(26)
Short selling of securities	750	258
Mortgage loans payable	(18)	(135)
Derivative financial instruments	1,515	116
Non-controlling interests	61	130
	<u>2,368</u>	<u>383</u>
	<u><u>7,920</u></u>	<u><u>2,955</u></u>

6. Operating expenses

	<u>2006</u>	<u>2005</u>
	<i>(in millions of dollars)</i>	
Salaries and employee benefits	116	107
Professional services	42	42
Data services and subscriptions	14	12
Premises and equipment	16	17
Depreciation of fixed assets	12	13
Other	16	15
	<u>216</u>	<u>206</u>
External management and safekeeping of securities	46	33
	<u>262</u>	<u>239</u>

7. Derivative financial instruments

Derivative financial instruments are financial contracts whose value fluctuates as a function of the underlying asset, and which do not require holding or delivering the underlying asset itself. This underlying value may be of a financial nature (interest rate, foreign currency, stock market security or index) or a commodity (precious metal, foodstuff or oil).

The notional amount of a derivative financial instrument represents the value of the notional principal to which a rate or a price applies to determine the exchange of future cash flows, and does not reflect the credit risk pertaining to the instrument.

The Caisse uses derivative financial instruments that include the following:

Forward contracts and futures contracts are undertakings that enable the purchase or sale of an underlying value, the quantity and price of which are determined in the contract, which includes a predetermined delivery date. A forward contract involves customized conditions negotiated directly between the parties on the over-the-counter market. A futures contract has terms and conditions determined by an organized market.

A swap is a transaction whereby two parties agree to exchange financial returns on predetermined conditions that include a notional amount and a term.

An option is a contract negotiated by mutual agreement or traded on an organized market that gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity, at a strike price stipulated in advance, either at a determined date or at any time before a specified maturity date.

Foreign exchange risk arises from investments and liabilities related to investments denominated in foreign currencies, as well as from related derivative financial instruments. To manage exchange risk, the Caisse uses instruments negotiated with banks; maturities generally range from one to 12 months in the case of forward contracts and options, and from one to two years for foreign currency swaps. Upon maturity, new derivative financial instruments are negotiated to maintain effective long-term management of foreign exchange risks associated with investments and liabilities related to investments in foreign currencies.

Derivative instruments that are traded on exchanges or with banks and securities dealers are used to manage the interest rate and market risks of the total investment portfolio, as well as to generate income from transactions, which is included in investment income from fixed-income and variable-income securities.

These transactions are negotiated with financial institutions whose credit rating is established by a recognized credit rating agency and whose operational limits are duly approved by management. Moreover, the Caisse has signed compensation agreements to limit credit risks.

a) Summary of derivative financial instruments

	2006			2005	
	<i>(in millions of dollars)</i>				
	Notional amount	Fair value		Net amount	Net amount
Assets		Liabilities			
Foreign exchange risk management					
Foreign currency swaps					
Sales	2,249	47	70	(23)	32
Forward contracts	40,189	35	635	(600)	34
Over-the-counter foreign currency options					
Purchases	--	--	--	--	5
Sales	--	--	--	--	(4)
	<u>42,438</u>	<u>82</u>	<u>705</u>	<u>(623)</u>	<u>67</u>
Interest rate and market risk management					
Interest rate and foreign currency swaps	110,213	785	699	86	151
Equity swaps	63,586	252	136	116	159
Credit risk swaps	8,784	35	61	(26)	(2)
Futures contracts	537,647	--	--	--	--
Forward contracts	56,398	815	748	67	10
Exchange-traded options					
Purchases	237,839	241	--	241	112
Sales	203,549	--	227	(227)	(97)
Over-the-counter options					
Purchases	57,891	997	--	997	375
Sales	37,476	--	648	(648)	(236)
	<u>1,313,383</u>	<u>3,125</u>	<u>2,519</u>	<u>606</u>	<u>472</u>
Total derivative financial instrument contracts	<u>1,355,821</u>	<u>3,207</u>	<u>3,224</u>	<u>(17)</u>	<u>539</u>

b) Summary of derivative financial instrument maturities

	2006				2005
	<i>(in millions of dollars)</i>				
	Notional amount - Maturity				Notional amount
	Less than 2 years	2 to 5 years	More than 5 years	Total	
Foreign exchange risk management					
Foreign currency swaps					
Sales	612	1,292	345	2,249	1,091
Forward contracts	40,037	44	108	40,189	26,776
Over-the-counter foreign currency options					
Purchases	--	--	--	--	33
Sales	--	--	--	--	15
	<u>40,649</u>	<u>1,336</u>	<u>453</u>	<u>42,438</u>	<u>27,915</u>
Interest rate and market risk management					
Interest rate and foreign currency swaps	25,925	16,945	67,343	110,213	69,150
Equity swaps	45,821	14,043	3,722	63,586	11,387
Credit risk swaps	1,467	6,805	512	8,784	3,220
Futures contracts	503,904	33,743	--	537,647	152,209
Forward contracts	47,560	8,801	37	56,398	12,596
Exchange-traded options					
Purchases	226,890	10,949	--	237,839	72,809
Sales	195,403	8,146	--	203,549	69,611
Over-the-counter options					
Purchases	36,551	8,936	12,404	57,891	53,238
Sales	20,534	10,700	6,242	37,476	32,601
	<u>1,104,055</u>	<u>119,068</u>	<u>90,260</u>	<u>1,313,383</u>	<u>476,821</u>
Total derivative financial instruments contracts	<u>1,144,704</u>	<u>120,404</u>	<u>90,713</u>	<u>1,355,821</u>	<u>504,736</u>

8. Securitization

In the course of Caisse securitization operations, commercial mortgage-backed securities and notes payable acquired by the Caisse over the last few years from a collateralized security entity, are recorded in the combined statement of net assets, under Mortgages securities. As at December 31, 2006 these securities amounted to \$293.6 million (\$314.8 million in 2005). Securitization operations have allowed companies under common control to generate management fees representing \$2.1 million in 2006 (\$1.9 million in 2005). No losses are expected owing to the nature and quality of such loans.

9. Commitments and contingencies

Given the nature of its operations, the Caisse has a number of commitments.

Commitments to buy investments mean the Caisse is committed to buying investments that will be settled in the coming financial years, in accordance with the terms and conditions in each agreement.

For the Caisse, collaterals and loan guarantees consist in securing future income deriving from the sale of investments and transactions on derivatives as well as the reimbursement of loans made by investee companies to financial institutions and corporations. Collaterals related to the reimbursement of loans have no specific maturity date, except in some cases, where terms vary between one and four years.

	2006	2005
	<i>(in millions of dollars)</i>	
Commitments to buy investments	20,741	8,859
Collaterals and loan guarantees (maximum amount)	567	737
	<u>21,308</u>	<u>9,596</u>

10. Collaterals

In the normal course of business, the Caisse conducts transactions involving the lending and borrowing of securities in exchange for collaterals or assets, with various counterparties, with which clearing agreements have been signed to limit credit risk. In its securities lending operations, the Caisse received assets as collateral. As at December 31, 2006, the Caisse had pledged and received as collateral securities and other assets for amounts of \$39,460 million (\$31,411 million in 2005) and \$8,318 million (\$6,769 million in 2005) respectively. The amount of the assets pledged as collateral consists of assets with a value of \$764 million (\$688 million in 2005), which were pledged with depositaries to participate in clearing and payment systems.

11. Comparative figures

Certain figures from the 2005 financial statements have been reclassified to conform to the presentation adopted in 2006.

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

	BONDS (760)		REAL RETURN BONDS (762)		LONG TERM BONDS (764) (created 2005-04-01)		COMMODITY FINANCIAL INSTRUMENTS (763)		QUEBEC INTERNATIONAL (761)		CANADIAN EQUITY (720)		HEDGE FUNDS (770)	
(in millions of dollars)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
ASSETS														
Investments at fair value														
Bonds	52,995.7	52,143.8	1,053.9	1,264.1	3,001.8	2,622.9	1,983.4	1,574.2	10,756.4	9,284.0	-	-	1,656.3	2,624.0
Equities and convertible securities	-	-	-	-	-	-	939.6	240.4	1,302.5	710.1	12,369.1	13,338.6	4,698.1	3,791.7
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	5,826.1	2,686.6	-	-	-	-	500.0	392.7	2,641.8	2,174.7	11,606.3	8,091.9	752.2	417.3
Securities acquired under reverse repurchase agreements	11,044.9	2,108.2	-	-	27.5	-	2.1	-	925.7	2,577.5	-	-	1,595.3	241.3
Demand deposits in the General Fund	5,775.0	18,507.7	310.1	-	1,251.2	-	-	-	5,002.1	-	151.9	-	-	-
Other assets	1,349.4	1,497.1	24.9	4.5	235.2	83.9	113.1	51.7	152.8	125.9	72.4	59.3	44.0	28.4
	76,991.1	76,943.4	1,388.9	1,268.6	4,515.7	2,706.8	3,538.2	2,259.0	20,781.3	14,872.2	24,199.7	21,489.8	8,745.9	7,102.7
LIABILITIES														
Advances from the General Fund	-	-	-	18.0	-	42.8	-	48.5	-	1,267.2	-	673.7	501.3	144.4
Securities sold under repurchase agreements	26,556.8	29,199.5	328.6	-	1,279.2	-	-	-	6,249.7	612.2	71.6	-	1,102.2	1,747.4
Short selling of securities	13,372.1	10,976.8	-	-	41.7	-	-	-	854.1	1,861.8	4,785.3	3,121.0	1,596.6	509.9
Loans and notes payable	-	-	-	-	0	-	-	-	-	-	25.6	-	64.2	-
Mortgage loans payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	659.3	328.2	-	-	-	-	893.1	194.6	49.4	4.0	48.1	28.8	699.4	435.0
Other liabilities	654.2	350.3	0.1	-	13.6	733.6	332.4	454.7	559.5	292.2	455.5	265.8	17.8	13.7
Non-controlling interests	4.3	-	-	-	-	-	-	-	-	-	-	-	542.9	343.0
	41,246.7	40,854.8	328.7	18.0	1,334.5	776.4	1,225.5	697.8	7,712.7	4,037.4	5,386.1	4,089.3	4,524.4	3,193.4
NET HOLDINGS OF FUNDS	35,744.4	36,088.6	1,060.2	1,250.6	3,181.2	1,930.4	2,312.7	1,561.2	13,068.6	10,834.8	18,813.6	17,400.5	4,221.5	3,909.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31														
INCOME														
Investment income														
Bonds	1,527.8	1,515.0	32.4	47.7	130.6	45.0	54.9	58.5	426.4	354.5	-	-	(0.4)	8.5
Equities and convertible securities	-	-	-	-	-	-	-	-	12.5	8.1	463.6	330.9	2.4	0.7
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	178.9	65.1	-	-	-	-	20.2	8.2	101.2	54.2	388.4	191.9	2.7	1.3
Demand deposits in (advances from) the General Fund	(26.8)	(77.8)	-	(0.2)	2.6	(0.4)	(3.4)	(0.9)	(25.0)	(6.7)	(34.2)	(31.1)	(11.5)	(8.1)
Other income	1,679.9	1,502.3	32.4	47.5	133.2	44.6	71.7	65.8	515.1	410.1	817.8	491.7	(6.8)	2.4
	3.9	0.5	-	-	-	-	-	-	-	-	2.3	1.5	-	-
Operating expenses	1,683.8	1,502.8	32.4	47.5	133.2	44.6	71.7	65.8	515.1	410.1	820.1	493.2	(6.8)	2.4
	27.4	27.0	0.6	0.6	1.1	1.0	6.0	2.3	7.2	6.5	33.5	37.0	24.4	32.4
INCOME BEFORE THE FOLLOWING ITEMS	1,656.4	1,475.8	31.8	46.9	132.1	43.6	65.7	63.5	507.9	403.6	786.6	456.2	(31.2)	(30.0)
Interest on notes payable	2.4	-	-	-	-	-	-	-	-	-	0.6	-	1.4	-
Non-controlling interest	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INVESTMENT INCOME (LOSS)	1,653.9	1,475.8	31.8	46.9	132.1	43.6	65.7	63.5	507.9	403.6	786.0	456.2	(32.6)	(30.0)
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31														
INVESTMENT OPERATIONS														
Net investment income (loss)	1,653.9	1,475.8	31.8	46.9	132.1	43.6	65.7	63.5	507.9	403.6	786.0	456.2	(32.6)	(30.0)
Gains (losses) on sale of investments	430.1	830.1	21.5	16.2	(8.0)	40.0	15.2	100.6	1,472.4	1,357.2	2,670.7	2,391.8	(268.8)	585.6
Unrealized increase (decrease) in value of investments and liabilities related to investments	(645.1)	(142.7)	(91.4)	101.3	9.7	46.6	(0.4)	31.2	(95.4)	(4.5)	138.2	347.8	543.8	(282.6)
Total investment operations	1,438.9	2,163.2	(38.1)	164.4	133.8	130.2	80.5	195.3	1,884.9	1,756.3	3,594.9	3,195.8	242.4	273.0
Participation units issued (cancelled)	(129.2)	2,669.2	(120.5)	47.2	1,249.1	1,843.8	736.7	422.7	856.8	1,314.4	(1,395.8)	(646.8)	37.2	801.3
Net investment loss (net income) recovered from (allocated to) participation unit holders	(1,653.9)	(1,475.8)	(31.8)	(46.9)	(132.1)	(43.6)	(65.7)	(63.5)	(507.9)	(403.6)	(786.0)	(456.2)	32.6	30.0
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	(344.2)	3,356.6	(190.4)	164.7	1,250.8	1,930.4	751.5	554.5	2,233.8	2,667.1	1,413.1	2,092.8	312.2	1,104.3
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	36,088.6	32,732.0	1,250.6	1,085.9	1,930.4	-	1,561.2	1,006.7	10,834.8	8,167.7	17,400.5	15,307.7	3,909.3	2,805.0
CONSOLIDATED NET ASSETS, END OF YEAR	35,744.4	36,088.6	1,060.2	1,250.6	3,181.2	1,930.4	2,312.7	1,561.2	13,068.6	10,834.8	18,813.6	17,400.5	4,221.5	3,909.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31														
ASSETS														
Investments														
Bonds	51,183.9	49,935.8	981.4	1,100.2	2,946.1	2,576.3	2,051.8	1,676.2	10,637.7	8,933.2	-	-	1,512.0	2,712.8
Equities and convertible securities	-	-	-	-	-	-	198.0	74.4	1,164.5	688.6	8,648.6	10,240.7	4,484.8	3,830.5
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	5,728.3	2,652.5	-	-	-	-	500.0	392.8	2,641.8	2,174.5	11,599.7	8,081.3	683.3	442.5
Securities acquired under reverse repurchase agreements	11,029.8	2,104.4	-	-	27.5	-	-	-	908.1	2,577.5	151.8	-	1,578.1	262.5
Demand deposits in the General Fund	5,775.0	18,507.7	310.1	-	1,251.2	-	2.2	-	5,002.1	-	-	-	-	-
	73,717.0	73,200.4	1,291.5	1,100.2	4,224.8	2,576.3	2,752.0	2,143.4	20,354.2	14,373.8	20,400.1	18,322.0	8,258.2	7,248.3
LIABILITIES														
Securities sold under repurchase agreements	26,545.4	29,210.5	328.7	-	1,279.5	-	-	-	6,251.1	612.2	-	-	1,088.8	1,778.6
Short selling of securities	13,372.2	11,034.1	-	-	42.1	-	-	-	844.4	1,823.2	3,631.4	2,427.2	1,573.6	527.5
Loans and notes payable	-	-	-	-	-	-	-	-	-	-	25.4	-	64.2	-
Mortgage loans payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	194.6	108.0	-	-	-	-	150.1	61.3	17.9	-	12.9	13.7	485.6	194.9
Non-controlling interests	4.3	-	-	-	-	-	-	-	-	-	-	-	500.4	315.4

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS (continued)

	U.S. EQUITY HEDGED (731)		U.S. EQUITY UNHEDGED (734)		EMERGING MARKETS EQUITY (732)		FOREIGN EQUITY HEDGED (730)		FOREIGN EQUITY UNHEDGED (733)		REAL ESTATE DEBT (750)	
(in millions of dollars)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
ASSETS												
Investments at fair value												
Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Equities and convertible securities	7,603.7	7,324.1	-	-	4,187.5	1,557.8	10,065.1	9,236.8	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-	6,700.4	4,810.1
Mortgage securities	-	-	-	-	-	-	-	-	-	-	3,579.1	1,837.9
Real estate holdings	-	-	-	-	-	-	-	-	-	-	1.1	2.3
Short-term investments	26.7	-	5,459.0	5,191.1	66.6	11.1	5.1	110.1	6,195.5	5,796.3	-	-
Securities acquired under reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Demand deposits in the General Fund	-	26.9	64.1	1.8	-	-	-	-	26.6	54.8	35.8	159.9
	7,630.4	7,351.0	5,523.1	5,192.9	4,254.1	1,568.9	10,070.2	9,346.9	6,222.1	5,851.1	10,316.4	6,810.2
Other assets	565.5	8.0	7.9	6.0	56.6	1.0	162.7	26.6	4.6	2.0	295.4	85.4
	8,195.9	7,359.0	5,531.0	5,198.9	4,310.7	1,569.9	10,232.9	9,373.5	6,226.7	5,853.1	10,611.8	6,895.6
LIABILITIES												
Advances from the General Fund	159.1	-	-	-	8.8	285.3	731.1	1,061.6	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Short selling of securities	695.6	354.4	-	-	-	1.7	82.4	16.0	-	-	-	-
Loans and notes payable	5,422.6	5,186.0	-	-	-	-	6,149.9	5,788.2	-	-	-	-
Mortgage loans payable	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	1,236.0	427.9
Derivative financial instruments	113.3	35.7	-	0.1	0.3	-	93.0	29.6	26.2	50.7	220.4	8.8
Other liabilities	35.5	110.5	5.5	4.9	8.8	2.4	15.2	14.3	2.0	-	81.0	144.1
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
	6,426.1	5,686.6	5.5	5.0	17.9	289.4	7,071.6	6,909.7	28.2	50.7	1,537.4	580.8
NET HOLDINGS OF FUNDS	1,769.8	1,672.4	5,525.5	5,193.9	4,292.8	1,280.5	3,161.3	2,463.8	6,198.5	5,802.4	9,074.4	6,314.8
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31												
INCOME												
Investment income												
Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Equities and convertible securities	150.6	124.5	-	-	60.4	26.8	374.2	396.0	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-	485.4	522.5
Mortgage securities	-	-	-	-	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	0.6	-	105.5	92.5	2.1	0.7	0.2	(0.1)	227.2	248.6	-	-
Demand deposits in (advances from) the General Fund	(8.2)	0.8	0.2	0.2	1.5	(0.6)	(24.5)	(32.7)	0.2	0.4	7.6	(1.8)
	143.0	125.3	105.7	92.7	64.0	26.9	349.9	363.2	227.4	249.0	493.0	520.7
Other income	-	-	-	-	-	-	-	-	-	-	13.3	5.2
	143.0	125.3	105.7	92.7	64.0	26.9	349.9	363.2	227.4	249.0	506.3	525.9
Operating expenses	8.1	5.6	23.3	15.5	16.3	11.4	11.4	8.3	23.2	17.9	12.1	10.9
INCOME BEFORE THE FOLLOWING ITEMS	134.9	119.7	82.4	77.2	47.7	15.5	338.5	354.9	204.2	231.1	494.2	515.0
Interest on notes payable	105.7	92.5	-	-	-	-	238.8	248.5	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	3.3	-
NET INVESTMENT INCOME (LOSS)	29.2	27.2	82.4	77.2	47.7	15.5	99.7	106.4	204.2	231.1	490.9	515.0
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31												
INVESTMENT OPERATIONS												
Net investment income (loss)	29.2	27.2	82.4	77.2	47.7	15.5	99.7	106.4	204.2	231.1	490.9	515.0
Gains (losses) on sale of investments	(546.6)	222.0	535.3	200.6	163.5	193.2	(693.9)	297.0	1,050.3	210.9	(33.4)	112.2
Unrealized increase (decrease) in value of investments and liabilities related to investments	761.5	(167.7)	115.6	(119.3)	702.1	73.0	1,067.0	201.7	69.7	86.2	33.3	(117.1)
Total investment operations	244.1	81.5	733.3	158.5	913.3	281.7	472.8	605.1	1,324.2	528.2	490.8	510.1
Participation units issued (cancelled)	(117.5)	(1,806.9)	(319.3)	115.6	2,146.7	75.9	324.4	(720.0)	(723.9)	137.5	2,759.7	2,045.1
Net investment loss (net income) recovered from (allocated to) participation unit holders	(29.2)	(27.2)	(82.4)	(77.2)	(47.7)	(15.5)	(99.7)	(106.4)	(204.2)	(231.1)	(490.9)	(515.0)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	97.4	(1,752.6)	331.6	196.9	3,012.3	342.1	697.5	(221.3)	396.1	434.6	2,759.6	2,040.2
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	1,672.4	3,425.0	5,193.9	4,997.0	1,280.5	938.4	2,463.8	2,685.1	5,802.4	5,367.8	6,314.8	4,274.6
CONSOLIDATED NET ASSETS, END OF YEAR	1,769.8	1,672.4	5,525.5	5,193.9	4,292.8	1,280.5	3,161.3	2,463.8	6,198.5	5,802.4	9,074.4	6,314.8
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31												
ASSETS												
Investments												
Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Equities and convertible securities	6,834.4	7,496.8	-	-	3,203.7	1,275.2	7,973.5	8,393.0	-	-	6,596.8	4,678.1
Mortgages	-	-	-	-	-	-	-	-	-	-	3,473.7	1,900.4
Mortgage securities	-	-	-	-	-	-	-	-	-	-	3.5	5.2
Real estate holdings	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	25.4	-	5,347.8	5,195.4	65.7	11.0	5.1	12.1	5,885.7	5,531.6	-	-
Securities acquired under reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Demand deposits in the General Fund	-	26.9	64.1	1.8	-	-	-	-	26.6	54.8	35.8	159.9
	6,859.8	7,523.7	5,411.9	5,197.2	3,269.4	1,286.2	7,978.6	8,405.1	5,912.3	5,586.4	10,109.8	6,743.6
LIABILITIES												
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Short selling of securities	638.3	345.4	-	-	-	1.4	71.7	17.0	-	-	-	-
Loans and notes payable	5,352.9	5,195.5	-	-	-	-	5,885.6	5,531.6	-	-	-	-
Mortgage loans payable	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	1,210.6	399.3
Derivative financial instruments	50.5	27.2	-	-	-	-	0.1	-	-	-	103.0	1.4
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS (continued)

	REAL ESTATE (710)		SHORT TERM INVESTMENTS (740)		ASSET ALLOCATION (771)		PRIVATE EQUITY (780)		INVESTMENTS AND INFRASTRUCTURES (781)	
(in millions of dollars)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CONSOLIDATED NET ASSETS AS AT DECEMBER 31										
ASSETS										
Investments at fair value										
Bonds	32.0	-	-	-	2,255.7	1,468.5	605.6	510.4	960.5	549.5
Equities and convertible securities	4,445.9	3,414.9	-	-	866.4	1,824.2	8,460.7	5,539.2	9,732.3	5,094.3
Mortgages	375.8	340.9	-	-	-	-	-	-	-	-
Mortgage securities	125.1	124.1	-	-	-	-	-	-	-	-
Real estate holdings	18,881.1	12,994.7	-	-	-	-	-	-	-	-
Short-term investments	82.0	139.0	27,493.9	27,521.7	528.2	196.2	310.6	275.5	3,242.9	996.5
Securities acquired under reverse repurchase agreements	-	-	21,002.5	22,216.0	966.2	393.3	-	-	-	-
Demand deposits in the General Fund	-	-	-	-	-	-	-	65.3	-	-
	23,941.9	17,013.6	48,496.4	49,737.7	4,616.5	3,882.2	9,376.9	6,390.4	13,935.7	6,640.3
Other assets	428.7	352.2	732.5	280.7	17.6	8.1	27.8	48.8	57.9	42.7
	24,370.6	17,365.8	49,228.9	50,018.4	4,634.1	3,890.3	9,404.7	6,439.2	13,993.6	6,683.0
LIABILITIES										
Advances from the General Fund	500.5	20.1	7,176.4	12,999.0	1,993.1	1,486.1	912.8	-	856.8	133.3
Securities sold under repurchase agreements	-	-	24,423.1	21,700.0	895.2	387.5	-	-	-	-
Short selling of securities	55.3	43.5	16.1	-	1,227.4	582.3	81.4	84.6	43.4	59.3
Loans and notes payable	5,695.5	3,996.1	14,787.7	8,435.6	-	1,227.3	89.2	-	3,853.7	1,313.0
Mortgage loans payable	1,776.9	1,041.7	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	390.4	108.4	8.2	5.0	92.9	15.7	70.2	52.1	113.5	21.2
Other liabilities	1,166.3	753.7	128.4	2,839.3	32.8	29.7	17.3	74.6	54.5	33.5
Non-controlling interests	939.9	738.9	-	-	4.4	-	98.1	82.7	427.4	438.4
	10,524.8	6,702.4	46,539.9	45,978.9	4,245.8	3,728.6	1,269.0	294.0	5,349.3	1,998.7
NET HOLDINGS OF FUNDS	13,845.8	10,663.4	2,689.0	4,039.5	388.3	161.7	8,135.7	6,145.2	8,644.3	4,684.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31										
INCOME										
Investment income										
Bonds	1.4	-	-	-	25.0	8.9	28.3	55.4	55.4	53.4
Equities and convertible securities	114.5	40.6	-	-	9.1	15.3	169.6	191.8	187.0	234.7
Mortgages	38.3	43.5	-	-	-	-	-	-	-	-
Mortgage securities	8.8	7.1	-	-	-	-	-	-	-	-
Real estate holdings	500.2	398.8	-	-	-	-	-	-	-	-
Short-term investments	31.0	26.3	392.7	155.5	8.4	3.4	34.4	30.2	111.9	52.6
Demand deposits in (advances from) the General Fund	(6.5)	(1.3)	197.2	173.6	(82.9)	(40.8)	(3.1)	7.6	(19.4)	(2.0)
	687.7	515.0	589.9	329.1	(40.4)	(13.2)	229.2	285.0	334.9	338.7
Other income	-	-	-	-	-	-	14.6	10.5	25.3	21.0
	687.7	515.0	589.9	329.1	(40.4)	(13.2)	243.8	295.5	360.2	359.7
Operating expenses	8.4	8.0	2.8	1.6	10.0	8.1	31.6	31.9	30.9	27.1
INCOME BEFORE THE FOLLOWING ITEMS	679.3	507.0	587.1	327.5	(50.4)	(21.3)	212.2	263.6	329.3	332.6
Interest on notes payable	-	-	425.0	207.7	30.2	31.9	2.2	-	110.5	40.0
Non-controlling interest	49.9	39.7	-	-	-	-	(0.1)	-	23.2	58.4
NET INVESTMENT INCOME (LOSS)	629.4	467.3	162.1	119.8	(80.6)	(53.2)	210.1	263.6	195.6	234.2
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31										
INVESTMENT OPERATIONS										
Net investment income (loss)	629.4	467.3	162.1	119.8	(80.6)	(53.2)	210.1	263.6	195.6	234.2
Gains (losses) on sale of investments	420.9	1,041.1	(8.5)	(16.8)	198.2	186.4	(64.6)	523.4	(265.8)	224.6
Unrealized increase (decrease) in value of investments and liabilities related to investments	2,233.7	1,497.5	(1.7)	2.6	14.6	(82.9)	1,682.5	709.3	910.1	(13.8)
Total investment operations	3,284.0	3,005.9	151.9	105.6	132.2	50.3	1,828.0	1,496.3	839.9	445.0
Participation units issued (cancelled)	527.8	445.3	(1,340.3)	1,702.9	13.8	(166.5)	372.6	(185.0)	3,315.7	600.5
Net investment loss (net income) recovered from (allocated to) participation unit holders	(629.4)	(467.3)	(162.1)	(119.8)	80.6	53.2	(210.1)	(263.6)	(195.6)	(234.2)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	3,182.4	2,983.9	(1,350.5)	1,688.7	226.6	(63.0)	1,990.5	1,047.7	3,960.0	811.3
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	10,663.4	7,679.5	4,039.5	2,350.8	161.7	224.7	6,145.2	5,097.5	4,684.3	3,873.0
CONSOLIDATED NET ASSETS, END OF YEAR	13,845.8	10,663.4	2,689.0	4,039.5	388.3	161.7	8,135.7	6,145.2	8,644.3	4,684.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31										
ASSETS										
Investments										
Bonds	32.0	-	-	-	2,141.7	1,465.9	637.5	582.2	981.3	570.5
Equities and convertible securities	2,903.0	2,272.2	-	-	803.7	1,825.0	10,370.5	9,055.4	8,195.3	4,519.2
Mortgages	388.6	354.9	-	-	-	-	-	-	-	-
Mortgage securities	122.6	124.6	-	-	-	-	-	-	-	-
Real estate holdings	14,834.4	11,167.3	-	-	-	-	-	-	-	-
Short-term investments	82.0	139.7	27,499.0	27,524.5	494.1	198.1	295.4	278.5	3,217.8	997.4
Securities acquired under reverse repurchase agreements	-	-	20,984.4	22,219.5	958.0	398.1	-	-	-	-
Demand deposits in the General Fund	-	-	-	-	-	-	-	65.3	-	-
	18,362.6	14,058.7	48,483.4	49,744.0	4,397.5	3,887.1	11,303.4	9,981.4	12,394.4	6,087.1
LIABILITIES										
Securities sold under repurchase agreements	-	-	24,405.2	21,701.5	889.8	391.2	-	-	-	-
Short selling of securities	52.1	44.1	16.1	-	1,111.4	586.1	54.4	71.5	25.6	42.1
Loans and notes payable	5,692.4	3,988.1	14,787.7	8,435.6	-	1,231.0	89.3	-	3,853.3	1,311.4
Mortgage loans payable	1,749.1	992.9	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4.3	8.5	3.1	1.5	0.8	0.2	-	-	0.3	0.6
Non-controlling interests	737.7	660.9	-	-	4.4	-	88.5	23.2	449.5	446.4