



NEW PORTFOLIO OFFER

In the first half of 2010, the Caisse, in a fiduciary spirit, fundamentally changed its specialized portfolio offer with four objectives in mind:

1. Offer depositors greater flexibility by providing new investment options and hedging risk strategies
2. Simplify portfolios and reduce their overall risk by curtailing leverage and the use of complex derivatives
3. Ensure specialized portfolio coherence and facilitate understanding of their risk-return profiles
4. Concentrate active management in asset classes in which the Caisse has a comparative advantage

Seventeen specialized portfolios grouped into four broad categories

The new offer aims to facilitate the establishment of each depositor's investment policy and better meet their specific needs.

As a result, the 17 specialized portfolios have been grouped into four categories based on their risk-return profiles:

- The **Fixed Income** category matches asset and liability duration and interest rate risk.
- The **Inflation-Sensitive Investments** category does the same with medium- and long-term inflation risk.
- The **Equity** category enhances expected returns in line with depositor risk tolerance.
- The **Other Investments** category provides greater investment diversification.

Active management remains the main, preferred approach—only where the Caisse has a comparative advantage.

Overlay Strategies

In addition to these 17 portfolios, the Caisse now offers **overlay strategies**, allowing each depositor to customize a hedge against certain risks. Currently, foreign exchange hedging strategies are available to depositors. Other strategies against inflation and interest rate fluctuations will also be offered to them.

Accordingly, the Caisse enhanced its advisory services to better assist depositors in establishing their investment policies and choosing effective hedging strategies.

SUMMARY OF SPECIALIZED PORTFOLIO OFFER CHANGES

FIXED INCOME	INFLATION-SENSITIVE INVESTMENTS
<ul style="list-style-type: none"> • Short-Term Investments* • Bonds • Long-Term Bonds* • Real Estate Debt 	<ul style="list-style-type: none"> • Real Return Bonds* • Infrastructure • Real Estate
EQUITY	OTHER INVESTMENTS
<ul style="list-style-type: none"> • Canadian Equity • Global Equity • Québec International** • U.S. Equity* • EAFE Equity* • Emerging Markets Equity • Private Equity 	<ul style="list-style-type: none"> • Hedge Funds • Asset Allocation • ABTM
<p>* Index portfolios ** Closing</p>	

FIXED INCOME (four specialized portfolios)

- **Short-Term Investment***: index-managed portfolio
- **Bonds**: actively managed portfolio whose index was changed to reflect a greater proportion of Québec bonds. The portfolio now includes all types of corporate bonds.
- **Long-Term Bonds***: index-managed portfolio with a new index that places a greater emphasis on Québec bonds.
- **Real Estate Debt**: actively managed portfolio that focuses on high-quality Canadian mortgages. Its index was adjusted accordingly.

INFLATION-SENSITIVE INVESTMENTS (three specialized portfolios)

- **Real Return Bonds***: index-managed portfolio.
- **Infrastructure**: actively managed portfolio that will focus on conservative investments with regular income and low volatility.
- **Real Estate**: actively managed portfolio with a lower maximum leverage level. Its benchmark index was changed.

EQUITY (six specialized portfolios)

- **Canadian Equity:** actively managed portfolio that seeks long-term capital growth
- **Global Equity:** actively managed portfolio with a global sectoral approach. External management is used, whenever necessary, to complement the expertise of Caisse managers. This portfolio will be gradually funded by the Québec International portfolio in the coming months.
- **U.S. Equity*, EAFE Equity* (formerly Foreign Equity) and Emerging Markets Equity*:** index-managed portfolios that are no longer hedged against foreign exchange risk.
- **Private Equity:** actively managed portfolio that now includes the “Investments” component of the former Investments and Infrastructure portfolio. Its index was changed to reflect its new objectives.

OTHER INVESTMENTS (three specialized portfolios)

- **Hedge Fund:** actively managed portfolio with a fund-of-funds strategy
 - **Asset Allocation:** actively managed portfolio that will focus on tactical asset allocation.
 - **ABTN:** unfunded portfolio launched to ensure greater transparency.
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