Caisse de dépôt et placement du Québec

COMBINED FINANCIAL STATEMENTS 2009

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, 2009.

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 oversight of 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 sufficient 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, 2009. 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.

Michael Sabia
President and Chief Executive Officer
and Acting Chief Financial Officer

Montréal, February 15, 2010

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, 2009, 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, 2009, 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 FCA auditor

Renaud Lachance, FCA Auditor

Auditor General of Québec

Québec City, February 15, 2010

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

COMBINED STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2009

	2009	2008
	(in millions of dollars)	
ASSETS		
Investments at fair value *(notes 4a, b and e)*	167,555	182,493
Advances to depositors	371	754
Investment income accrued and receivable	1,042	1,394
Transactions being settled	70	1,241
Other assets	1,598	993
	170,636	186,875
LIABILITIES		
Liabilities related to investments *(notes 4c and e)*	34,810	62,612
Transactions being settled	1,478	849
Other liabilities	1,200	1,511
Non-controlling interests *(note 4d)*	1,560	1,815
	39,048	66,787
DEPOSITORS' HOLDINGS *(note 5)*	131,588	120,088

DERIVATIVE FINANCIAL INSTRUMENTS *(note 9)*

COMMITMENTS AND CONTINGENCIES *(note 11)*

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

For the Board of Directors,

Michael Sabia

A. Michel Lavigne

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED STATEMENT OF INCOME AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	**2008**
	(in millions of dollars)	
Investment income *(note 6a)*	4,907	6,161
Less :		
Operating expenses *(note 7)*	250	263
External management fees	21	51
Net investment income	4,636	5,847
Gains (losses) on the sale of investments *(note 6d)*	4,521	(23,228)
Total realized income (losses)	9,157	(17,381)
Unrealized increase (decrease) in value of investments and liabilities related to investments *(note 6e)*	2,595	(22,435)
Net investment results	11,752	(39,816)
Depositor's net deposits (withdrawals)	(252)	4,554
INCREASE (DECREASE) IN COMBINED NET ASSETS	11,500	(35,262)
COMBINED NET ASSETS, BEGINNING OF YEAR	120,088	155,350
COMBINED NET ASSETS, END OF YEAR	131,588	120,088

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

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 *Act respecting the 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) as well as results from net investments related to third-party and bank-sponsored asset-backed term notes ("third-party and bank-sponsored ABTNs") held in the specialized Bonds portfolio (760).

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/paramédics et des services préhospitaliers d'urgence administered by the Aon Conseil;

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 pour l'éducation et la saine gouvernance – Fonds de trésorerie 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 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec administered by the Aon Conseil;

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;

Fund 351: Fonds des générations administered by the ministère des Finances, Government of Québec;

Fund 353: Régime de retraite des membres de la Sûreté du Québec – caisse participants administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 361: Régime de rentes pour le personnel non enseignant de la Commission des écoles catholiques de Montréal administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 363: Régime de retraite des employés de la Ville de Laval administered by the Comité du Régime de retraite des employés de la Ville de Laval;

Fund 368: Fonds pour l'éducation et la saine gouvernance – Fonds capitalisé administered by the Autorité des marchés financiers;

Fund 369 : Fonds des congés de maladie accumulés administered by the ministère des Finances, Government of Québec (created January 1, 2009).

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

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 subsidiaries controlled by the Caisse, 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 the year-end.

Transaction costs which are directly attributable to the acquisition and sale of investments are included in income and applied against gains and losses on the sale of investments. Transaction costs include commissions and stock exchange fees.

Fixed-income securities

Fixed-income securities comprise short-term investments, bonds, ABTNs and mortgages. Acquisitions and sales of fixed-income securities are recorded at the transaction date, except for mortgages which are recorded at the settlement date.

i) Valuation method

The fair value of short-term investments and bonds is determined by the market price, when such a value is available. When a market price is not available, the fair value of the securities is established according to valuation methods used in capital markets, such as discounting of future cash flows, or according to similar transactions on an arm's-length basis. These valuations are supported by observable or non-observable input data, such as interest rate yield curves, credit spreads, discount rates, credit ratings and recovery rates. The valuation method for third-party and bank-sponsored ABTNs is discussed in note 4b).

The fair value of mortgages is determined from the present value of future contractual cash flows at the market interest rate. The rate is that which could be obtained for loans or securities with similar conditions and maturities. Where the spread of future cash flows cannot be estimated in a reasonably reliable fashion, the fair value corresponds either to the fair value of any collateral on the security, less expected realization costs and any amount legally owed to borrowers, or to the observable market price for the security.

The fair value of most fixed-income securities is reviewed biannually by a valuation committee made up of independent experts or by an independent external firm.

The valuation methods are applied on a consistent basis.

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 is reduced by operation expenses and financial costs of commercial mortgage-backed securities (CMBS) and is recorded under the item Investment Income – Fixed-income securities.

Gains and losses on the sale of investments represent the difference between the amortized cost and the net realizable value on the sale of investments. The amortized cost corresponds to the acquisition cost adjusted to reflect amortization of the premium or the discount.

Variable-income securities

Variable-income securities comprise equities and convertible securities as well as real estate holdings. Acquisitions and sales of equities and convertible securities are recorded at the transaction date, whereas acquisitions and sales of real estate holdings are recorded at the settlement date.

i) Valuation method

The fair value of equities and convertible securities traded on a stock exchange is determined from prices on major stock exchanges as well as those provided by recognized financial institutions. For unlisted equities and convertible securities, valuations are made according to commonly used valuation methods, such as the earnings multiples of comparable listed companies or discounting of cash flows, or on the basis of similar transactions on an arm's-length basis. These valuations are supported by observable or non-observable input data, such as EBITA multiples, price/earnings multiples, price/book value ratios, discount rates and future cash flows. The valuations of unlisted equities and convertible securities are reviewed biannually by a valuation committee made up of independent experts or by an independent external firm.

The fair value of investment funds is determined from the fair value provided by the general partner, in accordance with commonly used valuation methods.

Real estate holdings include partial or full ownership of income properties through interests in a company or a partnership. The fair value of income properties included in real estate holdings is determined and certified biannually by external, recognized and independent chartered real estate appraisers. The valuation techniques used for income properties are based mainly on three recognized methodologies: discounting of cash flows at the market rate, comparison with recent similar market transactions and capitalization of earnings. These valuations are supported by observable or non-observable input data, such as leases, operating expenses, rates of return and discount rates. The valuations are established in accordance with commonly used professional valuation standards.

The valuation methods are applied on a consistent basis.

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 of investments corresponds to the acquisition cost, except for the cost of investments in joint ventures, which are accounted for according to the equity method.

Derivative financial instruments

In managing its investments, 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 at fair value, 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. For unlisted instruments, fair value is determined from similar transactions on an arm’s-length basis or with recognized, commonly used models. The models used include discounting of future cash flows at the current rate of return and the Black-Scholes model. These models require the use of assumptions regarding the amount and maturity of future cash flows and the current rate of return. The assumptions are prepared with observable and non-observable input data, such as interest rate yield curves, credit spreads and foreign exchange rates as well as the volatility and correlation of equity prices, commodity prices and interest rates. The fair value estimates of most unlisted derivative financial instruments are reviewed biannually by an independent external firm.

The valuation methods are applied on a consistent basis.

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

Investment income from derivative financial instruments is included with income from fixed-income and variable-income securities, whereas gains and losses pertaining to derivative financial instruments are included with gains and losses on the sale of investments as a function 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 securities-lending operations involving short-term investments and bonds to generate cash flow liquidity or to generate additional income from securities-lending operations. These securities-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 its positions. Interest expenses 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 (losses) on the sale of investments – Fixed-income securities, whereas those related to short selling of equities are recorded in Gains (losses) on the sale investments – Variable-income securities.

Hierarchy of fair value

The Caisse's financial instruments are classified according to the following hierarchy:

Level 1: Calculation of the fair value of the instrument is based on prices (not adjusted) quoted on active markets for identical assets or liabilities.

Level 2: Calculation of the fair value of the instrument is based on data other than the quoted prices contemplated in level 1, which are observable either directly (in the form of prices) or indirectly (determined from prices). This level includes instruments whose valuation is based on prices quoted on markets that are not active for identical instruments, instruments whose valuation is based on prices observed for similar instruments as well as valuation techniques based on assumptions that take into account observable market data.

Level 3: Calculation of the fair value of the instrument uses data that are not based on observable market data (non-observable data). This level includes instruments whose valuation is based on prices observed for similar instruments, adjusted to reflect the differences between the instruments being valued and the available market data. This level also includes instruments whose valuation is based on valuation techniques using assumptions that take into account market data that are observable but are adjusted significantly to reflect the specific characteristics of the instrument being valued.

The classification of financial instruments in the levels of the hierarchy is established at the time of the initial valuation of the instrument and reviewed on each subsequent valuation date. Transfers between the hierarchical levels are measured at fair value at the start of each quarter.

In certain cases, the assumptions used in the valuation techniques are based on non-observable data or on observable market data adjusted significantly.

The quantitative information on the hierarchy of fair value is given in note 4e).

c) Administered property and property under management

The Caisse and its subsidiaries 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. The Caisse and its subsidiaries receive fees in return for such portfolio management services and administrative services, which include the administration of real estate properties and securitized loans.

d) Foreign currency translation

The fair value of investments as well as 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 amortized cost of investments in short-term investments, bonds and mortgages 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 and mortgages by selling them to a collaterized security entity, which subsequently 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" in the Canadian Institute of Chartered Accountants ("CICA") Handbook. At the time of securitization, no beneficial right attached to the securitized loans is retained. Any gains or losses deriving from such transactions are recorded under Gains (losses) on the sale of investments – Mortgages and Bonds.

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 represent all expenses related to portfolio management and administration, with the exception of those related to external management. Operating expenses are recorded under a specific item in the "Combined statement of income and changes in net assets." Expenses related to management of the specialized real estate and real estate debt portfolios are included in operating expenses. Expenses related to the real estate and real estate debt subsidiaries are deducted from real estate holdings investment income and mortgages investment income, respectively.

g) External management fees

External management fees represent amounts paid to external financial institutions, principally institutional fund managers active on international stock markets, for the management of Caisse funds on behalf of the Caisse. External management fees are presented under a specific item in the "Combined statement of income and changes in net assets."

3. Adoption of amendments to Section 3862 Financial Instruments – Disclosures and Abstract EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

For the year ended December 31, 2009, the Caisse adopted the amendments to Section 3862 *Financial Instruments – Disclosures.* The purpose of the amendments is to improve the requirements regarding information to be provided in the notes to financial statements with respect to valuation at fair value and to extend the obligations regarding information on liquidity risk. The additional information to be provided is included in notes 2b) and 4e).

In January 2009, the Emerging Issues Committee (EIC) issued abstract EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The abstract requires that the fair value of financial instruments take into account the entity's own credit risk and the counterparty's credit risk in the determination of the fair value of financial assets and financial liabilities, including derivative financial instruments. The adoption of EIC-173 did not have a significant impact on the financial statements of the Caisse.

4. Investments and liabilities related to investments

	2009		2008	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
a) Investments				
Fixed-income securities				
Short-term investments				
Canadian	4,625	4,684	5,826	5,910
Foreign	2,376	2,860	3,580	4,522
	7,001	7,544	9,406	10,432
Bonds				
Issued or guaranteed by:				
Government of Canada	21,652	21,600	16,552	15,211
Province of Québec	7,859	7,380	9,265	8,517
Other Canadian provinces	3,158	3,154	3,047	2,969
Municipalities and other Canadian bodies	1,279	1,276	1,611	1,597
Canadian government corporations	10,482	9,883	11,091	10,201
U.S. government	510	741	823	740
Other foreign governments	346	339	1,812	1,594
Mortgage securities				
Canadian	245	258	272	276
Foreign	233	2,408	711	2,438
Canadian corporations	9,830	10,257	12,592	13,623
Foreign corporations	2,062	2,949	2,911	4,076
Inflation-indexed securities				
Canadian	667	618	587	604
Foreign	- -	- -	1,973	1,611
Hedge funds	72	99	439	460
	58,395	60,962	63,686	63,917
Third-party and bank-sponsored ABTNs *(note 4b)*	7,229	12,351	7,186	12,787
Mortgages				
Canadian	5,944	6,104	6,451	6,431
Foreign	2,871	5,427	5,342	5,738
	8,815	11,531	11,793	12,169
Total fixed-income securities	81,440	92,388	92,071	99,305
Variable-income securities				
Equities and convertible securities				
Canadian	14,676	14,756	12,523	16,055
U.S.	14,407	19,156	10,968	14,604
Foreign and emerging markets	19,693	19,794	17,714	21,180
Hedge funds	3,615	3,689	4,688	4,933
	52,391	57,395	45,893	56,772
Real estate holdings				
Canadian	10,930	9,279	11,884	8,987
Foreign	9,012	10,578	11,032	10,450
	19,942	19,857	22,916	19,437
Total variable-income securities	72,333	77,252	68,809	76,209

	2009		2008	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
Amounts receivable with respect to investments				
Securities acquired under reverse repurchase agreements				
Canadian	6,171	6,171	2,900	2,901
Foreign	1,928	1,963	2,780	2,730
Amount pertaining to derivative instruments				
Canadian	1,106	21	2,465	26
Foreign	4,577	896	13,468	1,681
	13,782	9,051	21,613	7,338
Total investments	167,555	178,691	182,493	182,852

Investments – Real estate holdings includes investments in joint ventures reported on an equity basis. The details of these investments at fair value are as follows:

	2009	2008
	(in millions of dollars)	
Investments in joint ventures	**8,319**	**9,097**
Real estate holdings	13,601	15,889
Mortgages	2	- -
Short-term investments	2	15
Investment income, accrued and receivable	13	10
Other assets	505	678
	14,123	16,592
Other loans payable	64	74
Mortgage loans payable	5,088	6,284
Other liabilities	596	1,026
Non-controlling interests	56	111
	5,804	7,495

b) Third-party and bank-sponsored ABTNs

As at December 31, 2009, the Caisse held asset-backed term notes (“ABTNs”) issued under the Montréal Accord. The notes are divided into three types:

– “Third-party ABTNs” that have been restructured under the restructuring agreement of the Pan-Canadian Investors Committee;

– “Other third-party ABTNs” that have been restructured (White Knight Trust) or whose restructuring has failed (Devonshire Trust); and

– “Bank-sponsored ABTNs” that have been restructured (Apex Trust, Great North Trust and Superior Trust).

The assets that were exchanged as at January 21, 2009, were investments in the Canadian asset-backed commercial paper (“ABCP”) market. The subprime mortgage crisis in the United States caused disruption on the international markets, which resulted in a liquidity crisis on the Canadian third-party ABCP market in mid-August 2007. Since that time, the Caisse has not been able to have redeemed amounts due under third-party ABCP. The investors and banks that purchased credit default protection then agreed to a standstill period and began discussions within the framework of the Montréal Accord and the Pan-Canadian Investors Committee.

The details of the assets underlying the notes are as follows as at January 21, 2009:

Underlying assets	**MAV 1**	**MAV 2**	**Other conduits**[1]
	%	**%**	**%**
Credit default swaps	86.8	89.4	75.0
Commercial mortgage loans	7.6	6.5	25.0
Canadian non-prime residential mortgage loans	3.1	2.4	- -
Other assets	2.5	1.7	- -

[1] The other conduits represent third-party ABTNs not covered by the agreement and restructured bank-sponsored ABTNs.

ABTNs are debt supported by a range of financial instruments. The underlying assets, such as residential mortgage loans or commercial loans, or exposure to risk, such as credit default swaps, as well as certain other assets, are acquired by a conduit by means of various types of transaction, primarily the issuance of commercial paper or term notes.

Third-party ABTNs

The efforts to restructure the ABCP resulted in the conclusion of an agreement in principle on December 24, 2008, which gave rise to an exchange of securities on January 21, 2009. The ABCP covered by the restructuring plan confirmed at that date was replaced by new variable-rate notes with longer maturities corresponding better to those of the underlying asset, with the grouping of certain assets.

The key aspects of the restructuring agreement are as follows:

– Creation of three new structures in the form of trusts called “master asset vehicles” (“MAV 1”, “MAV 2” and “MAV 3”).

– MAV 1 and MAV 2 consist of the transactions of the ABTN conduits constituted solely of synthetic assets or of hybrid assets, namely a combination of synthetic and traditional assets. They also include the high-risk assets associated with these transactions.

– Establishment of margin funding facilities in support of MAV 1 and MAV 2 to finance possible collateral calls.

– The main difference between MAV 1 and MAV 2 is that the margin funding facility is self-funded for the participants in MAV 1, whereas it is provided by third-party lenders in the case of MAV 2.

– The holders’ ability to transfer the MAV 1 notes is subject to considerable constraints.

– MAV 3 consists of transactions of the ABTN conduits constituted exclusively of high-risk assets and traditional assets.

– Widening of “spread-loss triggers,” which, if reached, will trigger collateral calls.

– Establishment of an initial 18-month standstill period ending July 21, 2010, during which no additional collateral calls may be effected on the credit default swaps.

– The Government of Canada, the governments of Québec, Alberta and Ontario, and the Caisse took part in the final agreement by establishing an additional senior margin funding facility.

On January 21, 2009, the investors, including the Caisse, received from the MAV 1 and MAV 2 structures a combination of Class A-1, A-2, B and C notes with a planned average maturity of December 2016. The MAV 1 high-risk assets were separated and the Caisse received tracking notes that reproduce the return on the individual underlying assets. A third vehicle, MAV 3, was created to hold in a silo structure each series guaranteed exclusively by traditional assets or high-risk assets. Two main classes of notes were created, namely tracking notes for traditional assets and tracking notes for high-risk assets, and are related to the net return and maturities of their respective underlying assets.

There was no difference between the fair value of the ABCP held by the Caisse as at December 31, 2008, namely before the official allocation of the ABTNs, and the fair value of the notes issued on January 21, 2009.

The Class A-1, A-2 and B notes issued by MAV 1 bear interest at the three-month bankers' acceptance ("BA") rate + 0.30%. The Class A-1, A-2 and B notes issued by MAV 2 bear interest at the three-month BA rate – 0.50%. Interest on the Class B notes is cumulative and payable only when the principal and interest for the A-1 and A-2 notes are settled in full. Interest on the Class C notes (BA + 20%) is cumulative and payable only when the principal and interest for the A-1, A-2 and B notes are settled in full. All the tracking notes bear interest at a rate that will be adjusted as a function of the return on the underlying assets. Given the measurement uncertainty, the Caisse has recorded interest income only for the A-1 and A-2 notes.

A subordination sequence is built into in the notes: the C notes are subordinate to the B notes, the B notes are subordinate to the A-2 notes, and the A-2 notes to the A-1 notes. This waterfall structure is designed to ensure that the subordinate tranches absorb the first losses up to their notional amount so as to immunize the superior tranches. As a result of the waterfall structure, the C and B notes absorb the greatest decreases in value.

Other third-party ABTNs

Only one of the 22 conduits affected by the Montréal Accord was restructured in 2007, namely Skeena Capital Trust (restructured under the name of White Knight Trust). The Caisse received replacement securities and liquid assets on completion of the restructuring. Initially rated AAA by DBRS, the notes were successively downgraded to AA (low) in November 2008 and B (high) in October 2009. The Caisse took a provision for the loss of its entire investment in this trust as at December 31, 2009 ($92 million in 2008).

The restructuring of another trust, Devonshire Trust, failed. Legal proceedings to recover the collateral posted by this trust, which would enable the Caisse to recover its investment, were undertaken on January 13, 2009. The Caisse had taken a provision for the loss of its entire investment in this trust as at December 31, 2008.

Bank-sponsored ABTNs

The Caisse holds ABTNs issued by trusts sponsored by financial institutions, including Sitka Trust (since restructured under the name of Apex Trust), Great North Trust and Superior Trust. As a result of market turbulence, these trusts received substantial collateral calls from purchasers of credit protection. The trusts were therefore restructured in 2008. The replacement securities for Apex Trust, Superior Trust and Great North Trust received by the Caisse are not rated by an external agency. The Caisse took a provision for the decline in the value of its investment in these trusts, resulting in a decrease in value of $301 million as at December 31, 2009 ($394 million in 2008).

Balances as at December 31

As at December 31, 2009, third-party and bank-sponsored ABTNs consist of the following elements:

	2009		
	Fair value	**Cumulative unrealized decrease in value**	**Cost**
		(in millions of dollars)	
Third-party ABTNs			
MAV 1			
Class A-1	4,071	(476)	4,547
Class A-2	2,428	(1,397)	3,825
Class B	- -	(652)	652
Class C	- -	(279)	279
Tracking notes for high-risk assets	- -	(597)	597
Class X notes[1]	282	(26)	308
	6,781	(3,427)	10,208
MAV 2			
Class A-1	101	18	83
Class A-2	17	(10)	27
Class B	- -	(5)	5
Class C	- -	(4)	4
	118	(1)	119
MAV 3			
Tracking notes for traditional assets	478	(59)	537
Tracking notes for high-risk assets	- -	(70)	70
	478	(129)	607
Margin call facilities	(589)	(589)	- -
Third-party ABTNs subtotal	6,788	(4,146)	10,934
Other			
Third-party ABTNs not restructured	- -	(385)	385
Third-party ABTNs restructured	- -	(290)	290
Bank-sponsored ABTNs restructured	441	(301)	742
	7,229	(5,122)	12,351

[1] As a result of a collateral call, a portion of the Class A-1, A-2, B and C notes issued by MAV 1 has been converted into MAV 1 Class X notes.

As at December 31, 2008, investments in third-party and bank-sponsored ABCP consisted of the following elements:

	2008		
	Fair value	**Cumulative unrealized decrease in value**	**Cost**
		(in millions of dollars)	
Third-party ABCP restructured under the agreement of the Pan-Canadian Investors Committee			
Synthetic and hybrid assets[1]	6,017	(3,725)	9,742
Traditional assets[2]	623	(115)	738
High-risk assets	- -	(890)	890
	6,640	(4,730)	11,370
Other			
Third-party ABCP not restructured	- -	(385)	385
Third-party ABCP restructured	198	(92)	290
Bank - sponsored ABCP restructured	348	(394)	742
	7,186		12,787
Cumulative unrealized decrease in value before restructuring costs		(5,601)[3]	
Restructuring costs		(86)	
Cumulative unrealized decrease in value		(5,687)	
Writeoff of assets		(171)	
Losses on the sale of investments and cumulative unrealized decrease in value		(5,858)	
Accrued back interest receivable[4]		389	
		(5,469)	

[1] The investments reflect the commitment made by the Caisse in 2008 to acquire MAV 2 notes at a discount at the time of the restructuring. The notional amount and the agreed-on purchase price for the notes are $170 million and $119 million respectively.

[2] Not including an amount of $550 million representing the Caisse's share of repayment of underlying assets redeemed by the conduits as of December 31, 2008.

[3] Includes the fair value of the commitments estimated at a negative amount of $634 million.

[4] Received on January 21, 2009.

Presentation in combined income and changes in net assets

The following table gives the changes in the combined net assets of the Caisse as at December 31:

	2009	**2008**
	(in millions of dollars)	
Cumulative unrealized decrease in value, beginning of year	(5,601)	(1,867)
Cumulative unrealized decrease in value, end of year	(5,122)	(5,601)
Increase (decrease) in fair value	479	(3,734)
Receipt in 2009 of back interest and restructuring costs of 2008	(333)	- -
Back interest and restructuring costs	- -	333
Unrealized increase in value (decrease in value) of investments (*note 6e*)	146	(3,401)
Receipt in 2009 of back interest and restructuring costs	559	- -
Writeoff of assets	(192)	(171)
Gains (losses) on the sale of investments (*note 6d*)	367	(171)
	513	(3,572)

Commitments associated with third-party and bank-sponsored ABTNs

The following table summarizes commitments regarding third-party and bank-sponsored ABTNs as at December 31:

		2009	2008
	Ultimate maturity	**Commitments**	
		(in millions of dollars)	
Agreement of the Pan-Canadian Investors Committee			
MAV 1 MFF – basic	July 2017	5,767	5,767
MAV 1 MFF – additional interest	July 2017	400	400
MAV 1 and MAV 2 SFF	July 2017	300	300
Subtotal		6,467	6,467
Bank-sponsored ABTNs restructured	December 2016	- -	323
Total		6,467	6,790

Margin funding facility ("MFF")

In addition to the assets already provided as collateral to the purchaser of credit default protection, the final agreement of the Pan-Canadian Investors Committee provides that MAV 1 and MAV 2 must have an MFF to cover any collateral calls. The Caisse has decided to self-fund its share of the MFF, which explains its interest in MAV 1.

The Caisse's share of this credit commitment amounts to $5,767 million, has the same rank as that of the other participants and matures in July 2017 or at an earlier date if all the credit default swap transactions are settled beforehand. The Caisse will receive no fee in respect of this credit commitment. The advances that could be made under this MFF will bear interest at a rate based on the bankers' acceptance rate or the prime rate. The Caisse will have to maintain a credit rating equivalent to AA (high) with at least two of the four rating agencies specified in the agreement, failing which it will have to provide collateral or another type of credit support to MAV 1 or fulfill its commitments through another entity with a sufficiently high credit rating.

Under a separate agreement, the Caisse has agreed to take an interest of $400 million in the MFF commitments of a MAV 1 participant in exchange for a commitment fee of 1.2% per annum, namely the same rate as the third-party institutions that have underwritten the equivalent MAV 2 MFF. This facility is at the same subordination level as the Caisse's interest in the MFF, which means that these facilities would be called simultaneously in the event of a collateral call.

Senior funding facility ("SFF")

In the event that the MAV 1 MFF and the equivalent MAV 2 facility prove insufficient to meet the collateral calls of the vehicle in question, an SFF has been put in place with the participation of the governments of Canada, Québec, Alberta and Ontario and the Caisse for MAV 1 and MAV 2 to provide access to additional liquid assets. The Caisse's share of these credit commitments is $154 million for MAV 1 and $146 million for MAV 2. The Caisse will receive a commitment fee of 1.19% per annum until December 2016 in respect of this credit commitment. These commitments expire in July 2010, unless an amount has been drawn down and remains unpaid at that date, in which case all the liquid assets available for repayment in MAV 1 or MAV 2, as the case may be, will be used to pay the interest and principal of the SFFs before payment of the interest and principal of the relevant MFF and before payment of the interest and principal of the notes issued by the vehicle in question. The advances that may be made under this facility will bear interest at a rate based on the bankers' acceptance rate or the prime rate.

Commitments associated with bank-sponsored ABTNs

The bank-sponsored ABCP securities restructured in 2008 and the Class X notes include four securities that represent interests in trusts that have indirect interests in credit default swaps. To protect its interest in the underlying assets, the Caisse may agree to take part in collateral calls in the event of additional collateral calls by three trusts. If it does not take part, the underlying positions will be liquidated, and the Caisse's investments will in all likelihood be lost. As at December 31, 2009, the Caisse had not taken part in any collateral call. The securities and the related commitments mature at the latest in December 2016.

Establishment of fair value

Given that there is no active market for third-party and bank-sponsored ABTNs, the Caisse has established fair values for the various ABTNs using a valuation technique based on a financial model whose assumptions and probabilities reflect uncertainties regarding the amounts, the return and the maturity of the cash flows, the illiquidity risk, the nature and credit risk of the debt and the underlying financial assets, and credit spreads reflecting market conditions as at December 31, 2009.

The assumptions use observable market data, such as interest rates and credit quality, as much as possible. They are based in part on non-observable data or observable market data adjusted significantly to reflect the characteristics of the instruments being valued. The fair value of the securities has been established from an estimate of the present value of cash flows according to various default and credit-loss scenarios on all the underlying assets for each note, the maturities corresponding to those of the underlying assets and the interest rates reflecting the cash flow available within the vehicles and takes into account the leverage rate of the various structures as well as the subordination of the restructured notes, where required. Once adjusted to take into account the impact of the credit risk of the underlying assets, the expected cash flows on the securities are discounted at a risk-free rate, plus a financing and illiquidity premium. The Caisse has taken into account the probability that historic cumulative default rates corresponding to the discount period will be more severe in the years to come. For the synthetic and hybrid assets, the estimated default rates apply to all the underlying assets.

Given the foregoing, the Caisse recorded an increase of $479 million in the fair value of the ABTNs during the year ended December 31, 2009 (decrease of $3,734 million in 2008). This increase is attributable mainly to the narrowing of credit spreads as well as the impact of time decay, offset partly by the lower credit quality of the notes as well as an increase in the default rates.

The main assumptions considered in the model, excluding the high-risk assets, are as follows as at December 31:

	2009	**2008**
Interest rate of the notes		
MAV 1 A-1 and A-2 notes	BA[1] + 0.30 %	BA[1] + 0.30 %
MAV 2 A-1 and A-2 notes	BA[1] - 0.50 %	BA[1] - 0.50 %
Default rate and credit loss	S&P 1981-2008 table Default rated adjusted as a function of a downgrade Level of loss with a 70% default rate	S&P 1981-2007 table Default rated adjusted as a function of a downgrade Level of loss with a 70% default rate
Financing and illiquidity premiums	2.15 %	4.50 %
Financing premium in respect of the margin funding facilities	The financial impact of the facilities has been calculated on the basis of an annual commitment fee of 1.6%	The financial impact of the facilities has been calculated on the basis of an annual commitment fee of 1.6%
Planned maturity of the notes	December 2016 for the MAV 1 and 2 notes	December 2016 for the MAV 1 and 2 notes
Credit rating of the notes	A for the series A-1 A weighted average credit rating for the MAV 1 Class A-2 notes BBB (low) for the MAV 2 Class A-2 notes The series B and C notes are not rated	A for the series A-1 and A-2 notes The series B and C notes are not rated

[1] The three-month bankers' acceptance rate.

The estimate of the fair value of the ABTNs as at December 31, 2009, takes into account such factors as the credit ratings assigned to the notes. The credit rating is an integral part of a model that includes several other assumptions and data that cannot be considered in isolation. On August 11, 2009, DBRS downgraded the MAV 2 Class A-2 notes, lowering their rating from A to BBB (low) and placing them "under review with negative implications." Moreover, the credit rating for the MAV 1 Class A-2 notes was maintained at A and they were placed "under review with negative implications."

On February 9, 2010, DBRS issued a press release confirming the credit rating of the MAV 1 Class A-2 notes at A and removed them from "under review with negative implications." As the main reason for maintaining the rating, DBRS cited the stability of the credit market in recent months and the amortization of the structure (time-decay concept), which renders the assets underlying the notes less risky. The press release also refers to the substantial risks that the holders of the notes continue to assume, including exposure to credit volatility, current and future deterioration of the underlying assets and the possibility that the spread-loss triggers will be reached and could give rise to collateral calls at the end of the standstill period. Since confirmation of the credit rating for the MAV 1 Class A-2 notes takes into account events that occurred after December 31, 2009, and is not related to observable circumstances and events prevailing at that time, no adjustment has been made to the valuation of December 31, 2009. Valuation of the ABTNs in 2010 will take into account all data and assumptions, including the DBRS press release as well as other market events.

As already stated, the Caisse has provided funding facilities totalling $6,467 million under the final restructuring plan. The Caisse has estimated the financing premium normally required to be 1.6% in respect of the three facilities. These lending commitments must be recorded at their fair value. There is no active market from which the Caisse could derive the fair value of these commitments. Accordingly, the Caisse has established the fair value by applying a valuation technique that takes into account the fair value of substantially similar commitments and an analysis of discounted cash flows.

The estimated fair value of the ABTNs as at December 31, 2009, is not likely to be indicative of their definitive value or future fair value. Although management believes that its valuation technique is appropriate in the circumstances, the use of reasonably possible alternative assumptions could have a material impact on the fair value of the ABTNs in the years to come. Accordingly, resolution of these uncertainties could mean that the definitive value of the investments in subsequent periods differs considerably from management's current best estimates.

The impact on fair value of substitution of alternative assumptions for the main assumptions is detailed as follows:

- An increase of 50 basis points in the financing premium in respect of the margin funding facilities would decrease the fair value by about $183 million. Similarly, a decrease of 50 basis points would increase the fair value by about $183 million;

- An increase of 50 basis points in the estimated discount rate would decrease the fair value by about $215 million. A decrease of 50 basis points would increase the fair value by about $207 million; and

- A downgrading of the expected credit rating by one notch would affect the anticipated default rates and would decrease the fair value by about $385 million. An increase in the expected credit rating of one notch would increase the fair value by about $275 million.

When the financial statements were prepared, there was still no active market for third-party and bank-sponsored ABTNs.

	2009		**2008**	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
c) Liabilities related to investments				
Securities sold under repurchase agreements				
Canadian	9,115	9,113	19,161	19,120
Foreign	1,223	1,458	4,596	4,576
Commercial paper payable				
Canadian	1,288	1,288	5,415	5,407
Foreign	- -	- -	956	927
Term notes				
Canadian	- -	- -	158	154
Foreign	5,075	5,345	- -	- -
Short selling of securities				
Canadian	4,593	4,145	4,444	4,856
Foreign	2,980	2,616	3,344	3,304
Mortgage loans payable				
Canadian	855	833	935	932
Foreign	3,351	3,513	2,688	2,859
Other loans payable				
Canadian	833	836	514	537
Foreign	1,162	1,210	1,605	1,684
Amount pertaining to derivative instruments				
Canadian	422	53	1,277	37
Foreign	3,913	1,214	17,519	1,590
	34,810	31,624	62,612	45,983

	2009		2008	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
d) Non-controlling interests				
Canadian	1,208	1,252	1,264	1,246
Foreign	352	771	551	769
	1,560	2,023	1,815	2,015

e) Hierarchy of fair value

As at December 31, 2009, the fair value of the financial instruments can be broken down among the three levels of the hierarchy as follows:

	2009			
	(in millions of dollars)			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Fixed-income securities				
Short-term investments	- -	5,973	1,028	7,001
Bonds	- -	55,809	2,586	58,395
Third-party and bank-sponsored ABTNs	- -	- -	7,229	7,229
Mortgages	- -	3,751	5,064	8,815
Total fixed-income securities	- -	65,533	15,907	81,440
Variable-income securities				
Equities and convertible securities	25,974	3,504	22,913	52,391
Real estate holdings[1]	- -	- -	19,942	19,942
Total variable-income securities	25,974	3,504	42,855	72,333
Amounts receivable with respect to investments				
Securities acquired under reverse repurchase agreements	- -	8,099	- -	8,099
Amount pertaining to derivative instruments	36	5,181	466	5,683
	26,010	82,317	59,228	167,555
Liabilities related to investments				
Securities sold under repurchase agreements	- -	10,338	- -	10,338
Commercial paper payable	- -	1,288	- -	1,288
Term notes	- -	5,075	- -	5,075
Short selling of securities	5,382	1,919	272	7,573
Mortgage loans payable	- -	1,306	2,900	4,206
Other loans payable	- -	1,682	313	1,995
Amount pertaining to derivative instruments	31	3,871	433	4,335
	5,413	25,479	3,918	34,810

[1] Investments in real estate holdings include partial or full ownership of income properties through interests in a company or a partnership.

Level 3: Reconciliation between opening and closing balances

For the financial instruments classified in level 3 of the hierarchy, the details of the reconciliation between the opening and closing balances are as follows:

	2009 (in millions of dollars)								
	Opening balance	**Total gains (losses) recorded in the results**[1]	**Purchases**	**Sales**	**Issuance**	**Settlement**	**Net transfers to and from the level 3**	**Closing balance**	**Total gains (losses) chargeable to investments held at year-end, recorded in results**[2]
Short-term investments	1,478	(267)	- -	- -	91	(261)	(13)	1,028	(46)
Bonds	4,444	(429)	206	(899)	76	(711)	(101)	2,586	(698)
Third-party and bank-sponsored ABTNs	7,186	288	- -	- -	- -	(245)	- -	7,229	479
Mortgages	6,592	(2,372)	- -	(40)	1,069	(1,208)	1,023	5,064	(2,373)
Equities and convertible securities	24,352	(2,133)	3,271	(2,474)	- -	- -	(103)	22,913	(1,927)
Real estate holdings	22,916	(3,889)	1,633	(718)	- -	- -	- -	19,942	(3,021)
Amount pertaining to derivative instruments[3]	(673)	38	20	(20)	- -	673	(5)	33	(165)
Short selling of securities	(460)	8	182	(2)	- -	- -	- -	(272)	11
Mortgage loans payable	(2,632)	274	- -	- -	(546)	4	- -	(2,900)	85
Other loans payable	(434)	15	- -	- -	(107)	213	- -	(313)	19

[1] Recorded under the items Net investment income, Gains (losses) on the sale of investments and Unrealized increase (decrease) in investments.

[2] Recorded under the items Net investment income and Unrealized increase (decrease) in investments.

[3] Derivative assets and derivative liabilities are recorded on a net basis in the reconciliation between opening and closing balances.

Transfers between levels 2 and 3 of the hierarchy of fair value

During the year, mortgages with a fair value of $1,111 million were transferred out of level 2 and added to the level 3 instruments as a result of additional non-observable data that were taken into account in the valuation method.

Level 3: Valuation at fair value based on reasonable alternative assumptions

In certain cases, the assumptions used in the valuation techniques are based on non-observable data or observable market data adjusted significantly to reflect the specific characteristics of the instrument being valued. Although the Caisse believes that its valuations at fair value are appropriate, the use of reasonably possible alternative assumptions could result in different fair values. It is possible that different entities will arrive at different valuations of the fair value of the same financial instrument on the same measurement date. Even so, the valuation techniques and input data used by both entities can meet the objective of fair value measurement. The fact that different valuations of fair value exist reflects the judgment and assumptions applied, as well as the uncertainty surrounding fair value measurement of instruments.

Substitution of alternative assumptions for the main assumptions would result in an increase of about $1,152 million or a decrease of about $1,021 million in the total fair value of the level 3 instruments. The impact of such substitution on the fair value of the third-party and bank-sponsored ABTNs is described in note 4b).

5. 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 $8 million ($39 million in 2008) of interest 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 $1,950 million ($219 million in 2008) in net income to participation deposit holders.

	2009	2008
	(in millions of dollars)	
Caisse's indebtedness toward depositors		
Demand deposits	475	2,038
Term deposits	9	98
Interest on demand and term deposits	- -	2
Net income to be paid out to participation deposit holders	592	980
	1,076	3,118
Participation deposit holders' holdings		
Participation deposits		
Balance, beginning of year	134,015	131,560
Units issued	5,573	10,140
Units cancelled	(2,465)	(7,685)
Balance, end of year	137,123	134,015
Gains (losses) not allocated on the sale of investments	7,248	(257)
Unrealized decrease in value of investments and other related assets and liabilities	(13,859)	(16,788)
	130,512	116,970
Depositors' holdings	131,588	120,088

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

	2009	2008
	(in millions of dollars)	
a) Investment income		
Fixed-income securities		
Short-term investments	92	426
Bonds	2,591	2,622
Mortgages *(note 6b)*	506	676
	3,189	3,724
Variable-income securities		
Equities and convertible securities	1,104	1,639
Real estate holdings *(note 6c)*	681	830
	1,785	2,469
Other income	28	41
Non-controlling interests	(95)	(73)
	4,907	6,161

Investment income – Fixed-income securities were reduced by $240 million ($773 million in 2008) in net expenses related to securities sold (acquired) under repurchase (reverse repurchase) agreements.

	2009	2008
	(in millions of dollars)	
b) Net income from mortgages		
Income from mortgages	527	726
Less :		
Expenses related to real estate debt subsidiaries		
Operation expenses	164	31
Financial costs of CMBS	18	19
	182	50
Other income	161	- -
	506	676

Other income and operation expenses for 2009 include the income and expenses of a subsidiary consolidated since December 31, 2008, but previously recorded on an equity basis.

	2009	2008
	(in millions of dollars)	
c) Net income from real estate holdings		
Income from real estate holdings	2,964	2,963
Less :		
Expenses related to real estate subsidiaries		
Operating expenses related to real estate holdings	1,532	1,556
Operation expenses	74	88
Loan financial expenses	681	499
	2,287	2,143
Other income	4	10
	681	830

	2009	2008
	(in millions of dollars)	
d) Gains (losses) on the sale of investments		
Fixed-income securities		
Short-term in investments	(617)	96
Bonds	(710)	356
Mortgages	94	(43)
Third-party and bank-sponsored ABTNs *(note 4b)*	367	(171)
	(866)	238
Variable-income securities		
Equities and convertible securities	5,832	(22,828)
Real estate holdings	(359)	(507)
	5,473	(23,335)
Non-controlling interests	31	(9)
	4,638	(23,106)
Less :		
Transactions costs of investments	117	122
	4,521	(23,228)

In addition, gains in the amount of $4,521 million (losses of $23,228 million in 2008) on the sale of investments recorded in the “Combined statement of income and changes in net assets” include $2,200 million in foreign exchange gains ($5,572 million in foreign exchange losses in 2008).

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

	2009	2008
	(in millions of dollars)	
Fixed-income securities		
Short-term investments	(1,718)	1,689
Bonds	(6,206)	4,496
Mortgages	(2,346)	(325)
Securities acquired under reverse repurchase agreements	(67)	(164)
Third-party and bank-sponsored ABTNs *(note 4b)*	146	(3,401)
	(10,191)	2,295
Variable-income securities		
Equities and convertible securities	2,532	(13,733)
Real estate holdings	(3,452)	(1,344)
	(920)	(15,077)
Total investments	(11,111)	(12,782)
Less :		
Liabilities related to investments		
Securities sold under repurchase agreements	(294)	(144)
Commercial paper payable	(37)	39
Term notes	(274)	3
Short selling of securities	1,184	(1,225)
Mortgage loans payable	28	(149)
Other loans payable	51	(108)
Derivative financial instruments	(14,101)	11,682
Non-controlling interests	(263)	(445)
	(13,706)	9,653
	2,595	(22,435)

The unrealized increase in value in the amount of $2,595 million (unrealized decrease in value of $22,435 million in 2008) recorded in the "Combined statement of income and changes in net assets" includes an unrealized decrease in value of $3,984 million related to foreign exchange (unrealized increase in value of $7,920 million related to foreign exchange in 2008).

7. Operating expenses

	2009	2008
	(in millions of dollars)	
Salaries and employee benefits	117	129
Professional services	56	52
Data services and subscriptions	19	18
Premises and equipment	16	17
Depreciation of fixed assets	22	19
Other	11	15
	241	250
Safekeeping of securities	9	13
	250	263

8. Identification and management of risks related to investment operations

The Caisse has implemented a number of policies, guidelines and procedures to oversee its operations. Investment policies oversee the activities performed by the portfolio managers. For each specialized portfolio, the investment policy defines the philosophy, management type, investment universe, benchmark index, value-added target and risk oversight, which includes concentration limits. The managers are aware of and must abide by the limits on their investment operations.

Risk management is based on an integrated risk management policy adopted by the Board of Directors. This policy, which is revised on a regular basis, is intended to promote a risk management culture and ensure stringent risk management practices to help the Caisse carry out its mission on behalf of its depositors. More specifically, the policy defines risk management governance within the Caisse, establishes the acceptable level of risk so as to avoid excessive loss, links the level of risk to the target value added to net assets and promotes an efficient allocation of risk.

Governance of risk management is based on three levels of control:

Level 1 - Portfolio managers are primarily responsible for managing the risks related to their daily operations;

Level 2 - The Depositors and Risks committees (DRC and DRC – Transactions) and the Executive Committee; and

Level 3 - The Board of Directors and its Risk Management Committee, as well as Internal Audit.

The policy includes reporting mechanisms for each of these levels. It also includes a framework for outsourcing management of investments, management of operational risks and management of derivative financial instruments.

To ensure the objectivity and rigour required to manage risks, teams that are independent of the portfolio managers are responsible for defining and monitoring the integrated risk management policy as well as the investment policies applying to the specialized portfolios.

The integrated risk management policy defines the following financial risks:

a) Market risk
b) Credit and concentration risk
c) Counterparty risk
d) Financing-liquidity risk

a) Market risk

Market risk represents the risk of financial loss arising from changes in the value of financial instruments. The value of a financial instrument is affected by changes in certain market variables such as interest rates, exchange rates, share and commodity prices, as well as their volatility. The risk derives from the volatility in the price of a financial instrument, which itself results from the volatility of such market variables.

The Caisse manages all market risks according to an integrated and comprehensive approach; the major factors contributing to risk, such as sectors, countries and issuers, are taken into account in its analysis of market risk.

The Caisse may use derivative financial instruments traded on exchanges or directly with banks and securities dealers, to manage the market risks to which it is exposed.

The Caisse measures its market risk using the method known as Value at Risk (VaR), which is based on a statistical measurement of the volatility of the market value of each position and its correlations. VaR is a statistical technique used to determine the worst loss expected during a given period according to a predetermined confidence level. The Caisse uses a 99% confidence level for its calculations. The Caisse estimates the VaR for each instrument in all the specialized portfolios and aggregates the information for the overall portfolio.

The Caisse uses the historical-simulation method to estimate VaR. The historical-simulation method is based essentially on the assumption that the future will be similar to the past. This method requires that the series of historical data on all the risk factors needed to estimate the returns on instruments be available. In the absence of historical data, alternative methods are used. A horizon of 1,300 days of observation of risk factors, such as variations in exchange rates, interest rates and financial asset prices, is used to estimate the volatility of returns and the correlation between asset returns. Before 2009, the Caisse used an 84% confidence level and an 800-day horizon to calculate VaR.

The Caisse calculates two types of risk: absolute risk and active risk. The absolute risk, or absolute VaR, of the Caisse's benchmark portfolio (target portfolio of the depositors as a whole) is the result of the risk (volatility) of the benchmark indexes of the asset classes in the portfolio. For example, should the depositors as a whole elect to increase the weight of equities in their benchmark portfolios, such risk would increase automatically because of the higher level of volatility of this asset class. Consequently, the expected absolute return would also increase. The absolute risk of the overall portfolio (consisting of the actual investments) corresponds to the risk (volatility) of the positions in the Caisse's overall portfolio. The absolute risk of the overall portfolio and that of the benchmark portfolio are calculated with the same method but they relate to different portfolios, namely the overall portfolio actually invested by the Caisse and the benchmark portfolio targeted by depositors.

Active risk, or VaR related to active management, represents the possibility that the Caisse will record a return different from that of its benchmark portfolio as a result of active management of its overall portfolio. The higher the active risk, the more the expected return from the overall portfolio will differ from the benchmark portfolio return.

The absolute risk of the Caisse's benchmark portfolio, the absolute risk of the overall portfolio and the active risk are measured on a regular basis.

The tables below show the overall portfolio's absolute risk and active risk for each specialized portfolio, according to a 99% confidence level and a 1,300-day horizon as of December 31.

Absolute risk of the overall portfolio

Specialized portfolios	**2009**	**2008**
	(in basis points)	
Short Term Investments (740)	18	22
Real Return Bonds (762)	2,310	2,171
Bonds (760)	943	892
Long Term Bonds (764)	1,711	1,685
Canadian Equity (720)	5,542	5,055
U.S. Equity – hedged (731)	5,793	5,124
U.S. Equity – unhedged (734)	5,554	4,938
Foreign Equity – hedged (730)	5,247	4,963
Foreign Equity – unhedged (733)	4,649	4,527
Emerging Markets Equity (732)	4,844	5,109
Québec International (761)	4,949	4,986
Investments and Infrastructures (781)	6,938	7,372
Private Equity (780)	6,143	6,290
Real Estate Debt (750)	1,290	1,775
Real Estate (710)	4,681	4,797
Commodity Financial Instruments (763)	n/a	3,516
Hedge Funds (770)	1,426	2,027
Asset Allocation (771)	2	143
Absolute risk of the overall portfolio	**3,810**	**3,518**

Active risk of the overall portfolio

Specialized portfolios	2009	2008
	(in basis points)	
Short Term Investments (740)	100	81
Real Return Bonds (762)	233	219
Bonds (760)	226	223
Long Term Bonds (764)	251	283
Canadian Equity (720)	731	608
U.S. Equity – hedged (731)	103	384
U.S. Equity – unhedged (734)	94	387
Foreign Equity – hedged (730)	133	223
Foreign Equity – unhedged (733)	139	232
Emerging Markets Equity (732)	248	468
Québec International (761)	256	351
Investments and Infrastructures (781)	4,361	5,011
Private Equity (780)	2,876	3,306
Real Estate Debt (750)	1,002	1,399
Real Estate (710)	1,758	2,331
Commodity Financial Instruments (763)	n/a	354
Hedge Funds (770)	367	668
Asset Allocation (771)	48	494
Active risk of the overall portfolio	**1,029**	**1,014**

Exchange risk

Exchange risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign currency prices. This risk is integrated into the overall measurement of VaR.

As part of its exchange risk management, the Caisse also uses instruments negotiated with banks; the maturities generally range from one to 12 months for forward contracts and options, and from one to two years for foreign currency swaps. On maturity, new derivative financial instruments are negotiated to maintain effective long-term management of the foreign exchange risks associated with investments and liabilities related to investments in foreign currencies.

The tables below summarize the allocation of net investments denominated in foreign currencies and amounts related to derivative products.

	December 31, 2009 (in millions of dollars)						
		Currency [1]					
	Canadian dollar	US dollar	Euro	GBP	Other	Subtotal	Total
Investments							
Fixed-income securities	72,831	5,745	1,451	466	947	8,609	81,440
Equities and convertible securities	14,305	19,318	6,127	3,392	9,249	38,086	52,391
Real estate holdings	10,930	3,146	4,197	868	801	9,012	19,942
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	6,171	1,326	602	- -	- -	1,928	8,099
Amount pertaining to derivative instruments	1,106	3,982	379	96	120	4,577	5,683
	105,343	33,517	12,756	4,822	11,117	62,212	167,555
Liabilities related to investments							
Conventional products[2]	16,677	11,079	2,227	477	15	13,798	30,475
Amount pertaining to derivative instruments	422	3,431	329	36	117	3,913	4,335
	17,099	14,510	2,556	513	132	17,711	34,810
Subtotal	88,244	19,007	10,200	4,309	10,985	44,501	132,745
Non-controlling interests	1,208	130	30	192	- -	352	1,560
Net investments	87,036	18,877	10,170	4,117	10,985	44,149	131,185

	December 31, 2008 (in millions of dollars)						
		Currency [1]					
	Canadian dollar	US dollar	Euro	GBP	Other	Subtotal	Total
Investments							
Fixed-income securities	73,839	11,964	1,952	1,555	2,761	18,232	92,071
Equities and convertible securities	12,055	18,077	5,912	3,346	6,503	33,838	45,893
Real estate holdings	11,884	4,245	5,341	762	684	11,032	22,916
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	2,900	1,916	- -	54	810	2,780	5,680
Amount pertaining to derivative instruments	2,465	11,037	1,365	607	459	13,468	15,933
	103,143	47,239	14,570	6,324	11,217	79,350	182,493
Liabilities related to investments							
Conventional products[2]	30,657	6,350	2,674	1,283	2,852	13,159	43,816
Amount pertaining to derivative instruments	1,277	14,146	2,298	524	551	17,519	18,796
	31,934	20,496	4,972	1,807	3,403	30,678	62,612
Subtotal	71,209	26,743	9,598	4,517	7,814	48,672	119,881
Non-controlling interests	1,264	170	42	339	- -	551	1,815
Net investments	69,945	26,573	9,556	4,178	7,814	48,121	118,066

[1] Investments are recorded under the currency they are denominated in and are translated into Canadian dollars.

[2] Conventional products include liabilities related to investments with the exception of the amount pertaining to derivative products.

The translation of the fair value of foreign currency investments into Canadian dollars results in a market impact of -$6,157 million (+$11,285 million in 2008). The impact of exchange rate hedging related to a portion of such investments is +$4,373 million (-$8,937 million in 2008). The net impact on net investment results is -$1,784 million (+$2,348 million in 2008).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All the interest-bearing assets and liabilities as well as their effective rates are shown in the table presenting the exposure to liquidity risk. This risk is integrated into the overall measurement of VaR.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or foreign exchange risk), whether such changes derive from the characteristics of the instrument itself or of its issuer, or from elements affecting all similar financial instruments traded on the market. This risk is integrated into the overall measurement of VaR.

b) Credit and concentration risk

Credit risk is the possibility of a loss of market value in the event that a borrower, endorser, guarantor or counterparty does not honour its obligation to repay a loan or to fulfill any other financial commitment, or sees its financial situation deteriorate.

The analysis of concentration risk measures the fair value of a group of financial products (fixed-income and variable-income securities) related to a single issuer or to a group of issuers[1] with similar characteristics (geographical area, sector, credit rating).

The concentration limit by group of issuers is 3% of the Caisse's total assets, with the exception of securities issued by the Government of Canada, the Government of Québec or another Canadian province or territory, as well as by their departments and agencies, which are not subject to concentration limits.[2] Sovereign issuers with a AAA credit rating are also excluded from this concentration limit.

The concentration by credit rating of the Caisse's groups of issuers was as follows as at December 31, 2009:

	2009	**2008**
	Value in % of investments [3]	
Credit rating:[4]		
AAA - AA	24.4	23.5
A	19.8	15.3
BBB	8.5	5.6
BB or lower	2.6	2.5
No credit rating:		
- Real estate assets	17.0	20.1
- Third-party and bank-sponsored ABTNs [5]	0.7	4.7
- Private equity	3.9	7.1
- Hedge funds	8.7	9.0
- Mortgages and mortgage securities	5.6	7.1
- Other	8.8	5.1
	100.0	100.0

The analysis of credit risk includes measuring the probability of default and the rate of recovery on debt securities held by the Caisse, as well as monitoring the changes in the credit ratings of issuers and groups of issuers whose securities are held in the Caisse portfolios.

In 2009, the major credit rating agencies increased the long-term credit ratings of 107 groups of issuers whose securities are held by the Caisse and lowered those of 286 others.

[1] A group of issuers is a number of issuers under the control of a parent company.

[2] The exposure to an issuer deriving from positions in derivative financial instruments is not accounted for in the analysis of concentration risk.

[3] The percentage of investments represents net positions by group of issuers.

[4] Credit ratings are obtained from major credit rating agencies and are aggregated according to an algorithm developed in house. For the purposes of this concentration, only long-term credit ratings from major agencies are used.

[5] Refer to note 4b) for unrated ABTNs.

In the table above, the groups of issuers for which no credit rating is available are categorized. For most of these groups, the absence of a credit rating is due to the private nature of the investments, the absence of any debt, restructuring of the investments or a combination of these elements.

In the case of mortgages not assigned a credit rating, the analysis of credit risk is based in part on the loan-to-value ratio. In this ratio, the amount of the loan is divided by the market value of any asset received as collateral on the subscription date or the date funds were granted, or at any other time during the term of the loan.

The table below shows the breakdown of mortgages by stratum of loan-to-value ratio as at December 31:

	2009	2008
Loan-to-value ratio	Value in % of mortgages	
0 to 55 %	25.4	11.6
55 to 65 %	19.9	26.8
65 to 75 %	18.1	45.0
75 to 85 %	10.9	16.4
More than 85 %	25.7	0.2
	100.0	100.0

It is important to note that the Caisse manages all loans and receivables, including mortgages and private corporate bonds, in the same way as it does any financial asset in the bonds portfolio, namely in terms of total return rather than according to the various factors that can affect fair value, such as credit risk.

c) Counterparty risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving the Caisse's over-the-counter derivative financial instruments.

Transactions involving derivative financial instruments are negotiated with financial institutions whose credit ratings are established by recognized credit rating agencies and whose operational limits are specified by management. In addition, the Caisse signs agreements making it possible to benefit from the offsetting effect of amounts at risk and the exchange of collateral to limit its net exposure to this credit risk.

This risk is measured by counterparty, according to the agreement in effect, on the basis of which it is possible to calculate the net exposure resulting from over-the-counter derivative financial instruments and collaterals exchanged.

As at December 31, 2009, the Caisse's net exposure to counterparty risk totalled $377 million and involved 78 active counterparties.

d) Financing-liquidity risk

Financing-liquidity risk corresponds to the possibility that the Caisse may not always be able to fulfill the commitments related to its financial liabilities without having to obtain funds at abnormally high prices or having to sell assets.

Compliance with established rules is monitored on a monthly basis, and the liquidity status is determined daily. The Caisse uses various scenario simulations to estimate the potential impact of various market events on its liquidity. Cash managers evaluate the liquidity of the markets on which the Caisse obtains financing for its operations. They also ensure that the Caisse is active on various financial markets and maintains relationships with the credit rating agencies that rate the Caisse as well as capital providers.

The table below presents a summary of maturities at par value of investments and liabilities related to investments.

	2009					2008	
	(in millions of dollars)						
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**	**Effective interest rate %**	**Total par value**	**Effective interest rate %**
Fixed-income securities							
Short-term investments							
Canadian	4,665	161	- -	4,826	1.4	6,193	2.5
Foreign	2,763	291	- -	3,054	3.1	4,435	4.5
	7,428	452	- -	7,880	2.0	10,628	3.3
Bonds							
Securities issued or guaranteed by:							
Government of Canada	1,784	9,122	9,304	20,210	2.6	14,087	2.9
Province of Québec	27	1,040	5,845	6,912	4.5	7,991	4.7
Other Canadian provinces	- -	68	2,889	2,957	4.2	2,904	4.6
Municipalities and other Canadian bodies	134	549	595	1,278	4.6	1,662	4.8
Canadian government corporations	46	5,119	4,186	9,351	3.7	9,381	4.0
U.S. government	- -	- -	521	521	3.1	886	3.7
Other foreign governments	- -	- -	320	320	4.5	1,684	3.6
Mortgage securities							
Canadian	4	216	52	272	8.0	297	12.3
Foreign	58	316	3,699	4,073	3.9	6,321	11.6
Canadian corporations	1,189	2,301	6,751	10,241	4.6	13,359	4.5
Foreign corporations	1,371	392	981	2,744	7.1	4,383	5.5
Inflation-indexed securities							
Canadian	- -	5	409	414	2.0	409	2.1
Foreign	- -	- -	- -	- -	- -	2,064	1.3
	4,613	19,128	35,552	59,293	3.8	65,428	4.7
Third-party and bank-sponsored ABTNs	- -	- -	12,351	12,351	- -	12,787	- -
Mortgages							
Canadian	2,164	2,741	1,204	6,109	5.0	6,437	6.0
Foreign	3,002	1,586	852	5,440	4.5	5,738	6.0
	5,166	4,327	2,056	11,549	4.8	12,175	6.0
	17,207	23,907	49,959	91,073	3.8	101,018	4.8
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements							
Canadian	6,171	- -	- -	6,171	0.3	2,901	1.6
Foreign	1,928	- -	- -	1,928	0.2	2,780	0.2
	8,099	- -	- -	8,099	0.3	5,681	0.9
Liabilities related to investments							
Securities sold under repurchase agreements	10,272	- -	- -	10,272	0.8	23,636	2.1
Commercial paper payable	1,289	- -	- -	1,289	0.3	6,388	2.3
Term notes	- -	2,097	3,145	5,242	4.2	156	4.6
Short selling of securities	- -	879	1,139	2,018	2.4	2,468	2.8
Mortgage loans payable	1,219	3,113	14	4,346	4.4	3,791	5.6
Other loans payable	1,372	575	86	2,033	2.1	2,326	2.5
	14,152	6,664	4,384	25,200	2.4	38,765	2.6

9. 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 or stock market security or index) or a commodity (precious metal, foodstuff or crude 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 maturity 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 flows on predetermined conditions that include a notional amount and a term.

An option is a contract that is negotiated by mutual agreement or traded on an organized market and 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.

Derivative financial 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 trading income, which is included in investment income from fixed-income and variable-income securities.

a) Summary of derivative financial instruments

	2009				2008
	(in millions of dollars)				
		Fair value			
	Notional amount	**Assets**	**Liabilities**	**Net amount**	**Net amount**
Foreign exchange risk management					
Foreign currency swaps					
Purchases	1,605	123	2	121	(151)
Sales	859	- -	54	(54)	(272)
Forward contracts	5,330	135	22	113	(1,405)
Over-the-counter foreign currency options					
Purchases	178	1	- -	1	17
Sales	39	- -	- -	- -	(9)
	8,011	259	78	181	(1,820)

	2009				2008
	(in millions of dollars)				
		Fair value			
	Notional amount	**Assets**	**Liabilities**	**Net amount**	**Net amount**
Interest rate and market risk management					
Interest rate and foreign currency swaps	87,744	2,787	2,616	171	(19)
Equity swaps	14,446	448	83	365	(507)
Credit risk swaps	4,411	61	178	(117)	(38)
Commodity swaps	5,533	474	560	(86)	419
Forward contracts	36,766	908	119	789	(1,031)
Futures contracts	19,880	- -	- -	- -	- -
Over-the-counter options					
Purchases	14,431	685	- -	685	2,644
Sales	9,277	- -	670	(670)	(2,680)
Exchange-traded options					
Purchases	936	36	- -	36	326
Sales	618	- -	31	(31)	(198)
Warrants	51	25	- -	25	41
	194,093	5,424	4,257	1,167	(1,043)
Total derivative financial instrument contracts	**202,104**	**5,683**	**4,335**	**1,348**	**(2,863)**

b) Summary of derivative financial instrument maturities

	2009				2008
	(in millions of dollars)				
	Notional amount - Maturity				
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**	**Notional amount**
Foreign exchange risk management					
Foreign currency swaps					
Purchases	403	1,202	- -	1,605	2,296
Sales	98	623	138	859	1,221
Forward contracts	4,737	354	239	5,330	21,727
Over-the-counter foreign currency options					
Purchases	- -	178	- -	178	636
Sales	- -	39	- -	39	465
	5,238	2,396	377	8,011	26,345
Interest rate and market risk management					
Interest rate and foreign currency swaps	12,673	49,975	25,096	87,744	153,225
Equity swaps	14,216	230	- -	14,446	39,766
Credit risk swaps	1,126	2,818	467	4,411	19,618
Commodity swaps	2,912	2,552	69	5,533	16,677
Forward contracts	34,752	2,014	- -	36,766	76,266
Futures contracts	19,738	142	- -	19,880	38,613
Over-the-counter options					
Purchases	6,589	6,738	1,104	14,431	57,516
Sales	2,975	5,198	1,104	9,277	55,041
Exchange-traded options					
Purchases	933	3	- -	936	11,641
Sales	615	3	- -	618	12,699
Warrants	11	39	1	51	128
	96,540	69,712	27,841	194,093	481,190
Total derivative financial instrument contracts	**101,778**	**72,108**	**28,218**	**202,104**	**507,535**

10. Securizations

In the course of Caisse securitization operations, CMBS and notes payable acquired by the Caisse over the past few years from a collateralized security entity are recorded in the “Combined statement of net assets” under Mortgages securities. As at December 31, 2009, these securities amounted to $237 million ($648 million in 2008). Securitization operations allowed companies under common control to generate management fees representing $21 million during the year ($21 million in 2008).

11. 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 providing guarantees to financial institutions and corporations regarding future income deriving from the sale of investments and transactions on derivative financial instruments as well as the reimbursement of loans made by investee companies. Collaterals related to the reimbursement of loans have no specific maturity date, except in some cases where the terms range from one to eight years.

	2009	2008
	(in millions of dollars)	
Commitments to buy investments	12,129	16,457
Collaterals and loan guarantees (maximum amount)	707	802
Third-party and bank-sponsored ABTNs[1]	6,467	6,790
	19,303	24,049

12. Collaterals

In the normal course of business, the Caisse conducts transactions involving the lending and the borrowing of securities and on derivative products, in exchange for collaterals or assets, with various counterparties with which clearing agreements have been concluded to limit credit risk. In such transactions, the Caisse received assets as collateral. As at December 31, 2009, the Caisse had pledged and received as collateral assets for amounts of $18,444 million and $11,176 million ($31,690 million and $7,585 million in 2008), respectively. The amount of assets pledged as collateral includes assets with a value of $1,279 million ($792 million in 2008), which were pledged with depositaries to participate in clearing and payment systems.

13. Subsequent events

On January 12, 2010, CDP Financial carried out, in Canada, a private placement of $2 billion of senior notes, consisting of $1 billion of senior notes at a variable rate (CDOR + 0.45%) maturing in 2015 and $1 billion of senior notes at 4.6% maturing in 2020. The notes are fully and unconditionally guaranteed by the Caisse.

14. Comparative figures

Certain figures from the 2008 financial statements have been reclassified to conform to the presentation adopted in 2009.

[1] For the description of the commitments related to third-party and bank-sponsored ABTNs, refer to note 4b).

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

(in millions of dollars)

CONSOLIDATED NET ASSETS AS AT DECEMBER 31	SHORT TERM INVESTMENTS (740) 2009	2008	REAL RETURN BONDS (762) 2009	2008	BONDS (760) 2009	2008	LONG TERM BONDS (764) 2009	2008
ASSETS								
Investments at fair value								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	667.1	579.4	54,653.6	65,233.9	3,227.2	3,075.2
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	2,726.7	4,531.3	- -	- -	10,405.6	16,198.3	- -	- -
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	11,907.8	7,126.2	145.7	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -	7,228.5	7,186.2	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABTNs	- -	- -	- -	- -	5,122.0	5,601.1	- -	- -
Demand deposits in the General Fund	- -	- -	- -	- -	- -	- -	855.1	1,406.8
	2,726.7	4,531.3	667.1	579.4	89,317.5	101,345.7	4,228.0	4,482.0
Other assets	1.0	- -	8.2	5.4	1,483.6	2,263.8	28.1	32.8
	2,727.7	4,531.3	675.3	584.8	90,801.1	103,609.5	4,256.1	4,514.8
LIABILITIES								
Advances from the General Fund	12.8	62.7	22.5	18.4	10,101.7	1,785.8	- -	- -
Securities sold under repurchase agreements	- -	- -	- -	- -	10,113.6	20,615.1	1,069.7	1,448.2
Notes payable	- -	- -	- -	- -	19,814.2	21,299.0	- -	- -
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	8,609.7	5,866.5	84.0	- -
Derivative financial instruments	- -	- -	- -	- -	2,860.8	9,221.1	- -	- -
Other liabilities	1.3	6.6	0.6	4.8	1,927.5	510.8	11.5	38.5
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
	14.1	69.3	23.1	23.2	53,427.5	59,298.3	1,165.2	1,486.7
NET HOLDINGS OF FUNDS	2,713.6	4,462.0	652.2	561.6	37,373.6	44,311.2	3,090.9	3,028.1

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31	SHORT TERM INVESTMENTS (740) 2009	2008	REAL RETURN BONDS (762) 2009	2008	BONDS (760) 2009	2008	LONG TERM BONDS (764) 2009	2008
INCOME								
Investment income								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	13.5	31.4	2,270.8	923.7	134.0	137.2
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	28.4	65.1	- -	- -	247.4	584.8	- -	- -
Demand deposits in (advances from) the General Fund	(0.1)	(2.8)	(0.3)	(0.6)	(10.9)	55.1	- -	1.1
	28.3	62.3	13.2	30.8	2,507.3	1,563.6	134.0	138.3
Other income	- -	- -	- -	- -	- -	- -	- -	- -
	28.3	62.3	13.2	30.8	2,507.3	1,563.6	134.0	138.3
Operating expenses	0.5	0.2	0.3	0.6	42.4	35.9	1.3	2.3
External management fees	- -	- -	- -	- -	- -	- -	- -	- -
INCOME BEFORE THE FOLLOWING ITEMS	27.8	62.1	12.9	30.2	2,464.9	1,527.7	132.7	136.0
Interest on notes payable	- -	- -	- -	- -	113.7	290.9	- -	- -
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	27.8	62.1	12.9	30.2	2,351.2	1,236.8	132.7	136.0

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31	SHORT TERM INVESTMENTS (740) 2009	2008	REAL RETURN BONDS (762) 2009	2008	BONDS (760) 2009	2008	LONG TERM BONDS (764) 2009	2008
NET INVESTMENT RESULTS								
Net investment income (loss)	27.8	62.1	12.9	30.2	2,351.2	1,236.8	132.7	136.0
Gains (losses) on sale of investments	13.6	23.3	16.3	31.2	(61.3)	1,173.6	(7.6)	45.4
Unrealized increase (decrease) in value of investments and liabilities related to investments	(0.8)	(6.1)	65.8	(51.4)	203.7	(405.2)	(62.4)	(44.3)
Net investment results	40.6	79.3	95.0	10.0	2,493.6	2,005.2	62.7	137.1
Participation units issued (cancelled)	(1,761.2)	2,084.8	8.5	(280.2)	(7,080.0)	4,331.4	132.8	(136.6)
Net investment loss (net income) recovered from (allocated to) participation unit holders	(27.8)	(62.1)	(12.9)	(30.2)	(2,351.2)	(1,236.8)	(132.7)	(136.0)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	(1,748.4)	2,102.0	90.6	(300.4)	(6,937.6)	5,099.8	62.8	(135.5)
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	4,462.0	2,360.0	561.6	862.0	44,311.2	39,211.4	3,028.1	3,163.6
CONSOLIDATED NET ASSETS, END OF YEAR	2,713.6	4,462.0	652.2	561.6	37,373.6	44,311.2	3,090.9	3,028.1

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31	SHORT TERM INVESTMENTS (740) 2009	2008	REAL RETURN BONDS (762) 2009	2008	BONDS (760) 2009	2008	LONG TERM BONDS (764) 2009	2008
ASSETS								
Investments								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	619.9	598.0	52,577.2	59,022.8	3,249.4	3,035.0
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	2,726.6	4,530.4	- -	- -	9,712.4	13,852.3	- -	- -
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	11,917.4	7,116.5	145.7	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -	12,350.5	12,787.3	- -	- -
Demand deposits in the General Fund	- -	- -	- -	- -	- -	- -	855.1	1,406.8
	2,726.6	4,530.4	619.9	598.0	86,557.5	92,778.9	4,250.2	4,441.8
LIABILITIES								
Securities sold under repurchase agreements	- -	- -	- -	- -	10,112.3	20,572.9	1,069.7	1,448.3
Notes payable	- -	- -	- -	- -	19,846.6	21,277.5	- -	- -
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	8,644.7	5,689.8	84.0	- -
Derivative financial instruments	- -	- -	- -	- -	344.0	1,000.4	- -	- -
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -

(in millions of dollars)	CANADIAN EQUITY (720)		U.S. EQUITY HEDGED (731)		U.S. EQUITY UNHEDGED (734)		FOREIGN EQUITY HEDGED (730)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS								
Investments at fair value								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**12,549.9**	10,386.4	**1,723.9**	1,250.3	- -	- -	**7,514.8**	4,164.7
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**9,100.9**	6,494.4	**4,665.2**	2,206.3	**4,115.7**	1,896.7	**1.4**	0.4
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -	- -	- -	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABTNs	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	- -	- -	**177.2**	650.3	- -	- -	**2.6**	- -
	21,650.8	16,880.8	**6,566.3**	4,106.9	**4,115.7**	1,896.7	**7,518.8**	4,165.1
Other assets	**23.6**	76.8	**4.1**	48.5	**4.0**	5.0	**11.6**	45.1
	21,674.4	16,957.6	**6,570.4**	4,155.4	**4,119.7**	1,901.7	**7,530.4**	4,210.2
LIABILITIES								
Advances from the General Fund	**467.5**	270.9	- -	- -	**4.0**	28.2	- -	145.3
Securities sold under repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Notes payable	- -	- -	**4,115.7**	1,881.1	- -	- -	**4,920.6**	3,436.5
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	**4,075.3**	3,271.4	**1,194.6**	1,294.0	- -	- -	**49.7**	61.4
Derivative financial instruments	**26.6**	524.3	**93.6**	610.1	**22.6**	- -	**37.0**	41.6
Other liabilities	**98.8**	64.2	**510.3**	23.9	- -	2.8	**437.3**	13.6
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
	4,668.2	4,130.8	**5,914.2**	3,809.1	**26.6**	31.0	**5,444.6**	3,698.4
NET HOLDINGS OF FUNDS	**17,006.2**	12,826.8	**656.2**	346.3	**4,093.1**	1,870.7	**2,085.8**	511.8

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**386.9**	468.0	**18.7**	104.1	- -	- -	**147.0**	456.9
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**65.1**	316.7	**24.0**	109.7	**37.2**	154.2	**0.3**	4.5
Demand deposits in (advances from) the General Fund	**(0.8)**	(15.1)	**1.0**	(3.5)	**(0.1)**	0.1	**(0.4)**	0.8
	451.2	769.6	**43.7**	210.3	**37.1**	154.3	**146.9**	462.2
Other income	- -	6.3	- -	- -	- -	- -	- -	- -
	451.2	775.9	**43.7**	210.3	**37.1**	154.3	**146.9**	462.2
Operating expenses	**35.0**	32.8	**3.9**	6.6	**21.5**	19.7	**2.6**	7.4
External management fees	- -	- -	- -	0.9	**0.1**	3.8	**1.6**	7.3
INCOME BEFORE THE FOLLOWING ITEMS	**416.2**	743.1	**39.8**	202.8	**15.5**	130.8	**142.7**	447.5
Interest on notes payable	- -	- -	**37.2**	158.0	- -	- -	**118.1**	305.7
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	**416.2**	743.1	**2.6**	44.8	**15.5**	130.8	**24.6**	141.8

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**416.2**	743.1	**2.6**	44.8	**15.5**	130.8	**24.6**	141.8
Gains (losses) on sale of investments	**1,945.6**	(3,961.2)	**(68.9)**	(1,057.1)	**366.6**	(1,357.8)	**(650.6)**	(156.8)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**2,205.3**	(3,039.3)	**191.2**	478.9	**22.9**	108.9	**898.0**	(1,556.8)
Net investment results	**4,567.1**	(6,257.4)	**124.9**	(533.4)	**405.0**	(1,118.1)	**272.0**	(1,571.8)
Participation units issued (cancelled)	**28.5**	(104.1)	**187.6**	(1,596.8)	**1,832.9**	(1,068.2)	**1,326.6**	(1,386.6)
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(416.2)**	(743.1)	**(2.6)**	(44.8)	**(15.5)**	(130.8)	**(24.6)**	(141.8)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**4,179.4**	(7,104.6)	**309.9**	(2,175.0)	**2,222.4**	(2,317.1)	**1,574.0**	(3,100.2)
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**12,826.8**	19,931.4	**346.3**	2,521.3	**1,870.7**	4,187.8	**511.8**	3,612.0
CONSOLIDATED NET ASSETS, END OF YEAR	**17,006.2**	12,826.8	**656.2**	346.3	**4,093.1**	1,870.7	**2,085.8**	511.8

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**10,712.1**	11,468.5	**1,431.6**	1,225.8	- -	- -	**7,416.6**	5,153.3
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**9,095.6**	6,410.7	**4,697.3**	2,222.6	**4,036.0**	1,862.5	- -	- -
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	- -	- -	**177.2**	650.3	- -	- -	**2.6**	- -
	19,807.7	17,879.2	**6,306.1**	4,098.7	**4,036.0**	1,862.5	**7,419.2**	5,153.3
LIABILITIES								
Securities sold under repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Notes payable	- -	- -	**4,036.0**	1,862.5	- -	- -	**4,682.4**	3,392.8
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	**3,442.0**	3,760.2	**1,016.9**	1,605.1	- -	- -	**47.3**	59.1
Derivative financial instruments	**0.3**	12.2	**7.4**	34.9	- -	- -	**0.1**	- -
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -

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

(in millions of dollars)	FOREIGN EQUITY UNHEDGED (733)		EMERGING MARKETS EQUITY (732)		QUÉBEC INTERNATIONAL (761)		INVESTMENTS AND INFRASTRUCTURES (781)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS								
Investments at fair value								
Real estate holdings	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Equities and convertible securities	**- -**	- -	**4,946.0**	2,999.6	**134.3**	218.9	**6,736.4**	6,671.7
Bonds	**- -**	- -	**- -**	- -	**10,211.8**	4,975.9	**943.3**	1,529.7
Mortgages	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Mortgages securities	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Short-term investments	**4,923.4**	3,468.5	**- -**	- -	**2,726.2**	1,548.7	**2,882.0**	3,545.4
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**853.2**	148.9	**- -**	- -
Real estate held for resale	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Derivative financial instruments related to third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**- -**	149.3	**60.5**	29.5	**3,624.1**	- -	**507.6**	- -
	4,923.4	3,617.8	**5,006.5**	3,029.1	**17,549.6**	6,892.4	**11,069.3**	11,746.8
Other assets	**3.9**	3.0	**3.1**	8.0	**86.7**	71.0	**87.4**	60.8
	4,927.3	3,620.8	**5,009.6**	3,037.1	**17,636.3**	6,963.4	**11,156.7**	11,807.6
LIABILITIES								
Advances from the General Fund	**2.1**	- -	**- -**	- -	**- -**	468.4	**- -**	654.9
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**3,812.4**	1,404.8	**- -**	- -
Notes payable	**- -**	- -	**- -**	- -	**234.4**	297.3	**5,026.7**	5,563.8
Temporary funding attributable to foreign currency fluctuations	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Mortgage loans payable	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Short selling of securities	**- -**	- -	**62.2**	- -	**0.7**	233.1	**- -**	- -
Derivative financial instruments	**207.6**	42.4	**0.1**	5.2	**21.1**	90.5	**123.6**	544.6
Other liabilities	**1.8**	1.5	**9.0**	20.5	**768.4**	249.4	**85.5**	47.1
Non-controlling interests	**- -**	- -	**- -**	- -	**- -**	- -	**633.2**	723.9
	211.5	43.9	**71.3**	25.7	**4,837.0**	2,743.5	**5,869.0**	7,534.3
NET HOLDINGS OF FUNDS	**4,715.8**	3,576.9	**4,938.3**	3,011.4	**12,799.3**	4,219.9	**5,287.7**	4,273.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Real estate holdings	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Equities and convertible securities	**- -**	- -	**89.2**	125.7	**1.6**	17.2	**327.4**	309.2
Bonds	**- -**	- -	**- -**	- -	**290.3**	459.6	**59.1**	92.1
Mortgages	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Mortgage securities	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Short-term investments	**118.1**	286.3	**- -**	4.4	**13.9**	112.0	**116.4**	229.7
Demand deposits in (advances from) the General Fund	**(0.1)**	(0.7)	**(0.5)**	4.4	**(2.5)**	(22.3)	**(0.7)**	(15.7)
	118.0	285.6	**88.7**	134.5	**303.3**	566.5	**502.2**	615.3
Other income	**- -**	- -	**- -**	- -	**- -**	- -	**22.7**	18.6
	118.0	285.6	**88.7**	134.5	**303.3**	566.5	**524.9**	633.9
Operating expenses	**10.9**	13.4	**11.6**	15.6	**19.8**	20.0	**32.9**	35.8
External management fees	**6.4**	12.7	**6.9**	10.6	**1.8**	8.7	**- -**	- -
INCOME BEFORE THE FOLLOWING ITEMS	**100.7**	259.5	**70.2**	108.3	**281.7**	537.8	**492.0**	598.1
Interest on notes payable	**- -**	- -	**- -**	- -	**2.8**	32.8	**129.6**	300.3
Non-controlling interests	**- -**	- -	**- -**	- -	**- -**	- -	**29.6**	27.1
NET INVESTMENT INCOME (LOSS)	**100.7**	259.5	**70.2**	108.3	**278.9**	505.0	**332.8**	270.7
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**100.7**	259.5	**70.2**	108.3	**278.9**	505.0	**332.8**	270.7
Gains (losses) on sale of investments	**309.3**	(2,315.2)	**(387.1)**	(403.0)	**2,767.4**	(7,779.4)	**38.8**	(143.3)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**0.1**	91.0	**1,995.1**	(2,131.0)	**(78.4)**	(111.2)	**954.2**	(3,685.0)
Net investment results	**410.1**	(1,964.7)	**1,678.2**	(2,425.7)	**2,967.9**	(7,385.6)	**1,325.8**	(3,557.6)
Participation units issued (cancelled)	**829.5**	(494.6)	**318.9**	543.2	**5,890.4**	(2,445.4)	**21.4**	1,692.8
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(100.7)**	(259.5)	**(70.2)**	(108.3)	**(278.9)**	(505.0)	**(332.8)**	(270.7)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**1,138.9**	(2,718.8)	**1,926.9**	(1,990.8)	**8,579.4**	(10,336.0)	**1,014.4**	(2,135.5)
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**3,576.9**	6,295.7	**3,011.4**	5,002.2	**4,219.9**	14,555.9	**4,273.3**	6,408.8
CONSOLIDATED NET ASSETS, END OF YEAR	**4,715.8**	3,576.9	**4,938.3**	3,011.4	**12,799.3**	4,219.9	**5,287.7**	4,273.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Real estate holdings	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Equities and convertible securities	**- -**	- -	**4,045.4**	4,096.9	**129.2**	247.1	**9,118.8**	9,087.4
Bonds	**- -**	- -	**- -**	- -	**10,194.1**	4,803.3	**1,066.2**	1,732.4
Mortgages	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Mortgages securities	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Short-term investments	**4,682.4**	3,392.8	**- -**	- -	**2,742.7**	1,556.6	**3,294.5**	4,515.2
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**853.2**	148.9	**- -**	- -
Real estate held for resale	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**- -**	149.3	**60.5**	29.5	**3,624.1**	- -	**507.6**	- -
	4,682.4	3,542.1	**4,105.9**	4,126.4	**17,543.3**	6,755.9	**13,987.1**	15,335.0
LIABILITIES								
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**3,812.3**	1,404.9	**- -**	- -
Notes payable	**- -**	- -	**- -**	- -	**235.7**	297.4	**5,293.3**	6,091.5
Temporary funding attributable to foreign currency fluctuations	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Mortgage loans payable	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Short selling of securities	**- -**	- -	**54.4**	- -	**0.4**	250.9	**- -**	- -
Derivative financial instruments	**- -**	- -	**- -**	- -	**2.9**	3.6	**9.1**	3.9
Non-controlling interests	**- -**	- -	**- -**	- -	**- -**	- -	**1,017.8**	989.8

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

(in millions of dollars)	PRIVATE EQUITY (780)		REAL ESTATE DEBT (750)		REAL ESTATE (710)		COMMODITY FINANCIAL INSTRUMENTS (763)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS								
Investments at fair value								
Real estate holdings	**- -**	- -	**- -**	- -	**19,831.8**	23,050.7	**- -**	- -
Equities and convertible securities	**12,187.2**	11,766.8	**- -**	- -	**4,149.1**	5,015.8	**1,077.5**	3,069.5
Bonds	**169.2**	285.1	**- -**	- -	**- -**	- -	**- -**	891.3
Mortgages	**- -**	- -	**8,156.8**	10,814.0	**680.3**	1,143.2	**- -**	- -
Mortgages securities	**- -**	- -	**579.4**	1,322.8	**92.5**	99.7	**- -**	- -
Short-term investments	**270.5**	401.9	**15.0**	42.1	**3,288.5**	1,581.4	**- -**	222.8
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Real estate held for resale	**- -**	- -	**272.7**	58.5	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Derivative financial instruments related to third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**381.8**	- -	**524.1**	528.2	**- -**	- -	**102.9**	- -
	13,008.7	12,453.8	**9,548.0**	12,765.6	**28,042.2**	30,890.8	**1,180.4**	4,183.6
Other assets	**13.4**	19.6	**715.1**	894.1	**893.4**	587.1	**1,224.5**	289.8
	13,022.1	12,473.4	**10,263.1**	13,659.7	**28,935.6**	31,477.9	**2,404.9**	4,473.4
LIABILITIES								
Advances from the General Fund	**- -**	111.3	**- -**	- -	**51.5**	525.2	**- -**	443.4
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Notes payable	**1,060.6**	797.3	**- -**	- -	**200.0**	200.0	**- -**	- -
Temporary funding attributable to foreign currency fluctuations	**599.9**	1,400.0	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**238.5**	583.5	**8,421.2**	8,790.9	**- -**	- -
Mortgage loans payable	**- -**	- -	**232.4**	- -	**3,973.9**	3,770.7	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**249.1**	311.2	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**74.2**	93.3	**- -**	- -	**- -**	- -
Short selling of securities	**100.9**	119.5	**- -**	- -	**- -**	- -	**- -**	- -
Derivative financial instruments	**2.6**	308.7	**267.2**	1,118.3	**430.8**	2,022.2	**1,163.5**	2,554.6
Other liabilities	**23.2**	19.4	**136.9**	603.8	**761.0**	1,182.6	**4.2**	127.1
Non-controlling interests	**- -**	- -	**18.3**	38.3	**909.0**	1,052.5	**- -**	- -
	1,787.2	2,756.2	**1,216.6**	2,748.4	**14,747.4**	17,544.1	**1,167.7**	3,125.1
NET HOLDINGS OF FUNDS	**11,234.9**	9,717.2	**9,046.5**	10,911.3	**14,188.2**	13,933.8	**1,237.2**	1,348.3

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Real estate holdings	**- -**	- -	**- -**	- -	**521.1**	506.1	**- -**	- -
Equities and convertible securities	**119.2**	133.3	**- -**	- -	**10.3**	25.6	**- -**	(0.1)
Bonds	**29.9**	44.0	**- -**	- -	**- -**	- -	**- -**	- -
Mortgages	**- -**	- -	**266.9**	1,724.8	**38.8**	83.9	**- -**	- -
Mortgage securities	**- -**	- -	**- -**	- -	**6.2**	7.4	**- -**	- -
Short-term investments	**46.0**	47.8	**0.1**	0.5	**71.4**	100.1	**1.5**	9.8
Demand deposits in (advances from) the General Fund	**(0.2)**	(9.5)	**13.7**	10.3	**(0.4)**	(8.2)	**(1.5)**	(6.2)
	194.9	215.6	**280.7**	1,735.6	**647.4**	714.9	**- -**	3.5
Other income	**4.5**	2.6	**- -**	13.2	**- -**	- -	**- -**	- -
	199.4	218.2	**280.7**	1,748.8	**647.4**	714.9	**- -**	3.5
Operating expenses	**19.7**	23.6	**8.3**	7.5	**15.8**	11.2	**5.8**	4.8
External management fees	**4.3**	4.0	**- -**	3.1	**- -**	- -	**- -**	- -
INCOME BEFORE THE FOLLOWING ITEMS	**175.4**	190.6	**272.4**	1,738.2	**631.6**	703.7	**(5.8)**	(1.3)
Interest on notes payable	**23.6**	3.9	**- -**	- -	**- -**	- -	**- -**	- -
Non-controlling interests	**- -**	- -	**4.5**	- -	**60.5**	45.7	**- -**	- -
NET INVESTMENT INCOME (LOSS)	**151.8**	186.7	**267.9**	1,738.2	**571.1**	658.0	**(5.8)**	(1.3)

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**151.8**	186.7	**267.9**	1,738.2	**571.1**	658.0	**(5.8)**	(1.3)
Gains (losses) on sale of investments	**711.2**	(1,472.2)	**(109.5)**	(476.2)	**(6.3)**	(1,352.2)	**685.9**	(893.2)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**218.8**	(3,124.8)	**(2,469.9)**	(2,199.2)	**(2,364.4)**	(3,278.4)	**(590.5)**	499.9
Net investment results	**1,081.8**	(4,410.3)	**(2,311.5)**	(937.2)	**(1,799.6)**	(3,972.6)	**89.6**	(394.6)
Participation units issued (cancelled)	**587.7**	2,982.2	**714.6**	2,118.2	**2,625.1**	1,102.1	**(206.5)**	(781.9)
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(151.8)**	(186.7)	**(267.9)**	(1,738.2)	**(571.1)**	(658.0)	**5.8**	1.3
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**1,517.7**	(1,614.8)	**(1,864.8)**	(557.2)	**254.4**	(3,528.5)	**(111.1)**	(1,175.2)
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**9,717.2**	11,332.0	**10,911.3**	11,468.5	**13,933.8**	17,462.3	**1,348.3**	2,523.5
CONSOLIDATED NET ASSETS, END OF YEAR	**11,234.9**	9,717.2	**9,046.5**	10,911.3	**14,188.2**	13,933.8	**1,237.2**	1,348.3

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Real estate holdings	**- -**	- -	**- -**	- -	**19,151.7**	19,206.6	**- -**	- -
Equities and convertible securities	**16,830.7**	16,447.2	**- -**	- -	**4,195.0**	4,239.2	**730.8**	716.8
Bonds	**439.1**	563.6	**- -**	- -	**- -**	- -	**- -**	891.3
Mortgages	**- -**	- -	**10,779.9**	11,116.7	**751.4**	1,193.1	**- -**	- -
Mortgages securities	**- -**	- -	**2,561.3**	2,592.1	**104.8**	122.3	**- -**	- -
Short-term investments	**398.1**	412.2	**15.0**	42.1	**3,287.2**	1,581.4	**- -**	222.8
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Real estate held for resale	**- -**	- -	**546.4**	69.7	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABTNs	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**381.8**	- -	**524.1**	528.2	**- -**	- -	**102.9**	- -
	18,049.7	17,423.0	**14,426.7**	14,348.8	**27,490.1**	26,342.6	**833.7**	1,830.9
LIABILITIES								
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Notes payable	**1,094.9**	857.9	**- -**	- -	**200.0**	200.0	**- -**	- -
Temporary funding attributable to foreign currency fluctuations	**600.0**	1,400.0	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**247.7**	598.9	**8,601.1**	8,979.8	**- -**	- -
Mortgage loans payable	**- -**	- -	**278.7**	- -	**4,067.9**	3,932.3	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**246.1**	305.4	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**99.9**	100.0	**- -**	- -	**- -**	- -
Short selling of securities	**76.2**	84.1	**- -**	- -	**- -**	- -	**- -**	- -
Derivative financial instruments	**- -**	- -	**0.5**	92.4	**26.9**	47.9	**885.1**	860.6
Non-controlling interests	**- -**	- -	**22.8**	38.3	**982.6**	987.4	**- -**	- -

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

(in millions of dollars)	HEDGE FUNDS (770)		ASSET ALLOCATION (771)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	2009	2008	2009	2008
ASSETS				
Investments at fair value				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	3,619.9	4,606.0	20.1	1,075.9
Bonds	21.8	264.6	103.5	4,097.4
Mortgages	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -
Short-term investments	106.8	170.2	- -	1,129.7
Securities acquired under reverse repurchase agreements	- -	- -	- -	864.1
Real estate held for resale	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABTNs	- -	- -	- -	- -
Demand deposits in the General Fund	82.2	- -	428.6	609.2
	3,830.7	5,040.8	552.2	7,776.3
Other assets	3.8	18.3	0.3	108.8
	3,834.5	5,059.1	552.5	7,885.1
LIABILITIES				
Advances from the General Fund	- -	607.6	- -	- -
Securities sold under repurchase agreements	- -	- -	- -	3,319.2
Notes payable	- -	- -	- -	367.9
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -
Short selling of securities	- -	181.3	- -	668.9
Derivative financial instruments	- -	270.3	52.6	3,161.1
Other liabilities	8.0	12.0	0.5	275.5
Non-controlling interests	- -	51.7	- -	- -
	8.0	1,122.9	53.1	7,792.6
NET HOLDINGS OF FUNDS	3,826.5	3,936.2	499.4	92.5
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31				
INCOME				
Investment income				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	3.4	(2.0)	- -	0.2
Bonds	(0.1)	(2.0)	8.9	35.4
Mortgages	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -
Short-term investments	- -	0.5	- -	- -
Demand deposits in (advances from) the General Fund	(6.4)	(0.3)	2.0	(19.0)
	(3.1)	(3.8)	10.9	16.6
Other income	- -	- -	- -	- -
	(3.1)	(3.8)	10.9	16.6
Operating expenses	12.8	19.8	9.1	16.2
External management fees	- -	- -	- -	0.2
INCOME BEFORE THE FOLLOWING ITEMS	(15.9)	(23.6)	1.8	0.2
Interest on notes payable	- -	- -	2.0	39.1
Non-controlling interests	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	(15.9)	(23.6)	(0.2)	(38.9)
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31				
NET INVESTMENT RESULTS				
Net investment income (loss)	(15.9)	(23.6)	(0.2)	(38.9)
Gains (losses) on sale of investments	219.8	(1,176.2)	(609.1)	(1,187.4)
Unrealized increase (decrease) in value of investments and liabilities related to investments	230.9	107.6	642.6	(506.6)
Net investment results	434.8	(1,092.2)	33.3	(1,732.9)
Participation units issued (cancelled)	(560.4)	(176.7)	391.0	1,072.3
Net investment loss (net income) recovered from (allocated to) participation unit holders	15.9	23.6	0.2	38.9
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	(109.7)	(1,245.3)	424.5	(621.7)
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	3,936.2	5,181.5	74.9 [1]	714.2
CONSOLIDATED NET ASSETS, END OF YEAR	3,826.5	3,936.2	499.4	92.5

[1] Adjusted opening balance

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31				
ASSETS				
Investments				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	3,627.6	4,839.3	31.7	240.2
Bonds	22.0	26.2	79.0	2,987.7
Mortgages	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -
Short-term investments	101.3	156.0	- -	534.5
Securities acquired under reverse repurchase agreements	- -	- -	- -	824.9
Real estate held for resale	- -	- -	- -	- -
Third-party and bank-sponsored ABTNs	- -	- -	- -	- -
Demand deposits in the General Fund	82.2	- -	428.6	609.2
	3,833.1	5,021.5	539.3	5,196.5
LIABILITIES				
Securities sold under repurchase agreements	- -	- -	- -	3,299.7
Notes payable	- -	- -	- -	284.9
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -
Short selling of securities	- -	194.5	- -	445.1
Derivative financial instruments	- -	0.6	- -	243.0
Non-controlling interests	- -	55.7	- -	- -