



# VALUATION OF INVESTMENTS

The Caisse conducts a complete evaluation of its illiquid real estate, infrastructure and private equity investments semi-annually, on June 30 and December 31. In accordance with today's Canadian accounting rules, it must set their fair market value for these given dates under normal competitive conditions.

Independent external firms — external appraisers and valuation committees composed of experts in the field — evaluate all important investments. In addition, as part of their audit of the Caisse financial statements, the co-auditors of the Caisse, the Auditor General of Québec and Ernst & Young, review the fair value of various investments.

## REAL ESTATE

- Chartered external appraisers certify the fair value of real estate assets.
- 98% of properties are valued this way.

## INFRASTRUCTURE & PRIVATE EQUITY

- Investments whose fair value exceeds a pre-established materiality threshold are subject to independent valuation committee or external appraiser review.
- 94% of the fair value of portfolio investments is reviewed this way.

### **How does the Private Equity portfolio's fair value measurement compare to stock market valuation trends?**

Due to their similar qualities, the fair value of private equity reflects the valuation trends of companies on major stock exchanges. However, the impact on private equity, relative to stock markets, is often delayed and less important.

For example, stock markets plunged about 50% in October 2007. The Caisse's Private Equity portfolio, on the other hand, declined 35% in value much later – in January 2008 (see overleaf).

While the stock market rebound began in March 2009, private equity valuations only started to increase in June 2009. Given a lower starting point, the magnitude of the stock market rebound was higher (75% vs 50%).

## Private equity and stock market valuations

