

HIGHLIGHTS

EQUITY

\$131.7 B

Net assets as at December 31, 2016

5 years

14.0%

Annualized return

\$63.7 B

Net investment results

2016

10.4%

Return

\$12.3 B

Net investment results

2 portfolios

Public Equity

Advantages

- The risk-adjusted return is higher than that of the markets, given our absolute-return management approach

Private Equity

Advantages

- Expected long-term performance above that of public equity

As at December 31, 2016, the Equity asset class represented 49% of la Caisse's overall portfolio. It includes two specialized portfolios: Public Equity and Private Equity.

La Caisse manages the majority of its listed securities with an active and integrated approach. Initiated in 2016, consolidated management of the public equity portfolio provides more flexibility and allows la Caisse to better integrate its investment convictions when selecting securities and sectors, always with the objective of increasing its performance.

The Public Equity portfolio is divided into six mandates:

- Global Quality
- Canada
- Growth Markets
- Alternative Weightings
- Relationship Investing
- Strategic

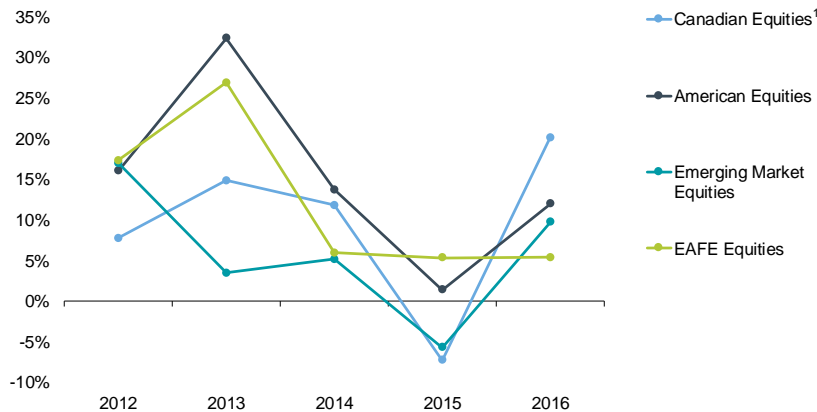
The Private Equity portfolio includes securities of public and private companies in which la Caisse takes concentrated positions in order to exercise influence through governance and to generate added value, namely through operations. A portion of the assets is also entrusted to fund managers with a view to enabling strategic partnerships.

Market context

Despite disappointing global growth over the past five years, benchmark stock indexes have benefited from the extremely accommodative monetary policies of major central banks. They achieved a positive return over the whole period, though there were noteworthy differences in performance between the indexes from one year to the next, reflecting changing market conditions.

From 2012 to 2016, U.S. and EAFE (Europe, Australasia, Far East) indexes were particularly strong, with an average annual return of more than 10.0% in local currencies. The Canadian index returned 8.2% over

Annual return of the main benchmark indexes in local currencies



1. The return of Canadian Equities is that of the index used by la Caisse

the same period. Emerging markets recorded a lower performance, with a 5.6% return in local currencies. These markets benefited from the injection of liquidity by central banks, but also suffered the effects of the downward trend in commodity prices.

While 2015 marked a halt in the growth in stock market returns, 2016 proved rather good, although performance varied between markets.

The conciliatory tone of the U.S. Federal Reserve (the Fed) and the expansion of asset purchase programs by the European Central Bank and the Bank of Japan helped drive up the U.S. index, despite the uncertainty surrounding the Brexit vote and the U.S. presidential election. The market's growth even accelerated after Donald J. Trump's victory, undeterred by the Fed's key policy rate being increased in December. This is due to more robust growth expectations stemming from the new president's promises of fiscal stimulus and deregulation. These expectations have also led to an increase in the slope of the interest rate curve, which has benefited financial institutions.

In 2016, the Canadian index posted the best performance among developed countries with a return of 21.1%, attributable mainly to the financial, energy and materials sectors. The Emerging Markets index returned 9.7% in local currencies, owing in part to the exceptional performance of the Brazilian market. The EAFE index had the weakest performance due to the decrease in corporate profits, especially in Europe.

GLOBAL QUALITY MANDATE

Created in 2013, this mandate is the largest in the Public Equity portfolio. It is comprised of securities of well-established companies exposed to global growth. With high and stable profitability, targeted companies demonstrate solid fundamentals over the long term and a prudent use of financial leverage. As a result, investments in this mandate are less sensitive to market fluctuations and provide some protection during periods of market turbulence.

<p>\$36.1 B</p> <p>Net assets as at December 31, 2016</p>	<p>4 years</p>		<p>2016</p>
	<p>18.6%</p> <p>Annualized return</p>	<p>13.7%</p> <p>Index</p>	<p>4.0%</p> <p>Return</p>
<p>\$13.8 B</p> <p>4-year net investment results</p>	<p>Four-year return</p> <p>Since its inception in 2013, the mandate has generated \$13.8 billion of net investment results. It posted an annualized return of 18.6%, compared to 13.7% for its benchmark. In doing so, \$3.6 billion in value added was created,</p>		

\$1.3 B

2016 net investment results

accounting for more than half of the total value added generated by the six public equity mandates. Much of the return was due to positions in high-quality companies incorporated in the United States, as well as the strength of the U.S. dollar versus the Canadian dollar over the period.

2016 return

In 2016, the mandate returned 4.0%, reflecting the defensive nature of the investments and an underweight position in the financial sector. Though the depreciation of foreign currencies against the Canadian dollar weighed on performance, exposure to high-quality companies incorporated in the United States proved profitable.

CANADA MANDATE

This mandate invests in securities of companies listed in Canada. Target companies have competitive advantages that allow them to withstand market fluctuations while remaining exposed to growth. The focus is on building a quality, focused portfolio that reflects the unique characteristics of the Canadian equity universe. Shares in Québec companies represent one-third of the mandate's composition compared to 15% for the S&P/TSX.

\$24.7 B

Net assets as at December 31, 2016

\$11.3 B

5-year net investment results

\$4.8 B

2016 net investment results

5 years

10.6%

Annualized return

9.0%

Index

2016

22.7%

Return

Five-year return

The adoption of an absolute-return management approach – completed in early 2015 – proved beneficial to the mandate, which generated \$11.3 billion of net investment results over five years. At 10.6%, its annualized return is 1.6 percentage points higher than its benchmark, representing value added of \$1.8 billion.

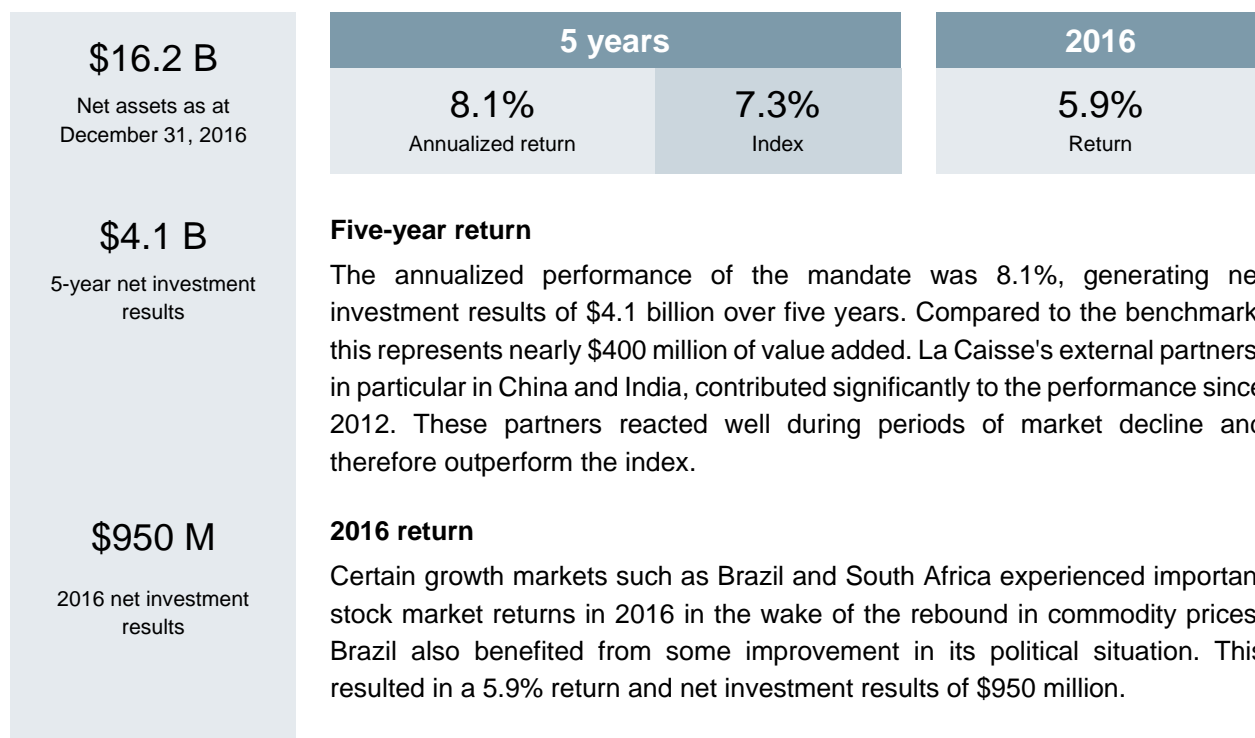
The strategy of overweighting Canadian securities with increased exposure to the U.S. economy was beneficial. Corporate stocks in the consumer sector, such as Couche-Tard, Gildan and Magna, performed particularly well.

2016 return

The strong performance of the Canadian stock market in 2016 benefited the mandate, which generated a 22.7% return and net investment results of \$4.8 billion. All sectors in the portfolio closed the year positively, though the energy and finance sectors were the main drivers of the mandate's performance, contributing more than two-thirds of its return.

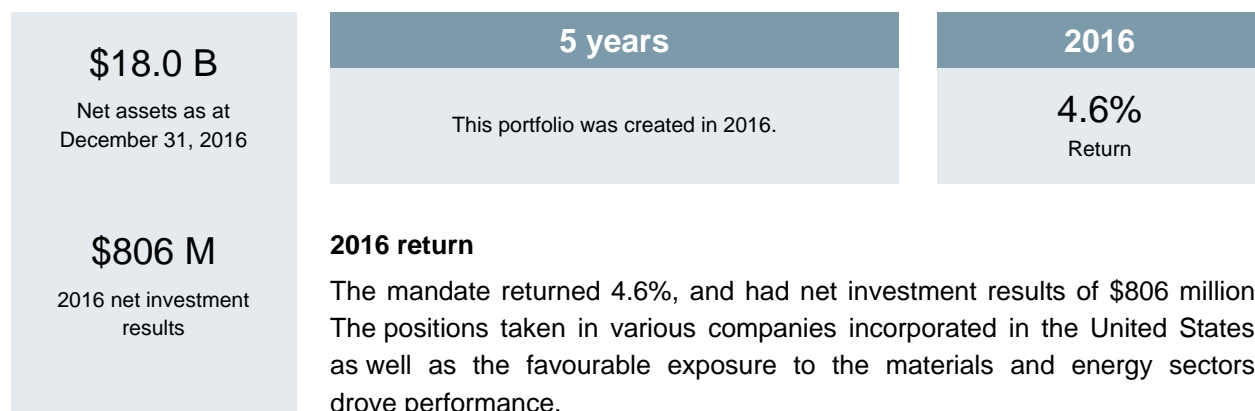
GROWTH MARKETS MANDATE

This mandate invests in securities of growth markets and aims to produce a return higher than that of developed markets over the long term. The portfolio's absolute-return management component is carried out alongside established local partners who are deeply familiar with these markets and who share la Caisse's long-term investment philosophy.



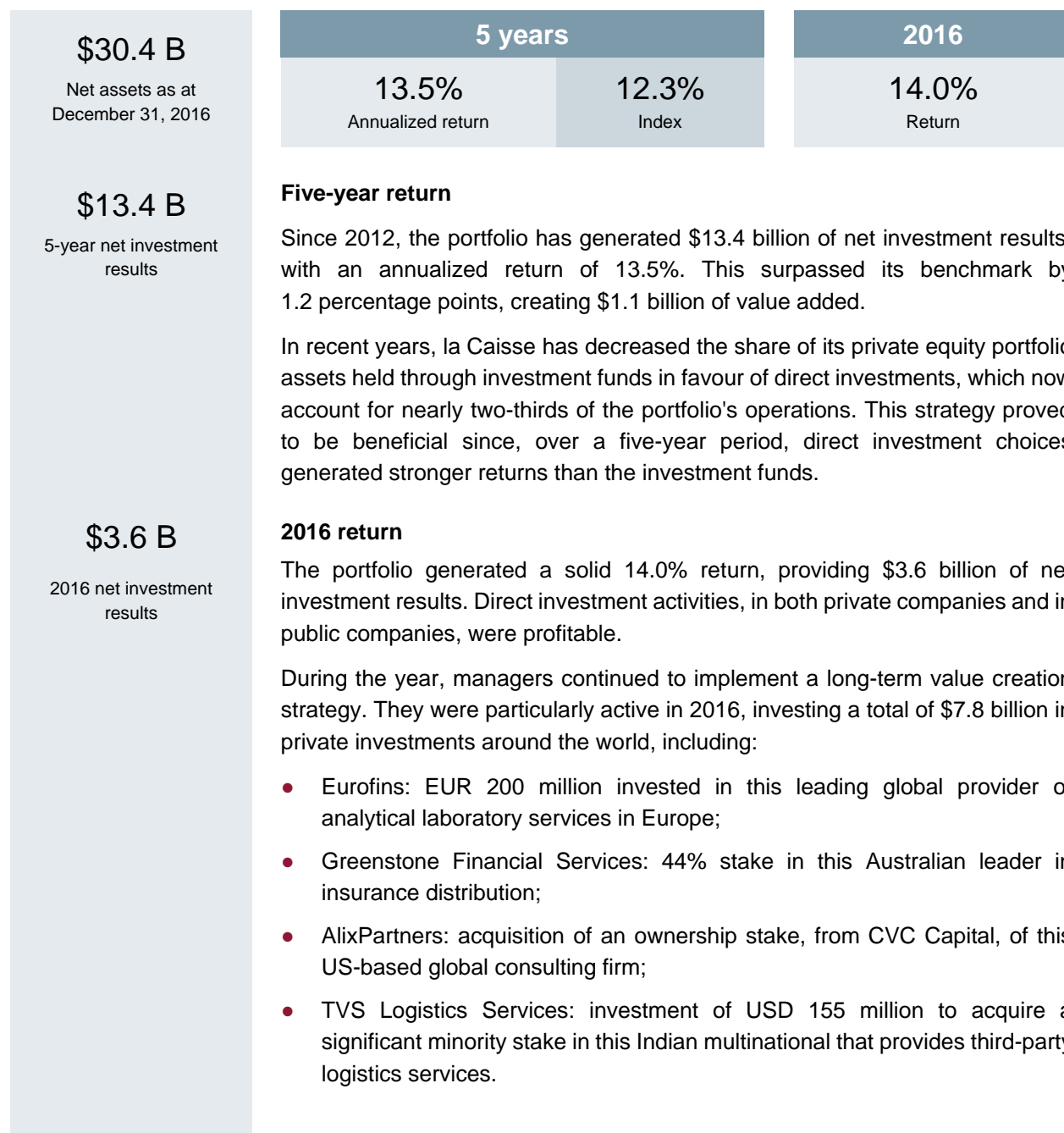
ALTERNATIVE WEIGHTINGS MANDATE

This mandate is comprised of securities in developed markets, excluding Canada. It puts forward a strategy of a securities weighting based on various fundamental measures (revenues, cash flows, dividends, etc.) rather than on their market capitalization.



PRIVATE EQUITY

The private equity portfolio includes direct investments in both private and publicly-listed companies, as well as investments in funds. Investments are made in many industries and throughout the world, primarily in Canada, the United States and Europe. As at December 31, 2016, investments in Québec accounted for one-third of the portfolio.



Investment results table for Equity portfolios

As at December 31, 2016	5 years				2016		
Specialized portfolio and mandate	Net assets	Net investment results	Return	Index	Net investment results	Return	Index
	\$M	\$M	%	%	\$M	%	%
Public Equity	101,272	50,311	14.1	12.2	8,690	9.4	7.5
Global Quality mandate ¹	36,087	13,795	18.6	13.7	1,316	4.0	3.7
Canada mandate ²	24,679	11,342	10.6	9.0	4,775	22.7	20.1
Growth Markets mandate ³	16,179	4,057	8.1	7.3	950	5.9	5.3
Alternative Weightings mandate	18,034	806	N/A	N/A	806	4.6	3.3
Other ⁴	6,293	844	N/A	N/A	844	N/A	N/A
Private Equity	30,387	13,356	13.5	12.3	3,585	14.0	8.8
Equity	131,659	63,667	14.0	12.3	12,275	10.4	7.9

1. Includes the Global Quality Equity portfolio history prior to 2016.

The return of the mandate and of the index in percentage is the return over four years, or since its inception.

2. Includes the Canadian Equity portfolio history prior to 2016.

3. Includes the Emerging Markets Equity portfolio history before 2016.

4. Includes the Relationship Investing and Strategic mandates.