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## THE CAISSE POSTS 10% RETURN IN 2009

*Growth of investment results to \$11.8 billion in 2009*

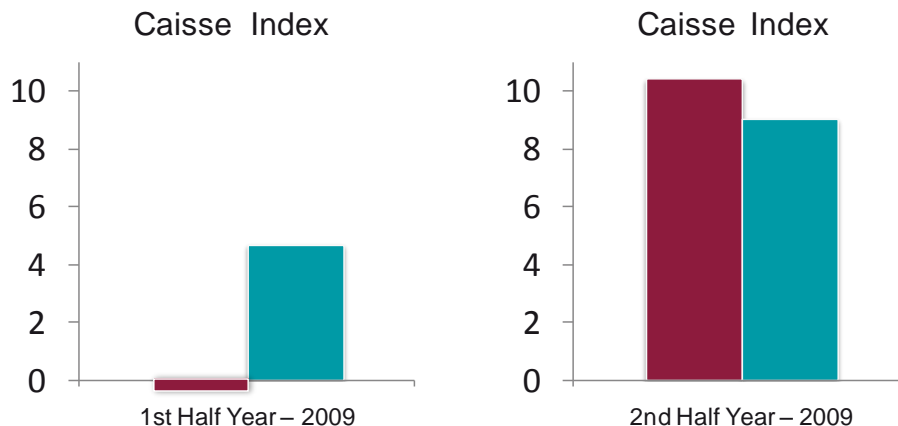
**Montréal, Thursday, February 25, 2010** – The Caisse de dépôt et placement du Québec announced that its weighted average return on depositor funds was 10.04% for the year ended December 31, 2009. This result was fully achieved in the second half of the year. Caisse net assets climbed to \$131.6 billion in 2009 from \$120.1 billion a year ago.

The increase in Caisse's net assets is due to the performance of its equity, fixed income, and private equity portfolios and reflects an important unrealized decrease in value of the Real Estate group's investments.

For 2009, the Caisse underperformed its benchmark index return of 14.1% by 4.1%. Half of the return differential comes from the Real Estate Debt portfolio. The other half results essentially from the underweighting of equity markets at the beginning of 2009 and the performance of the private equity portfolio compared to its index.

In the second half of the year, the Caisse posted a return of 10.4%, 1.4% above its benchmark index, which returned 9.0%. During the first half, the Caisse recorded a neutral performance (-0.3%), compared to 4.7% for its benchmark index.

### Comparative Performance (%) Caisse vs. Benchmark Index



"2009 was a year of transition for the Caisse. We rebalanced our portfolio investments and rebuilt our equity positions. We also re-evaluated our real estate portfolios and repositioned our operations in this sector that has been pummelled by strongly declining international markets. Ultimately, we are building solid foundations for the future. But this is just the beginning. Although returns were up in the second half of the year and significant progress was made, we still have more work to do," said Mr. Michael Sabia, President and Chief Executive Officer of the Caisse.

### **BETTER FINANCIALS**

Over the past year, the Caisse strengthened its financial position, reducing its liabilities by \$27.7 billion, including \$14.5 billion in derivatives. Liabilities fell from \$66.8 billion to \$39.1 billion, a 41.5% decrease.

Under a new refinancing program, the Caisse recently replaced certain short-term debt with \$7.2 billion in longer-term debt, better matching the duration of its financing sources and uses.

In 2009, the Caisse also reduced its operating expenses and external management fees by \$43 million or 13.7% to \$271 million in 2009 from \$314 million a year ago.

### **SECTOR RESULTS**

During the past year, 10 out of 17 Caisse portfolios outperformed their benchmark indexes. In addition, 15 of these portfolios posted positive returns in 2009. Equity Markets, where the Caisse reinvested \$9.6 billion in 2009, recorded a 31.4% return. The Equity Markets group outperformed benchmark indexes by 0.6%. The total value of the Equity Markets portfolios increased by approximately \$20 billion in 2009.

In Fixed income, the Caisse posted a 5.8% return. The four Fixed Income portfolios outperformed their benchmark indexes, resulting in a 0.9% return above the benchmark index overall. In 2009, conditions in the bond market gradually returned to near-normal. The Fixed Income group adopted a well-balanced approach to take advantage of market fluctuations in the Canada, provincial and corporate bond sectors.

The Private Equity group, which manages the Investments and Infrastructures and Private Equity portfolios, posted a 17.5% return in 2009, underperforming its benchmark index by 8.1%. The Investments and Infrastructures portfolio saw a 33.6% return, benefiting from a particularly favourable environment in the second half of the year. During this period, the portfolio recorded increases in value on both the debt and equity financing fronts. These increases in value are due mainly to a \$1.2 billion upward re-evaluation of investments to fair market value (*mark-to-market*), as at December 31, 2009.

The Private Equity portfolio posted a 10.8% return against a backdrop of anemic deal flow throughout 2009 and increasing IPO activity in the fourth quarter.

The Real Estate group continued to face challenging international market conditions, resulting in negative returns. These results include a \$4.8 billion unrealized decrease in value. Overall, the group saw a -15.8% return or -\$4.1 billion in 2009, underperforming its benchmark index by 10%.

The Real Estate portfolio saw a -12.7% return, outperforming its benchmark index by 2.7%. In the first half of the year, this portfolio was hit hard by international and, to a lesser extent, Canadian market turmoil. Overall, the portfolio experienced a slightly positive second half, a sign of stabilizing market conditions.

Due to a weak U.S. market, the Real Estate Debt portfolio saw a -20.3% return, compared to 8.5% for its benchmark index. In Canada, portfolio performance was clearly better. In the future, the Caisse aims to favour the Canadian market over higher-risk exposure. Specifically, the Caisse ceased participation in subordinated debt and structured product originated by third parties outside Canada, which accounted for nearly 90% of the portfolio's loss provisions, as at December 31, 2009.

In addition, improving credit conditions led to \$479 million in ABCP provision reversals, as at December 31, 2009 (renamed asset-backed term notes – ABTM). For 2009, the ABCP provision reversal combined with related costs and interests total \$513 million. The Caisse has formed a team of experts dedicated solely to managing this portfolio and its risk profile.

"In 2009, we simplified and improved the way we work. We now have greater operational and financial flexibility to execute investment strategies. In 2010, we plan to vigorously pursue our five strategic priorities, making our depositors – our clients – our everyday focus. We want to lay the cornerstone for sustainable, long-term returns, that meet the needs of our depositors," added Mr. Sabia.

#### **ABOUT THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC**

The Caisse de dépôt et placement du Québec is a financial institution that manages funds primarily for public and private pension and insurance plans. As at December 31, 2009, it held \$131.6 billion in net assets. As one of Canada's leading institutional fund managers, the Caisse invests in major financial markets, private equity and real estate. For more information: [www.lacaisse.com](http://www.lacaisse.com).

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#### **SOURCE & INFORMATION:**

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