

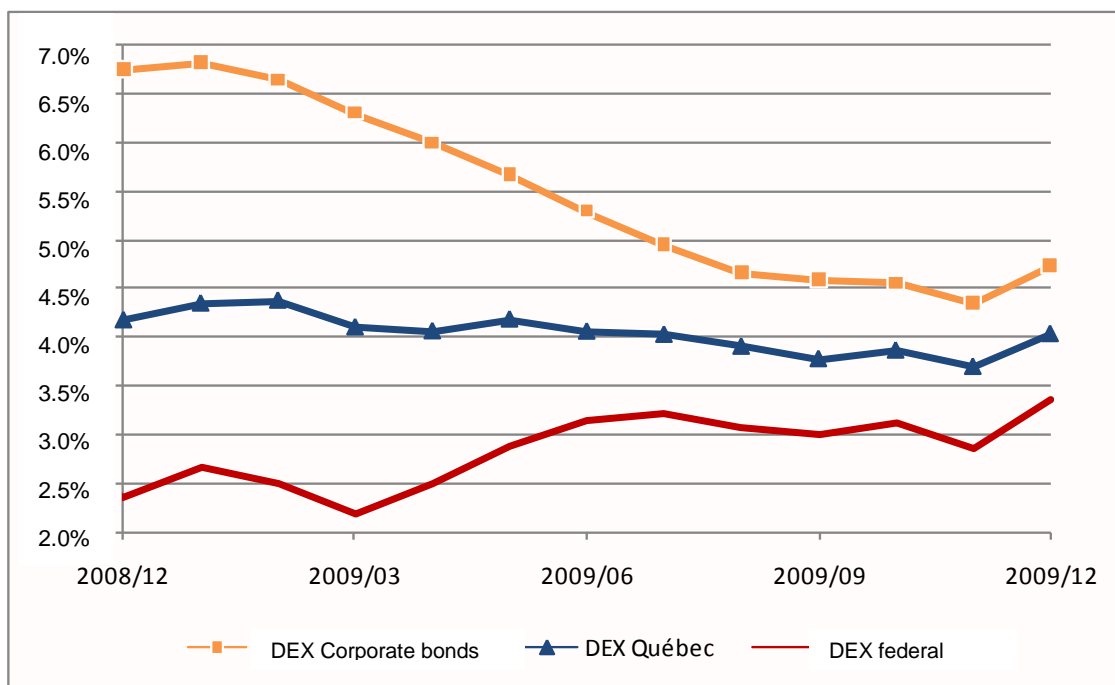


FIXED INCOME

MARKET CONDITIONS

Massive intervention by monetary authorities and governments, from fall 2008 into 2009, restored market liquidity and contributed to the return of investor confidence, particularly in bond markets. This triggered a shift from risk-free investments (government securities) to higher-risk assets (corporate securities), leading to a dramatic decrease in risk premiums and a slight rise in government bond rates.

Evolution of rates in Canada in 2009



HIGHLIGHTS

- The overall return for the Fixed Income group was 5.8%.
- Overall, the four specialized bond portfolios outperformed their benchmarks indexes by 0.9%.
- The portfolio managers adopted a well-balanced approach to take advantage of market fluctuations and credit spreads, adopting an active management strategy in line with market developments.

Return of specialized portfolios

Fixed Income

(For the fiscal year ended Dec. 31, 2009)

	Weight*	Return	Index	Percentage Spread
Short Term Investments	2.1	1.1	0.6	0.5
Real Return Bonds	0.5	17.1	14.5	2.6
Bonds	28.7	6.4	5.4	1.0
Long Term Bonds	2.4	2.1	1.2	0.9

* : As a proportion of the Caisse's net assets

SHORT TERM INVESTMENTS

- This portfolio posted a 1.1% return, 0.5% above the DEX 91-Day T-Bill Index.

REAL RETURN BONDS

- The return on this portfolio was 17.1%, 2.6% above the DEX Real Return Bond Index.

BONDS

- This portfolio returned 6.4%, 1.0% above the DEX Universe Bond Index.

LONG TERM BONDS

- This portfolio saw a 2.1% return, 0.9% above the DEX Long Term Government Bond Index.