Caisse de dépôt et placement du Québec

CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of la Caisse de dépôt et placement du Québec ("la Caisse") are the responsibility of management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. We ensure that the financial information in the Annual Report is consistent with the information in the consolidated financial statements.

The consolidated financial statements include amounts that are based on management's best estimates and judgment, with due regard for their relative importance. Moreover, when preparing the financial information, management has made decisions regarding the information to be presented as well as estimates and assumptions that affect the information presented. Future results may differ considerably from our current estimates, as changes to financial markets or other events could have an impact on the fair value of the investments.

In our responsibility for the reliability of financial information, we rely on disclosure controls and procedures and internal controls over financial reporting. In particular, these controls include a clear definition of responsibilities, delegation of powers, allocation of duties, ethical standards, employee hiring and training criteria as well as policies, guidelines and procedures designed to ensure that transactions are duly authorized, assets are properly measured and safeguarded, and proper records are maintained.

Moreover, la Caisse's internal audit group audits 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 consolidated 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 la 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 over financial information is sufficient and that the design and operation 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 la Caisse, as necessary.

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of la Caisse as at December 31, 2019 and 2018 and for the years then ended and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their 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 consolidated financial statements and the Annual Report.

The Board of Directors approved the consolidated financial statements as at December 31, 2019 and 2018 and for the years then ended. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.

Charles Emond
President and Chief Executive Officer

Maarika Paul, FCPA, FCA, CBV, ICD.D
Executive Vice-President and
Chief Financial and Operations Officer

Montréal, February 18, 2020

INDEPENDENT AUDITORS' REPORT

To the National Assembly

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the "Group"), which comprise the Consolidated Statements of Financial Position as at December 31, 2019 and 2018 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of this auditors' report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's 2019 Annual Report:

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2019 Annual Report is expected to be made available to us after the date of this report. If, based on the work we will perform on the 2019 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

As required by the *Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, these accounting standards have been applied for the current fiscal year on a basis consistent with that of the preceding year, except for the accounting policy changes related to leases explained in Note 2.

The engagement partner from Ernst & Young LLP on the audit resulting in this independent auditors' report is Michel Bergeron.

Auditor General of Québec,

Guylaine Leclerc FCPA auditor, FCA

Guylaine Leclerc, FCPA auditor, FCA
Canada, Montréal, February 18, 2020

Ernst & Young LLP[1]

Ernst & Young LLP[1]

[1] FCPA auditor, FCA, public accountancy permit no. A114960
Canada, Montréal, February 18, 2020

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of Canadian dollars)

	Note	**December 31, 2019**	December 31, 2018
ASSETS			
Cash		**994**	675
Amounts receivable from transactions being settled		**6,223**	4,587
Advances to depositors		**960**	903
Investment income, accrued and receivable		**1,391**	1,352
Other assets		**584**	482
Investments	4	**382,467**	342,004
Total assets		**392,619**	350,003
LIABILITIES			
Amounts payable on transactions being settled		**1,537**	1,113
Other financial liabilities		**1,143**	1,172
Investment liabilities	4	**49,830**	38,207
Total liabilities excluding net assets attributable to depositors		**52,510**	40,492
NET ASSETS ATTRIBUTABLE TO DEPOSITORS		**340,109**	309,511

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

On behalf of the Board of Directors,

Charles Emond

François Joly

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(in millions of Canadian dollars)

	Notes	**2019**	2018
Investment income		**10,838**	10,222
Investment expense		**(945)**	(886)
Net investment income	8	**9,893**	9,336
Operating expenses	9	**(630)**	(585)
Net income		**9,263**	8,751
Net gains on financial instruments at fair value	8	**21,883**	3,039
Investment result before distributions to depositors	8	**31,146**	11,790
Distributions to depositors		**(14,739)**	(12,222)
Net income and comprehensive income attributable to depositors		**16,407**	(432)

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

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS

For the years ended December 31

(in millions of Canadian dollars)

	Demand deposits	Term deposits	Distributions payable to depositors	Participation deposits	Net assets attributable to depositors
Balance as at December 31, 2017	88	6	1,975	296,443	298,512
Attributions and distributions					
Net income and comprehensive income attributable to depositors	-	-	-	(432)	(432)
Distributions to depositors	11,691	-	531	-	12,222
Participation deposits					
Issuance of participation deposit units	(14,566)	-	-	14,566	-
Cancellation of participation deposit units	4,290	-	-	(4,290)	-
Net deposits					
Net withdrawals	(791)	-	-	-	(791)
BALANCE AS AT DECEMBER 31, 2018	712	6	2,506	306,287	309,511
Attributions and distributions					
Net income and comprehensive income attributable to depositors	**-**	**-**	**-**	**16,407**	**16,407**
Distributions to depositors	**14,284**	**-**	**455**	**-**	**14,739**
Participation deposits					
Issuance of participation deposit units	**(18,515)**	**-**	**-**	**18,515**	**-**
Cancellation of participation deposit units	**4,473**	**-**	**-**	**(4,473)**	**-**
Net deposits					
Net withdrawals	**(548)**	**-**	**-**	**-**	**(548)**
BALANCE AS AT DECEMBER 31, 2019	**406**	**6**	**2,961**	**336,736**	**340,109**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(in millions of Canadian dollars)

	2019	2018
Cash flows from operating activities		
Net income and comprehensive income attributable to depositors	**16,407**	(432)
Adjustments for:		
Unrealized net (gains) losses on commercial paper, term notes and loans payable	**(514)**	591
Distributions to depositors	**14,739**	12,222
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	**(1,636)**	(2,140)
Advances to depositors	**(57)**	153
Investment income, accrued and receivable	**(39)**	43
Other assets	**(102)**	(227)
Investments	**(40,695)**	(10,594)
Amounts payable on transactions being settled	**424**	(989)
Other financial liabilities	**(29)**	481
Investment liabilities	**5,938**	671
	(5,564)	(221)
Cash flows from financing activities		
Net change in commercial paper payable	**365**	2,386
Issuance of commercial paper payable	**9,844**	5,443
Repayment of commercial paper payable	**(7,078)**	(6,649)
Net change in loans payable	**85**	(80)
Issuance of term notes payable	**5,313**	-
Repayment of term notes payable	**(2,330)**	-
Net withdrawals	**(548)**	(791)
	5,651	309
Net increase in cash and cash equivalents	**87**	88
Cash and cash equivalents at the beginning of the year	**1,035**	947
Cash and cash equivalents at the end of the year	**1,122**	1,035
Cash and cash equivalents comprise:		
Cash	**994**	675
Investments		
Short-term investments	**27**	-
Securities purchased under reverse repurchase agreements	**101**	360
	1,122	1,035
Supplemental information on cash flows from operating activities		
Interest and dividends received	**10,433**	10,115
Interest paid	**(855)**	(800)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are shown in millions of Canadian dollars, unless otherwise indicated.)

1. CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec ("la Caisse"), a legal person established in the public interest within the meaning of the Civil Code of Québec, is governed by the *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) (the "Act").

La Caisse is domiciled in Québec, Canada. Its head office is located at 65 Sainte-Anne St., Québec City, Canada and its main office is located at 1000 Place Jean-Paul-Riopelle, Montréal, Canada.

La Caisse's mission is to receive moneys on deposit as provided by the Act and to manage them with a view to achieving an optimal return on depositors' capital within the framework of the depositor investment policies while also contributing to Québec's economic development.

CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared for the purposes of presenting la Caisse's financial position, financial performance and cash flows. La Caisse's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of its subsidiaries that exclusively offer services related to financing, administrative and management activities. In preparing the consolidated financial statements, all intercompany transactions and balances have been eliminated.

The investing activities of the depositors in la Caisse's various specialized portfolios are concluded through the participation deposit units of individual funds.

General Fund

The General Fund comprises cash and cash equivalent activities for la Caisse's operational purposes and management of demand deposits, term deposits, and the financing activities.

Individual Funds

The individual funds consist mainly of diversified investments in specialized portfolios. Each individual fund is dedicated to a single depositor who invests in the participation deposits of individual funds.

The individual funds of depositors are as follows:

Fund 300: Base Québec Pension Plan (formerly the Québec Pension Plan Fund), administered by Retraite Québec

Fund 301: Government and Public Employees Retirement Plan, administered by Retraite Québec

Fund 302: Pension Plan of Management Personnel, administered by Retraite Québec

Fund 303: Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec

Fund 305: Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite

Fund 307: Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec

Fund 310: Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval, administered by the Comité de retraite

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: Deposit Insurance Fund, administered by the Autorité des marchés financiers

Fund 315: Dedicated account, administered by La Financière agricole du Québec

Fund 316: Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec

Fund 317: Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec

Fund 318: Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec

Fund 326: Crop Insurance Fund, administered by La Financière agricole du Québec

Fund 328: Survivor's Pension Plan, administered by the Secrétariat du Conseil du trésor

Fund 329: Fonds d'assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec

Fund 330: Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l'équité, de la santé et de la sécurité du travail

Fund 331: Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

Fund 333: Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

Fund 334: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à coût partagé, administered by the Comité de retraite (created on April 1, 2019)

Individual Funds (cont.)

Fund 335: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite

Fund 336: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite

Fund 337: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite

Fund 338: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite

Fund 339: Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers

Fund 340: Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne

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: Parental Insurance Fund administered by the Conseil de gestion de l'assurance parentale (reactivated on May 1, 2019)

Fund 344: Réserve administered by La Financière agricole du Québec

Fund 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee

Fund 351: Generations Fund, administered by the ministère des Finances, Government of Québec

Fund 353: Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec

Fund 354: Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec

Fund 361: Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor

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

Fund 367: Territorial Information Fund, administered by the ministère des Finances, Government of Québec

Fund 368: Fonds de partenariats stratégiques (formerly Education and Good Governance Fund – Capitalized Fund), administered by the Autorité des marchés financiers

Fund 369: Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

Fund 371: Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

Fund 372: Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite

Fund 373: Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec

Fund 374: Fiducie globale Ville de Magog, administered by the Comité de retraite mixte

Fund 376: Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke

Fund 378: Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund administered by Retraite Québec

Fund 383: Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite

Fund 384: Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite

Fund 385: Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite

Fund 386: Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite

Fund 387: Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite

Fund 388: Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite

Fund 389: Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite

Fund 393: Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite

Fund 395: Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec

Fund 399: Additional Québec Pension Plan, administered by Retraite Québec (created on February 1, 2019)

Specialized portfolios

The specialized portfolios consist of common funds in which the individual funds may invest in the form of participation deposits. La Caisse's specialized portfolios are as follows:

- Short Term Investments (740)
- Rates (765)
- Credit (766)
- Long Term Bonds (764)
- Real Return Bonds (762)
- Infrastructure (782)
- Real Estate (710)
- Equity Markets (737)
- Private Equity (780)
- Asset Allocation (771)
- Active Overlay Strategies (773)[1]

[1]On January 1, 2020, the Active Overlay Strategies (773) specialized portfolio was wound up. On the same date, the assets and liabilities of this specialized portfolio were transferred at fair value to other specialized portfolios. This winding up had no impact on net assets and net income and comprehensive income attributable to depositors.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented, with the exception of matters pertaining to the adoption of IFRS 16.

Adoption of a new IFRS

In January 2016, the IASB issued the final version of IFRS 16 – *Leases*, which replaces IAS 17 – *Leases* and the related interpretations on the recognition and measurement of leases. IFRS 16 establishes a lease accounting model for lessees. Under this model, la Caisse recognizes the majority of leases on the Consolidated Statements of Financial Position. La Caisse elected to apply the standard retrospectively with the cumulative effect of initially applying IFRS 16 recognized as at January 1, 2019. The adoption of this standard resulted in an increase in assets and liabilities of $307 million as at January 1, 2019, calculated by discounting future lease payments using la Caisse's incremental borrowing rate.

Presentation and measurement basis

La Caisse measures all of its financial instruments, including investments in unconsolidated subsidiaries, joint ventures, associates and structured entities, at fair value through profit or loss (FVTPL). Subsidiaries that solely provide services related to financing, administrative, and management activities are consolidated in accordance with the guidance set out in IFRS 10 – *Consolidated Financial Statements*.

The Consolidated Statements of Financial Position are presented based on liquidity.

Approval of the consolidated financial statements

The Board of Directors approved la Caisse's consolidated financial statements and the publication thereof on February 18, 2020.

Functional and presentation currency

La Caisse's consolidated financial statements are presented in Canadian dollars, which is the functional currency.

Foreign currency translation

Financial assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

Translation differences on investments and investment liabilities at fair value and on other monetary financial assets and liabilities are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

Use of judgments and estimates

In preparing la Caisse's consolidated financial statements in accordance with IFRS, management must make judgments, estimates and assumptions that affect the application of the significant accounting policies described below and the amounts reported in the Consolidated Statements of Financial Position and the Consolidated Statements of Comprehensive Income.

Judgment

Qualification as an investment entity

Judgment is required when qualifying la Caisse as an investment entity. La Caisse meets the three mandatory criteria of the IFRS 10 definition: 1) Obtain funds from one or more depositors; 2) Commit to its depositors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and 3) Measure and evaluate the performance of its investments on a fair value basis.

IFRS 10 also suggests four typical characteristics be considered in assessing whether an entity qualifies as an investment entity: 1) Have more than one investment; 2) Have more than one depositor; 3) Have investors that are not related parties; and 4) Have ownership interests in the form of equity or similar interests. La Caisse does not satisfy the third typical characteristic of an investment entity because la Caisse and the depositors are related. However, la Caisse nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise la Caisse's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

Fair value hierarchy of financial instruments

Management must use judgment in determining the significance of each input used when establishing the classification into the fair value hierarchy, as explained in Note 6.

Interests in entities

Management must use judgment in determining whether la Caisse has control, joint control or significant influence over certain entities, and over the holding of interests in structured entities, as described in Note 16. Judgment on the relationship between la Caisse and any entity in which la Caisse holds an interest is exercised upon initial investment and must be reassessed when facts and circumstances indicate that there are one or more changes to the elements of control.

La Caisse holds interests in a structured entity when voting or similar rights are not the dominant factor in deciding who controls the entity.

La Caisse controls a subsidiary, including a structured entity, only if the IFRS 10 criteria are met: 1) It has decision-making authority regarding the entity's relevant activities; 2) It has exposure or rights to variable returns from its involvement with the entity; and 3) It has the ability to use its power to affect the amount of the returns. When management determines decision-making authority, several factors are taken into account, including the existence and effect of actual and potential voting rights held by la Caisse that are exercisable, the holding of instruments that are convertible into voting shares, the existence of contractual agreements through which the relevant activities of the entity can be directed, as well as other circumstances that affect decision-making.

La Caisse has joint control over a joint venture when there is a contractual or implicit arrangement whereby decisions about relevant activities require the unanimous consent of the parties sharing control and when these parties have rights to the net assets of the arrangement.

La Caisse has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. It is deemed to have significant influence when it holds 20% or more of the voting rights of an entity but does not have control or joint control.

Estimates and assumptions

The main estimates and assumptions, which are disclosed in Note 6, involve the fair value measurement of investments and investment liabilities classified in Level 3 of the fair value hierarchy. Actual values may differ from the estimated values.

Financial instruments

La Caisse's financial instruments include cash, amounts receivable from transactions being settled, advances to depositors, accrued and receivable investment income, investments, amounts payable on transactions being settled, other financial liabilities, investment liabilities and net assets attributable to depositors.

Classification and measurement

Financial instruments are categorized based on their nature and characteristics. Classification is determined upon initial recognition, which is the date on which la Caisse is subject to the contractual provisions of the instrument. La Caisse's financial assets and liabilities are managed and their performance is evaluated on a fair value basis. Consequently, all of la Caisse's financial assets must be classified at FVTPL while its financial liabilities are designated at FVTPL. Derivative financial instruments and securities sold short must be classified at FVTPL.

Corporate debt commitments are classified at FVTPL when one of the following criteria is met: 1) The commitments are designated as financial liabilities at FVTPL or la Caisse has a practice of selling the loans resulting from its commitments; or 2) The corporate debt commitments can be settled net in cash.

Financial instruments are initially and subsequently recognized at fair value. Changes in the fair value of financial instruments are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. When the change in the fair value of financial liabilities designated at FVTPL is attributable to changes in la Caisse's own credit risk, it is presented separately in the Consolidated Statements of Comprehensive Income unless doing so creates or enlarges an accounting mismatch, when appropriate. Income and expense are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

Financial instruments (cont.)

Fair value measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each financial instrument, which could be a stand-alone asset or liability (e.g., a share or bond) or a group of assets and liabilities (e.g., an ownership interest in a subsidiary or associate). Upon initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, which is the fair value of the consideration received or given. Subsequently, the fair value of a financial instrument is classified using the fair value hierarchy described in Note 6.

La Caisse applies appropriate valuation techniques based on a financial instrument's characteristics, the availability of inputs, and the assumptions that would be used by market participants, focusing on maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. The valuation techniques are applied consistently. Fair value information is provided in Note 6.

Cash

Cash is the cash deposited with recognized financial institutions and bears interest at market rates.

Investments

Investments include cash equivalents, fixed-income securities, variable-income securities, interests in unconsolidated subsidiaries and derivative financial instruments.

Cash equivalents include short-term investments and securities purchased under reverse repurchase agreements. These securities meet the definition of cash equivalents because they are used for cash management purposes, are readily convertible into a known amount of cash, have negligible risk of fair value changes and have initial maturities of three months or less. These financial instruments bear interest at market rates.

Fixed-income securities include short-term investments, securities purchased under reverse repurchase agreements, corporate debt and bonds, which include bond funds. Purchases and sales of fixed-income securities are recorded at the transaction date, except for purchases and sales of corporate debt, which are recorded at the settlement date.

Variable-income securities comprise equities and convertible securities of public companies, private companies (including investment funds, private investment funds and infrastructure funds), and hedge funds. Purchases and sales of equities, convertible securities and hedge funds are recorded at the transaction date, whereas purchases and sales of private investment funds and infrastructure funds are recorded at the settlement date.

Interests in unconsolidated subsidiaries represent la Caisse's investment in controlled entities that are not consolidated under IFRS 10. La Caisse's investment in these entities may be in the form of equity instruments or debt instruments.

Investment liabilities

Investment liabilities include securities sold under repurchase agreements, securities sold short, commercial paper payable, loans payable, term notes payable and derivative financial instruments.

Securities sold short are commitments made by la Caisse to purchase securities from third parties to cover its positions. La Caisse may short-sell equities and bonds.

Derivative financial instruments

In managing its investments, la Caisse conducts transactions involving various derivative financial instruments for discretionary purposes or to manage the risks associated with exchange rate, interest rate and market fluctuations. Derivative financial instruments whose fair value is favourable are presented under "Investments" in the Consolidated Statements of Financial Position, while those whose fair value is unfavourable are presented under "Investment liabilities" in the Consolidated Statements of Financial Position.

Transactions being settled

Transactions with counterparties for the sale or purchase of securities that have not yet been settled at the reporting date are presented respectively under "Amounts receivable from transactions being settled" and "Amounts payable on transactions being settled" in the Consolidated Statements of Financial Position.

Derecognition of financial assets and liabilities

La Caisse derecognizes financial assets when all of the contractual rights to the assets have expired or when the contractual rights to receive the cash flows from the financial assets have been transferred and when la Caisse has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If la Caisse considers that it retains substantially all of the risks and rewards of a transferred financial asset, that asset is not derecognized from the Consolidated Statements of Financial Position and, if appropriate, a corresponding financial liability is recorded. Financial assets that have been transferred but not derecognized are disclosed in Note 13. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expired.

Financial instruments (cont.)

Securities purchased under reverse repurchase agreements and sold under repurchase agreements

La Caisse enters into transactions to purchase and sell securities, i.e., short-term investments and bonds, that it agrees to resell to or repurchase from the counterparty at a future date.

The purchased securities are not recognized in the Consolidated Statements of Financial Position because the counterparty retains the risks and rewards of the securities. The cash amounts disbursed are derecognized, and a corresponding asset is recorded in investments under "Securities purchased under reverse repurchase agreements".

The sold securities are not derecognized from the Consolidated Statements of Financial Position because la Caisse retains the risks and rewards of the securities. The cash amounts received are recognized, and a corresponding liability is recorded in investment liabilities under "Securities sold under repurchase agreements".

Lending and borrowing of securities

La Caisse conducts securities lending and borrowing transactions involving equities and bonds. These transactions are generally guaranteed by the securities received from the counterparties or pledged by la Caisse, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statements of Financial Position because la Caisse or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

Net assets attributable to depositors

Net assets attributable to depositors consist of demand deposits, term deposits, distributions payable to depositors and participation deposits.

Demand deposits and term deposits

Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent la Caisse's indebtedness towards the depositors in accordance with the *Regulation respecting the terms and conditions of deposits, funds and portfolios of the Caisse de dépôt et placement du Québec* (Regulation).

Distributions payable to depositors

Under the Regulation, distributions payable to depositors represent the net income or net loss arising from the specialized portfolios as well as the net realized gains or losses upon cancellation of the participation units of specialized portfolios held by the individual funds that are recorded at the end of the month and are paid into the demand deposit accounts of depositors at the beginning of the following month. Distributions may also be made through the issuance of participation deposit units of individual funds.

Participation deposits

Participation deposits are expressed in participation units for each individual fund. Each participation unit gives the holder an interest in the fund's net assets. The per-unit value of the net assets is determined by dividing the individual fund's net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor's demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor's equity in the Regulation and are subordinate to all other categories of financial liabilities.

Net income

Dividend and interest income and expense

Dividend income is recognized when la Caisse obtains the right to the dividend, generally on the ex-dividend date. Distributions from funds are recognized as income on the settlement date. Dividend expense from equities sold short is recorded when the shareholders obtain the right to the dividend. Dividend income and expense are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

Interest income and expense are recognized as amounts are earned or incurred using the prescribed coupon rate method. Interest income and expense are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

External management fees

External management fees are amounts paid to external financial institutions, mainly institutional fund managers active in international stock markets, for the management of securities owned by la Caisse. The base fees and performance-related fees of external managers are presented under "Investment expense" and "Net gains on financial instruments at fair value", respectively, in the Consolidated Statements of Comprehensive Income.

Income tax

Under federal and provincial income tax legislation, la Caisse is exempt from income tax in Canada. Income from foreign affiliates is subject to withholding taxes in certain countries. Withholding taxes are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

Operating expenses

Operating expenses consist of all the expenses incurred to manage and administer la Caisse's investments and are presented separately in the Consolidated Statements of Comprehensive Income.

Net gains on financial instruments at fair value

Gains and losses realized on investments and investment liabilities represent the difference between settlement value and value at initial recognition and are calculated on a first-in, first-out basis. Gains and losses realized on derivative financial instruments represent payments and receipts. Unrealized gains and losses on financial instruments include net changes in fair value for the year as well as the reversal of prior-year unrealized gains and losses that were realized during the year. Realized and unrealized gains and losses are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

Transaction costs directly attributable to the acquisition, sale and issuance of a financial instrument are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. Transaction costs include commissions, stock exchange fees as well as professional and legal fees related to investing and financing activities.

Distributions to depositors

Under the Regulation, distributions to depositors consist of the annual net income or loss from the specialized portfolios as well as the net gains or losses realized on the cancellation of participation units of the specialized portfolios held by the individual funds. Distributions to depositors are recorded as finance costs and presented separately in the Consolidated Statements of Comprehensive Income.

3. NEW IFRS STANDARDS

No issued or amended standard not yet effective for the year is expected to have an impact on the consolidated financial statements.

4. INVESTMENTS AND INVESTMENT LIABILITIES

a) Investments

The following table shows the fair values of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The allocation of interests in unconsolidated subsidiaries is determined according to the country of the underlying investments, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

	December 31, 2019			December 31, 2018		
	Canada	**Foreign**	**Fair value[1]**	Canada	Foreign	Fair value[1]
Investments						
Cash equivalents						
Short-term investments	**27**	**-**	**27**	-	-	-
Securities purchased under reverse repurchase agreements	**101**	**-**	**101**	360	-	360
Total cash equivalents	**128**	**-**	**128**	360	-	360
Fixed-income securities						
Short-term investments	**64**	**74**	**138**	116	106	222
Securities purchased under reverse repurchase agreements	**12**	**3,524**	**3,536**	4,540	3,735	8,275
Corporate debt	**742**	**1,273**	**2,015**	793	1,356	2,149
Bonds						
Governments	**41,969**	**22,042**	**64,011**	33,840	9,299	43,139
Government corporations and other public administrations	**6,425**	**574**	**6,999**	5,940	393	6,333
Corporate sector	**11,970**	**6,094**	**18,064**	9,944	9,042	18,986
Bond funds	**-**	**1,603**	**1,603**	-	1,552	1,552
Total fixed-income securities	**61,182**	**35,184**	**96,366**	55,173	25,483	80,656
Variable-income securities						
Equities and convertible securities						
Public companies	**30,322**	**86,863**	**117,185**	26,042	80,230	106,272
Private companies	**3,317**	**16,001**	**19,318**	3,600	13,498	17,098
Hedge funds	**-**	**1,321**	**1,321**	-	2,247	2,247
Total variable-income securities	**33,639**	**104,185**	**137,824**	29,642	95,975	125,617
Interests in unconsolidated subsidiaries						
Investments in real estate holdings	**17,975**	**31,019**	**48,994**	18,343	32,228	50,571
Investments in real estate debt	**14,290**	**1,197**	**15,487**	13,395	-	13,395
Private equity investments	**3,945**	**27,972**	**31,917**	2,989	23,286	26,275
Infrastructure investments	**3,674**	**19,230**	**22,904**	2,991	16,586	19,577
Investments in fixed-income securities	**4,809**	**14,592**	**19,401**	4,019	11,924	15,943
Investments in hedge funds	**77**	**4,345**	**4,422**	108	5,501	5,609
Stock market investments	**1,039**	**2,230**	**3,269**	1,041	1,753	2,794
Total interests in unconsolidated subsidiaries	**45,809**	**100,585**	**146,394**	42,886	91,278	134,164
Derivative financial instruments *(Note 5)*	**10**	**1,745**	**1,755**	28	1,179	1,207
Total investments	**140,768**	**241,699**	**382,467**	128,089	213,915	342,004

[1] The total cost of the investments amounts to $320,839 million as at December 31, 2019 ($289,453 million as at December 31, 2018).

Equities in growth markets

La Caisse has Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although la Caisse has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2019, the fair value of securities invested in China amounted to $2,187 million ($1,629 million as at December 31, 2018).

b) Investment liabilities

The following table shows the fair values of investment liabilities. The geographic allocation of non-derivative financial liabilities is determined using the country of the issuer's principal place of business, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

	December 31, 2019			December 31, 2018		
	Canada	**Foreign**	**Fair value[1]**	Canada	Foreign	Fair value[1]
Investment liabilities						
Non-derivative financial liabilities						
Securities sold under repurchase agreements	**15,131**	**8,396**	**23,527**	9,856	2,683	12,539
Securities sold short						
Equities	**104**	**15**	**119**	91	433	524
Bonds	**172**	**3,496**	**3,668**	3,976	3,302	7,278
Commercial paper payable	**8,794**	**-**	**8,794**	5,921	-	5,921
Loans payable	**149**	**219**	**368**	128	162	290
Term notes payable	**12,332**	**-**	**12,332**	9,598	-	9,598
Total non-derivative financial liabilities	**36,682**	**12,126**	**48,808**	29,570	6,580	36,150
Derivative financial instruments *(Note 5)*	**27**	**995**	**1,022**	35	2,022	2,057
Total investment liabilities	**36,709**	**13,121**	**49,830**	29,605	8,602	38,207

[1] The total cost of the investment liabilities amounts to $47,780 million as at December 31, 2019 ($33,493 million as at December 31, 2018).

5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates according to an underlying item, which require very little or no initial investment and are settled at a future date. The underlying item may be of a financial nature (interest rate, foreign currency or stock market security or index) or may be a commodity (precious metal, produce or oil). Certain derivative financial instruments are settled through clearing houses. La Caisse uses, among others, the derivative financial instruments described below.

Forward contracts are commitments that enable the purchase or sale of an underlying item, the quantity and price of which are determined in the contract, which includes a predetermined maturity date. Forward contracts have customized terms and conditions negotiated directly between the parties on the over-the-counter market. Futures contracts have terms and conditions determined by an exchange market.

Options are contracts traded on over-the-counter or exchange markets and that give 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 future date or at any time before a specified maturity date.

Swaps are derivatives traded on over-the-counter markets whereby two parties agree to exchange a series of cash flows according to predetermined conditions that include a notional amount, payment dates and a term to maturity.

Warrants are contracts traded on over-the-counter or exchange markets that enable the purchase of an underlying item, the price of which is determined in the contract, which includes a predetermined maturity date.

The notional amount is the amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged periodically.

Derivative financial instruments (cont.)

The following table shows the fair values and the notional amounts of the derivative financial instruments held by la Caisse:

	December 31, 2019			December 31, 2018		
	Fair value		**Notional**	Fair value		Notional
	Assets	**Liabilities**	**amount**	Assets	Liabilities	amount
Exchange markets						
Interest rate derivatives						
Futures contracts	**-**	**-**	**69,325**	-	-	120,930
Equity derivatives						
Futures contracts	**-**	**-**	**19,204**	-	-	24,394
Options	**-**	**-**	**-**	61	29	1,080
Warrants	**6**	**-**	**51**	1	-	15
Commodity derivatives						
Futures contracts	**2**	**3**	**777**	3	1	845
Total exchange markets	**8**	**3**	**89,357**	65	30	147,264
Over-the-counter markets						
Interest rate derivatives						
Swaps	**177**	**-**	**5,974**	65	3	1,860
Swaps settled through a clearing house	**-**	**-**	**80,525**	-	-	115,320
Forward contracts	**10**	**10**	**1,459**	28	4	4,376
Options	**174**	**214**	**41,329**	152	5	2,807
Currency derivatives						
Swaps	**62**	**53**	**5,492**	-	107	1,695
Forward contracts	**894**	**413**	**80,848**	333	1,332	59,226
Options	**151**	**36**	**24,191**	164	72	18,361
Credit default derivatives						
Swaps settled through a clearing house	**-**	**-**	**31,043**	-	-	18,805
Options	**3**	**-**	**4,742**	-	-	-
Equity derivatives						
Swaps	**112**	**144**	**9,697**	311	389	14,149
Options	**164**	**149**	**22,916**	89	115	7,630
Warrants	**-**	**-**	**2**	-	-	3
Total over-the-counter markets	**1,747**	**1,019**	**308,218**	1,142	2,027	244,232
Total derivative financial instruments	**1,755**	**1,022**	**397,575**	1,207	2,057	391,496

6. FAIR VALUE MEASUREMENT

a) Policy, directive, protocols and procedures related to fair value measurement

La Caisse's valuation procedures are governed by la Caisse Investment Valuation Policy, which is approved by the Board of Directors. This general policy is further supported by the valuation directive applicable to private investments and the valuation protocols that stipulate the valuation process and methodology for each type of investment held by la Caisse. The general policy and the directive also establish the governance framework for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee, supported by a valuation team. The Valuation Committee approves compliance with the policy and the fair values on a semi-annual basis. Subsequently, the Valuation Committee recommends the fair values to the Audit Committee. For valuations of private investments, consisting of private equity investments, infrastructure investments and specialized financing, the policy provides for an external review, over a period of three years, of substantially all the fair value of these investments. External reviews include valuations by independent valuators, observations of comparable transactions in the market, or valuations by a partner.

The policy also includes directives to be followed when using prices from external sources such as broker quotes and net asset values provided by external administrators of the funds or general partners.

When fair value is determined by external valuators or third parties, the Valuation Committee, supported by the valuation team, verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they are in compliance with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, la Caisse conducts backtesting, compares the established fair value with values of comparable transactions, including the values of comparable public companies, and uses the services of external valuators.

b) Fair value valuation techniques

The following paragraphs describe the main valuation techniques used to measure la Caisse's financial instruments.

Short-term investments, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements, commercial paper payable, loans payable and term notes payable

The fair value of these financial assets and liabilities is determined using a discounted cash flow technique that primarily uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Corporate debt

The fair value of the corporate debt is determined using a discounted cash flow technique that primarily uses observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates. La Caisse may also use prices published by brokers in active markets for identical or similar instruments.

Bonds

The fair value of bonds is determined using prices published in active markets for identical or similar instruments. The fair value of bonds that have no published prices is determined using either a discounted cash flow technique or broker quotes. Discounted cash flow valuations use observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Equities and convertible securities

Public companies

The fair value of equities and convertible securities of public companies is determined based on closing prices observed on major stock exchanges, which represent the active market.

The fair value of an ownership interest in a subsidiary or associate whose securities are listed is determined using a business valuation technique based on observable and unobservable inputs.

Private companies

The fair value of equities and convertible securities of private equity investment companies is primarily determined according to the market approach, which includes techniques based on comparable company multiples and comparable transaction multiples. La Caisse identifies comparable companies based on their industry, size, financial position and strategy and selects an appropriate multiple for each comparable company identified. This technique uses observable and unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and other multiples.

The fair value of equities of private infrastructure investment companies is primarily determined using a discounted cash flow technique and corroborated by the market approach. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows.

La Caisse may also use information about recent transactions carried out in the market for valuations of private equity investments and infrastructure investments.

Fair value valuation techniques (cont.)

Funds

The fair value of bond funds, hedge funds, investment funds and private investment and infrastructure funds is determined using the net assets provided by the administrator or by the general partner, unless there is an indication that the fair value differs from the net asset value provided. La Caisse ensures that the valuation techniques used by the fund's administrator or general partner to determine net asset values are in compliance with IFRS. Furthermore, the net asset value is adjusted to reflect certain factors such as purchases and sales of fund units between the date of the most recent financial statements provided by the fund and the valuation date, the quoted price of the underlyings when there are securities of publicly listed corporations, or when there are other indications requiring judgment to be made.

Interests in unconsolidated subsidiaries

The fair value of la Caisse's interests in various unconsolidated subsidiaries is determined using an enterprise valuation technique.

Investments in real estate holdings

The fair value resulting from the enterprise value technique is determined using a commonly used method, i.e., the comparable company multiples method, which is supported by observable and unobservable inputs such as the price-to-book value ratio. This value is determined annually by an independent external firm. Enterprise value attributed to equity instruments reflects, among other things, the fair value of the assets and liabilities held directly by these subsidiaries, which include investment property, other real estate investments, which mainly include real estate funds and ownership interests held in companies, liabilities associated with investment property, as well as the fair value resulting from the quality of the portfolio and the integrated management of the platform of these subsidiaries.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique, which is supported mainly by observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined.

The fair value of other real estate investments is determined based on characteristics specific to these assets, whose value is based on net assets which may be provided by an administrator or available in a published financial statement. The net asset value is adjusted to reflect external factors or when there are other indications requiring judgment to be exercised.

The fair value of financial liabilities associated with investment property is determined based on the discounted cash flow technique. This technique uses observable and unobservable inputs such as the interest rates and credit spreads that make up the discount rates.

Investments in real estate debt

The fair value of la Caisse's interests in real estate debt subsidiaries is determined using an enterprise valuation technique. Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages. The fair value of interests in the form of equity instruments held by these subsidiaries corresponds to the net assets in the audited financial statements.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique. This valuation primarily uses observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of commercial mortgages is determined using the discounted cash flow technique and are divided into risk categories, according to the loan-to-value ratio, and for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm.

Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets

Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, equities of private companies, equities of public companies as well as funds whose valuation techniques are described above.

La Caisse may also use information about recent transactions carried out in the market for valuations of these financial assets.

Securities sold short

The fair value of bonds and equities that are sold short is determined using the fair value of the security that is sold short. The techniques for valuing these securities have been described above.

Derivative financial instruments

The fair value of derivative financial instruments is determined according to the type of instrument. The fair value of derivative financial instruments traded on exchange markets and on over-the-counter markets that are settled through a clearing house is determined, respectively, using the prices on the major stock exchanges representing the active market and clearing house prices. The fair value of the other derivative financial instruments traded on over-the-counter markets is determined using recognized and commonly used valuation techniques such as the discounted cash flow technique or other financial models. These techniques require the development and use of assumptions that take into account observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates as well as foreign exchange rate curves, prices of the underlying, and volatility.

Fair value valuation techniques (cont.)

Net assets attributable to depositors

Demand deposits

The fair value of demand deposits is determined based on their nominal value, as they are repayable at any time at the option of the issuer without penalty.

Term deposits and distributions payable to depositors

The fair value of term deposits and distributions payable to depositors is determined using the discounted cash flow technique. This valuation technique mainly uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Participation deposits

The fair value of depositor participation deposits stems from a valuation of all the financial assets and liabilities held by la Caisse.

c) Fair value hierarchy

La Caisse's financial instruments at FVTPL are classified according to the below-described fair value hierarchy, based on the lowest level of significant input used in measuring fair value.

Level 1: The fair value calculation of the financial instrument is based on observable prices (unadjusted) in active markets that the entity can access at the measurement date for identical assets or liabilities.

Level 2: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are observable, either directly or indirectly.

Level 3: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are unobservable. This level includes financial instruments whose valuation is based on prices observed for similar financial instruments, substantially adjusted to reflect the characteristics specific to the financial instrument being measured and available market data.

Fair value hierarchy (cont.)

Classification into the fair value hierarchy levels is determined upon initial measurement of the financial instrument and is reviewed on each subsequent measurement date. Transfers between levels of the fair value hierarchy are measured at fair value at the beginning of each fiscal year.

The following tables show an allocation of the fair value of financial instruments into the three levels of the fair value hierarchy:

				December 31, 2019
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	-	6,223	-	6,223
Advances to depositors	-	960	-	960
Investment income, accrued and receivable	-	1,391	-	1,391
Investments				
Cash equivalents	-	128	-	128
Short-term investments	-	138	-	138
Securities purchased under reverse repurchase agreements	-	3,536	-	3,536
Corporate debt	-	-	2,015	2,015
Bonds	63,550	26,409	718	90,677
Equities and convertible securities				
Public companies	115,487	616	1,082	117,185
Private companies	-	2,722	16,596	19,318
Hedge funds	-	1,078	243	1,321
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	-	9,304	39,690	48,994
Investments in real estate debt	-	12,386	3,101	15,487
Private equity investments	-	-	31,917	31,917
Infrastructure investments	-	-	22,904	22,904
Investments in fixed-income securities	-	3,273	16,128	19,401
Investments in hedge funds	-	4,422	-	4,422
Stock market investments	-	1,039	2,230	3,269
Derivative financial instruments	8	1,747	-	1,755
	179,045	75,372	136,624	391,041
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	-	1,537	-	1,537
Other financial liabilities	-	1,143	-	1,143
Investment liabilities				
Securities sold under repurchase agreements	-	23,527	-	23,527
Securities sold short	1,167	2,614	6	3,787
Commercial paper payable	-	8,794	-	8,794
Loans payable	-	368	-	368
Term notes payable	-	12,332	-	12,332
Derivative financial instruments	3	1,007	12	1,022
	1,170	51,322	18	52,510
Net assets attributable to depositors				
Demand deposits	-	406	-	406
Term deposits	-	6	-	6
Distributions payable to depositors	-	2,961	-	2,961
Participation deposits	-	336,736	-	336,736
	-	340,109	-	340,109

Fair value hierarchy (cont.)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	-	4,587	-	4,587
Advances to depositors	-	903	-	903
Investment income, accrued and receivable	-	1,352	-	1,352
Investments				
Cash equivalents	-	360	-	360
Short-term investments	-	222	-	222
Securities purchased under reverse repurchase agreements	-	8,275	-	8,275
Corporate debt	-	76	2,073	2,149
Bonds[1]	45,984	23,304	722	70,010
Equities and convertible securities				
Public companies	105,631	641	-	106,272
Private companies	-	1,138	15,960	17,098
Hedge funds	-	1,947	300	2,247
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	-	12,254	38,317	50,571
Investments in real estate debt	-	10,613	2,782	13,395
Private equity investments	-	-	26,275	26,275
Infrastructure investments	-	-	19,577	19,577
Investments in fixed-income securities	-	7,174	8,769	15,943
Investments in hedge funds	-	5,609	-	5,609
Stock market investments	-	1,041	1,753	2,794
Derivative financial instruments	65	1,142	-	1,207
	151,680	80,638	116,528	348,846
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	-	1,113	-	1,113
Other financial liabilities	-	1,172	-	1,172
Investment liabilities				
Securities sold under repurchase agreements	-	12,539	-	12,539
Securities sold short[1]	5,805	1,989	8	7,802
Commercial paper payable	-	5,921	-	5,921
Loans payable	-	290	-	290
Term notes payable	-	9,598	-	9,598
Derivative financial instruments	30	2,007	20	2,057
	5,835	34,629	28	40,492
Net assets attributable to depositors				
Demand deposits	-	712	-	712
Term deposits	-	6	-	6
Distributions payable to depositors	-	2,506	-	2,506
Participation deposits	-	306,287	-	306,287
	-	309,511	-	309,511

[1] Due to a change in the fair value hierarchy classification determination method, bonds with a value of $45,984 million and securities sold short with a value of $5,289 million were reclassified from Level 2 to Level 1 as at December 31, 2018.

Transfers between levels of the fair value hierarchy

During the year ended December 31, 2019, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $1,398 million were transferred from Level 1 to Level 2, of $949 million from Level 2 to Level 1, of $4,747 million from Level 2 to Level 3, and of $528 million from Level 3 to Level 2.

During the year ended December 31, 2018, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $237 million were transferred from Level 1 to Level 2, of $62 million from Level 1 to Level 3, of $306 million from Level 2 to Level 1, of $645 million from Level 2 to Level 3, and of $1,077 million from Level 3 to Level 2.

d) Level 3: Reconciliation between opening and closing balances

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2019 and 2018 are as follows:

								2019
	Opening balance (assets / (liabilities))	**Gains (losses) recognized in comprehensive income[2]**	**Purchases**	**Sales**	**Settlements**	**Transfers**	**Closing balance (assets / (liabilities))**	**Unrealized gains (losses) on financial instruments held at year-end[2]**
Corporate debt	**2,073**	**13**	**454**	**(227)**	**(298)**	**-**	**2,015**	**(32)**
Bonds	**722**	**37**	**113**	**(106)**	**(11)**	**(37)**	**718**	**21**
Equities and convertible securities	**16,260**	**656**	**3,043**	**(1,711)**	**-**	**(327)**	**17,921**	**476**
Interests in unconsolidated subsidiaries	**97,473**	**(649)**	**18,976**	**(4,413)**	**-**	**4,583**	**115,970**	**(449)**
Derivative financial instruments[1]	**(20)**	**(2)**	**-**	**-**	**10**	**-**	**(12)**	**(2)**
Securities sold short	**(8)**	**2**	**-**	**-**	**-**	**-**	**(6)**	**2**

								2018
	Opening balance (assets / (liabilities))	Gains (losses) recognized in comprehensive income[2]	Purchases	Sales	Settlements	Transfers	Closing balance (assets / (liabilities))	Unrealized gains (losses) on financial instruments held at year-end[2]
Corporate debt	2,014	(53)	638	(209)	(317)	-	2,073	(54)
Bonds	143	45	-	-	(16)	550	722	38
Equities and convertible securities	15,318	1,804	3,284	(3,359)	-	(787)	16,260	1,218
Interests in unconsolidated subsidiaries	73,906	7,554	20,399	(4,253)	-	(133)	97,473	7,436
Derivative financial instruments[1]	(28)	(2)	-	(1)	11	-	(20)	(1)
Securities sold short	(6)	(2)	-	-	-	-	(8)	(2)

[1] The assets and liabilities related to derivative financial instruments are presented on a net basis.

[2] Presented under “Net gains on financial instruments at fair value” in the Consolidated Statements of Comprehensive Income.

e) Level 3: Fair value measurement based on reasonably possible alternative assumptions

In certain cases, the assumptions used in the valuation techniques are based on unobservable inputs or observable inputs adjusted significantly to reflect the characteristics specific to the financial instrument being measured. While la Caisse considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

The following tables present quantitative information on the primary valuation techniques and unobservable inputs for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 6f as well as those that are excluded from the analysis:

				December 31, 2019
	Fair value	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average)**
Included in the sensitivity analysis				
Corporate debt	**1,713**	**Discounted cash flows**	**Credit spreads**	**0.4% to 2.4% (1.5%)**
			Discount rates	**6.0% to 9.3% (6.9%)**
Equities and convertible securities				
Private equity investments	**6,833**	**Comparable company multiples**	**EBITDA multiples**	**8.7 to 16.0 (11.7)**
Infrastructure investments	**5,311**	**Discounted cash flows**	**Discount rates**	**6.0% to 9.8% (8.7%)**
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	**39,690**	**Comparable company multiples**	**Price-to-book value ratios**	**1.05**
		Discounted cash flows	**Discount rates**	**4.0% to 13.5% (6.4 %)**
			Credit spreads	**0.0% to 9.8% (1.6%)**
		Capitalization of revenue	**Capitalization rate**	**2.7% to 10.5% (5.3%)**
		Net real estate assets	**Discounts to net asset value**	**0.0% to 8.0% (2.3%)**
Private equity investments	**12,001**	**Comparable company multiples**	**EBITDA multiples**	**9.0 to 17.0 (12.4)**
Infrastructure investments	**16,983**	**Discounted cash flows**	**Discount rates**	**6.0% to 13.8% (9.2%)**
Investments in fixed-income securities	**9,894**	**Discounted cash flows**	**Discount rates**	**6.9%**
			Credit spreads	**1.1% to 8.5% (3.6%)**
	92,425			
Excluded from the sensitivity analysis				
Financial instruments[1]	**44,181**	**Recent transactions[2]** **Broker quotes[3]** **Net assets[3]**	**n.a.** **n.a.** **n.a.**	**n.a.** **n.a.** **n.a.**
Net financial instruments classified in Level 3	**136,606**			

n.a.: not applicable

[1] The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments, and securities sold short.

[2] When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

[3] When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

	Fair value	Valuation techniques	Unobservable inputs	December 31, 2018 Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	1,861	Discounted cash flows	Credit spreads	1.2% to 11.1% (3.9%)
			Discount rates	7.5% to 9.3% (7.8%)
Equities and convertible securities				
Private equity investments	5,191	Comparable company multiples	EBITDA multiples	6.8 to 16.5 (11.4)
Infrastructure investments	3,642	Discounted cash flows	Discount rates	6.0% to 10.3% (9.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	38,317	Comparable company multiples	Price-to-book value ratios	1.06
		Discounted cash flows	Discount rates	4.8% to 13.3% (6.4%)
			Credit spreads	0.0% to 12.0% (1.6%)
		Capitalization of revenue	Capitalization rates	4.1% to 12.6% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 17.5% (5.1%)
Private equity investments	4,263	Comparable company multiples	EBITDA multiples	8.5 to 13.0 (12.2)
Infrastructure investments	10,682	Discounted cash flows	Discount rates	7.2% to 13.0% (9.0%)
Investments in fixed-income securities	6,525	Discounted cash flows	Discount rates	6.4%
			Credit spreads	0.9% to 9.4% (4.6%)
	70,481			
Excluded from the sensitivity analysis				
Financial instruments[1]	46,019	Recent transactions[2] Broker quotes[3] Net assets[3]	n.a. n.a. n.a.	n.a. n.a. n.a.
Net financial instruments classified in Level 3	116,500			

n.a.: not applicable

[1] The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.

[2] When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

[3] When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

f) Sensitivity analysis of fair value

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs shown in the preceding tables of Note 6e. La Caisse identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

	December 31, 2019		December 31, 2018	
	Increase	**Decrease**	Increase	Decrease
Sensitivity of fair value	**6,263**	**(5,609)**	4,691	(4,348)

As at December 31, 2019, the fair value sensitivity analysis above shows an increase in fair value of $2,754 million ($2,800 million as at December 31, 2018) and a decrease in fair value of $2,392 million ($2,551 million as at December 31, 2018) attributable to investments in real estate holdings.

There is a correlation between unobservable inputs and the determination of fair value. Therefore, an increase (decrease) in discount rates, credit spreads, capitalization rates and discounts to net asset value would result in a decrease (increase) in fair value. Furthermore, an increase (decrease) in EBITDA multiples and price-to-book value ratios would result in an increase (decrease) in fair value. There is no predictable correlation between unobservable inputs.

7. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statements of Financial Position when la Caisse has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously with the counterparty. La Caisse has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

Amounts receivable from and amounts payable on transactions being settled, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and derivative financial instruments traded on over-the-counter markets in accordance with agreements of the International Swaps and Derivatives Association (ISDA) are subject to master netting agreements that do not meet the criteria for offsetting in the Consolidated Statements of Financial Position as they give a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Securities purchased under reverse repurchase agreements and securities sold under repurchase agreements settled through a clearing house satisfy the offsetting criteria. Derivative financial instruments traded on exchange markets as well as those settled by clearing houses through brokers also satisfy offsetting criteria.

Offsetting financial assets and financial liabilities (cont.)

The following tables show information about financial assets and liabilities that are offset and not offset in the Consolidated Statements of Financial Position and that are subject to master netting agreements or similar arrangements:

						December 31, 2019
	Gross amounts recognized	**Amounts offset**	**Net amounts presented in the Consolidated Statements of Financial Position[1]**	**Amounts subject to master netting agreements**	**Collateral received/ pledged[2]**	**Net amounts**
Financial assets						
Amounts receivable from transactions being settled	**6,223**	**-**	**6,223**	**(602)**	**-**	**5,621**
Securities purchased under reverse repurchase agreements[3]	**8,502**	**(4,865)**	**3,637**	**(3,622)**	**(13)**	**2**
Derivative financial instruments[3]	**1,777**	**(5)**	**1,772**	**(930)**	**(475)**	**367**
	16,502	**(4,870)**	**11,632**	**(5,154)**	**(488)**	**5,990**
Financial liabilities						
Amounts payable on transactions being settled	**1,537**	**-**	**1,537**	**(602)**	**-**	**935**
Securities sold under repurchase agreements[3]	**28,414**	**(4,865)**	**23,549**	**(3,622)**	**(19,866)**	**61**
Derivative financial instruments[3]	**1,062**	**(5)**	**1,057**	**(930)**	**(108)**	**19**
	31,013	**(4,870)**	**26,143**	**(5,154)**	**(19,974)**	**1,015**

						December 31, 2018
	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position[1]	Amounts subject to master netting agreements	Collateral received/ pledged[2]	Net amounts
Financial assets						
Amounts receivable from transactions being settled	4,587	-	4,587	(498)	-	4,089
Securities purchased under reverse repurchase agreements	10,859	(2,224)	8,635	(6,869)	(1,759)	7
Derivative financial instruments[3]	1,257	(36)	1,221	(981)	(114)	126
	16,703	(2,260)	14,443	(8,348)	(1,873)	4,222
Financial liabilities						
Amounts payable on transactions being settled	1,113	-	1,113	(933)	-	180
Securities sold under repurchase agreements	14,763	(2,224)	12,539	(6,434)	(6,102)	3
Derivative financial instruments[3]	2,111	(36)	2,075	(981)	(1,016)	78
	17,987	(2,260)	15,727	(8,348)	(7,118)	261

[1] Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

[2] The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are disclosed in Notes 13 and 14.

[3] The amounts presented in this item include amounts receivable and payable presented, respectively, under “Investment income, accrued and receivable” and “Other financial liabilities”.

8. INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

The following table shows the net investment income, net gains (losses) on financial instruments at FVTPL as well as operating expenses:

			2019			2018
	Net investment income	**Net gains (losses)[1]**	**Total**	Net investment income	Net gains (losses)[1]	Total
Cash management activities	**40**	**(7)**	**33**	23	3	26
Investing activities						
Short-term investments	**1**	**(7)**	**(6)**	4	14	18
Securities purchased under reverse repurchase agreements	**100**	**(204)**	**(104)**	144	214	358
Corporate debt	**95**	**13**	**108**	152	13	165
Bonds	**2,658**	**3,555**	**6,213**	2,661	(172)	2,489
Equities and convertible securities	**4,273**	**18,336**	**22,609**	3,655	(2,713)	942
Interests in unconsolidated subsidiaries	**3,661**	**(620)**	**3,041**	3,503	8,171	11,674
Net derivative financial instruments	**-**	**699**	**699**	-	(462)	(462)
Other	**10**	**(61)**	**(51)**	80	62	142
	10,838	**21,704**	**32,542**	10,222	5,130	15,352
Investment liability activities						
Securities sold under repurchase agreements	**(372)**	**328**	**(44)**	(249)	(283)	(532)
Securities sold short	**(58)**	**(296)**	**(354)**	(101)	(763)	(864)
Financing activities						
Commercial paper payable	**-**	**164**	**164**	(106)	(416)	(522)
Loans payable	**(5)**	**7**	**2**	(3)	(17)	(20)
Term notes payable	**(441)**	**249**	**(192)**	(369)	(412)	(781)
Other						
External management fees	**(69)**	**(58)**	**(127)**	(58)	(37)	(95)
Transaction costs	**-**	**(215)**	**(215)**	-	(163)	(163)
	(945)	**179**	**(766)**	(886)	(2,091)	(2,977)
	9,893	**21,883**	**31,776**	9,336	3,039	12,375
Operating expenses *(Note 9)*			**(630)**			(585)
Investment result before distributions to depositors			**31,146**			11,790

[1] For the year ended December 31, 2019, the net gains (losses) included $10,142 million in net realized gains and $11,741 million in net unrealized gains (for the year ended December 31, 2018, net realized gains of $7,980 million and net unrealized losses of $4,941 million).

9. OPERATING EXPENSES

The following table shows the operating expenses:

	2019	2018
Salaries and employee benefits	**405**	377
Information technology and professional services	**68**	59
Maintenance, equipment and amortization	**57**	55
Data services and subscriptions	**24**	21
Rent	**19**	18
Other expenses	**38**	37
	611	567
Safekeeping of securities	**19**	18
	630	585

10. SEGMENT INFORMATION

La Caisse enables its depositors to allocate their funds to specialized portfolios that hold securities of the same type. These portfolios represent operating segments that have been grouped into three separate segments according to management approach, economic characteristics, and performance targets:

- Fixed Income: This segment's objective is to reduce the overall risk level of la Caisse's portfolio and match its depositors' assets and liabilities while providing a significant source of liquidity. This segment consists of the Rates, Credit, Short Term Investments, Long Term Bonds, and Real Return Bonds specialized portfolios.
- Real Assets: This segment's objective is to expose la Caisse to markets for which investment income is indexed to inflation and to partially hedge the inflation risk associated with the liabilities of several depositors. This segment consists of the Real Estate and Infrastructure specialized portfolios.
- Equities: This segment's objective is to increase the depositors' long-term target returns. This segment consists of the Equity Markets and Private Equity specialized portfolios.

The following table shows the allocation of net assets attributable to depositors according to each of la Caisse's segments:

	December 31, 2019	December 31, 2018
Fixed Income	**102,890**	94,285
Real Assets	**67,481**	60,966
Equities	**167,117**	151,228
Other[1]	**2,621**	3,032
Net assets attributable to depositors	**340,109**	309,511

The following table shows the allocation of the investment result before distributions to depositors for each of la Caisse's segments:

	2019	2018
Fixed Income	**8,165**	1,897
Real Assets	**560**	4,771
Equities	**22,169**	4,840
Other[1]	**252**	282
Investment result before distributions to depositors	**31,146**	11,790

[1] The Other item includes the Active Overlay Strategies and Asset Allocation specialized portfolios, cash activities, and the customized operations of individual funds, which consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure by each depositor.

11. RISK IDENTIFICATION AND MANAGEMENT

Risk management policies, directives and procedures related to investment activities

La Caisse is responsible for managing deposits in accordance with service agreements and depositor investment policies, the investment policies for specialized portfolios and the integrated risk management policy. To do so, it has implemented various policies, directives and procedures to oversee the management of the risks relating to its operations.

The integrated risk management policy is adopted by la Caisse's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help la Caisse carry out its mission on behalf of its depositors. The integrated risk management policy defines market risk, concentration risk, credit risk, counterparty risk associated with derivative financial instruments, and financing-liquidity risk.

Specifically, this policy aims to:

- Establish the guiding principles that support la Caisse's integrated risk management framework and promote a sound risk management culture at all levels of the organization
- Set out the risk management model and governance structure
- Define the roles and responsibilities of stakeholders
- Establish oversight of the main risks to which la Caisse is exposed

La Caisse's governance and risk management are based on the following twelve guiding principles:

- A risk tolerance framework
- The roles of the Board of Directors and senior executives
- A client-centric approach that focuses on the needs of depositors
- A long-term investment strategy
- Liquidity and financing management
- In-depth knowledge of assets and markets
- Independent functions and stakeholder accountability
- Collaboration for comprehensive risk management
- Operational excellence
- Use of derivative financial instruments and counterparty risk management
- Oversight of new investment activities and new financial instruments
- A responsible investment framework

The levels of control and parties responsible for risk management governance are as follows:

1. Investment groups have the primary responsibility for managing the risks related to their operations.
2. Independent teams and internal committees are responsible for supporting investment group employees and setting appropriate control mechanisms.
3. The Board of Directors and its committees ensure a management framework is adopted, and the Internal Audit group ensures execution and compliance with the established risk management framework.

Risk management policies, directives and procedures related to investment activities (cont.)

The integrated risk management policy sets out risk limits and authorization levels for la Caisse as a whole as well as limits applicable to cross-functional activities. In addition, la Caisse develops and periodically reviews the specialized portfolio investment policies that are designed to oversee the work of the specialized portfolio managers. A separate investment policy sets out investment strategy, management style, eligible investments, target returns, benchmark index, and concentration and risk limits.

Furthermore, each investment group must adopt an investment strategy. Strategic investment planning (SIP) seeks to strengthen the decision-making process by achieving a better matching of return to risk when choosing investments. SIP sets future directions, strengthens the collaboration and information sharing processes required to make strategic investment decisions and ensures a better alignment between the directions and strategies. The SIP process is conducted annually and includes the following steps: 1) Diagnostic and strategic directions; 2) Strategic plans; 3) Review and approval and 4) Execution and accountability. Investment plans are presented to the Investment-Risk Committee (IRC) for approval and are communicated to the Executive Committee and Board of Directors.

La Caisse is exposed to various financial risks. Detailed information regarding these risks is disclosed in the following sections.

Market risk

Market risk is the risk of financial loss arising from fluctuations in the fair value of financial instruments. Volatility in financial instrument prices stems from changes in market risk factors, in particular interest rates, credit spreads, exchange rates, share prices and commodity prices. La Caisse uses derivative financial instruments to manage market risks.

La Caisse manages all market risks according to an integrated approach for all specialized portfolios. The main factors contributing to risks, such as industry sector, geographic region and issuer, are taken into account. La Caisse's market risks are managed and calculated according to factors that can influence the fair value of investments and investment liabilities.

La Caisse measures its market risk using Value-at-Risk (VaR), which is based on a statistical estimate of the volatility of the fair value of each position and of correlations between market risk factors. VaR is a statistical estimate of the potential financial loss that could be incurred by la Caisse's actual portfolio, based on a predetermined confidence level and a given exposure period. The market VaR is estimated with a 95% confidence level over an exposure period of one year. To summarize, VaR indicates the level of loss that the actual portfolio of la Caisse could exceed in 5% of cases. La Caisse estimates VaR for each instrument held in its specialized portfolios and aggregates the information for la Caisse's actual portfolio.

The historical-simulation method is used to measure VaR. This method is based mainly on the assumption that the future will be similar to the past. It requires that historical data series on all the risk factors needed to estimate the returns on financial instruments be available. In the absence of historical data, alternative methods are used.

The calculation results obtained by applying this methodology do not make it possible to estimate the amount of loss, based on a specific event, that would be incurred by la Caisse's portfolio if this event re-occurred. For example, if future conditions and market risk factors were substantially different from past economic conditions, actual losses could differ substantially from estimated losses. Moreover, these estimates at a given date do not take into account all possible losses resulting from exceptional market events or losses that could arise over and above the 95% confidence level. Consequently, in light of these limitations, la Caisse's actual portfolio losses could exceed the estimates.

A history of 3,000 days of observation of risk factors is used to measure the volatility of returns and the correlation between the return of financial instruments. Moreover, due to the methodology, the effects on the portfolio of the unfavourable events seen over a one-month horizon are repeated several times during the year.

Two risk measures are calculated and analyzed:

- The absolute risk of the actual portfolio represents the total risk associated with the categories of financial instruments that make up la Caisse's actual portfolio.
- The absolute risk of the benchmark portfolio targeted by depositors represents the total risk of the benchmark indexes associated with the categories of financial instruments that make up la Caisse's benchmark portfolio.

The absolute risks of la Caisse's actual and benchmark portfolios are measured regularly and used to calculate the absolute risk ratio, which is subject to certain limitations. The absolute risk ratio is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio.

The absolute risk of the actual portfolio and the absolute risk of the benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by la Caisse, as a percentage of net assets, according to a 95% confidence level and a history of 3,000 days, as well as the absolute risk ratio, are as follows:

			December 31, 2019			December 31, 2018
	Absolute risk of the actual portfolio	**Absolute risk of the benchmark portfolio**	**Absolute risk ratio**	Absolute risk of the actual portfolio	Absolute risk of the benchmark portfolio	Absolute risk ratio
Value at risk	**13.7%**	**13.6%**	**1.01**	13.7%	13.8%	0.99

Market risk (cont.)

Moreover, when managing market risk, la Caisse uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of la Caisse's actual portfolio based on historical, hypothetical or risk factor sensitivity scenarios. Using various types of scenarios, stress tests measure the gains or losses in value of a financial instrument following a change in one or more often-related risk factors, such as share prices, interest rates, rate spreads, exchange rates, commodity prices and market volatility.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk is integrated into the VaR measurement.

La Caisse uses a dynamic management approach for the main currencies of developed countries. Dynamic management is used to protect certain specialized portfolios when the Canadian dollar appears to be significantly undervalued or overvalued compared to its equilibrium value according to the valuation models. Dynamic hedging should therefore be less frequent, but the duration of the hedge, being unforeseeable, may vary widely and last for a few weeks to several months. Certain specialized portfolios may therefore be partially hedged against foreign exchange risk.

To strategically manage currency risk, la Caisse uses currency derivatives to manage its exposure to the main currencies of developed countries according to hedging targets. For other currencies, a discretionary hedge may be implemented to manage the foreign currency exposures of the portfolios or of certain investments. Moreover, currency risk can be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by la Caisse. La Caisse's net exposure to foreign currencies, as a percentage of net assets including purchases and cancellations of participation units of the specialized portfolios completed at the beginning of each month, is as follows:

	December 31, 2019	December 31, 2018
Canadian dollar	**50%**	45%
U.S. dollar	**21%**	27%
Euro	**7%**	7%
Pound sterling	**4%**	4%
Mexican peso	**2%**	1%
Yen	**1%**	2%
Australian dollar	**1%**	1%
Other	**14%**	13%
	100%	100%

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. This risk is integrated into the VaR measurement.

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 currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. This risk is integrated into the VaR measurement.

Concentration risk

La Caisse analyzes overall concentration risk for the entire group of specialized portfolios it manages. The integrated risk management policy sets out exposure limits according to category of financial instrument, according to issuer, for growth markets and for certain countries. Moreover, the investment policies of the specialized portfolios set out specific limits for each issuer, industry sector, and geographic region.

The concentration limit by issuer is 3% of la Caisse's total assets, with the exception of securities issued by the Canadian or U.S. governments or by their agencies and that feature an explicit guarantee or those issued by a Canadian province or territory of Canada or a ministry or agency thereof or by sovereign issuers rated AAA, which are not included in the concentration limit. Concentration by issuer is monitored monthly or upon initiation of a transaction requiring approval of the IRC or the Board of Directors, as appropriate.

The following table shows the main geographic concentrations as a percentage of total net exposure, established according to the country of the issuers' principal place of business, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

	December 31, 2019	December 31, 2018
Canada	**34%**	36%
United States	**33%**	30%
Europe	**14%**	14%
Growth markets	**14%**	14%
Other	**5%**	6%
	100%	100%

The following table shows the principal industry sector concentrations as a percentage of total net exposure, established according to the industry sector in which the issuers operate, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

	December 31, 2019	December 31, 2018
Industry sector		
Real estate	**17%**	19%
Industrials	**11%**	12%
Financials	**10%**	9%
Information technology	**6%**	6%
Consumer discretionary	**5%**	5%
Health care	**5%**	5%
Utilities	**5%**	6%
Consumer staples	**4%**	5%
Real estate debt	**4%**	4%
Energy	**4%**	5%
Telecommunication services	**4%**	4%
Materials	**2%**	2%
Other	**3%**	3%
Government sector		
Government of the United States	**7%**	1%
Government of Canada	**6%**	5%
Government of Québec	**3%**	4%
Government corporations and other public administrations in Québec	**2%**	2%
Other	**2%**	3%
	100%	100%

Credit risk

Credit risk is the possibility of incurring a loss in value should a borrower, endorser, or guarantor experience a deterioration in financial position, fail to meet an obligation to repay a loan or fail to meet any other financial commitment.

Maximum credit risk exposure is measured based on the fair value of financial instruments without taking into account guarantees or other credit enhancements. For the other items, the maximum exposure to credit risk is the total amount guaranteed or committed.

The following table shows the maximum exposure to credit risk:

	December 31, 2019	December 31, 2018
Cash	**994**	675
Amounts receivable from transactions being settled	**6,223**	4,587
Advances to depositors	**960**	903
Investment income, accrued and receivable	**1,391**	1,352
Investments		
Cash equivalents	**128**	360
Fixed-income securities	**96,366**	80,656
Interests in unconsolidated subsidiaries in the form of debt instruments	**28,189**	27,922
Derivative financial instruments	**1,755**	1,207
	136,006	117,662
Other items		
Financial guarantees *(Note 18)*	**616**	397
	136,622	118,059

La Caisse enters into master netting agreements *(Note 7)*, receives guarantees *(Note 14)* and may also use derivative financial instruments such as credit default swaps to reduce its total credit risk exposure.

In addition, to manage credit risk, la Caisse closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

Concentration of credit risk

A credit risk concentration analysis measures the fair value of all financial instruments related to a same issuer. The investment policy of the specialized portfolios sets out concentration limits according to credit rating. The credit risk analysis considers the probability of default and the recovery rate on debt securities held by la Caisse and monitors changes in the credit quality of issuers.

The following table shows the credit risk concentration according to the credit ratings of issuers of fixed-income securities and certain derivative financial instruments used to manage credit risk, as a percentage of the total exposure to credit concentration risk:

	December 31, 2019	December 31, 2018
Credit rating		
AAA – AA	**64%**	26%
A	**5%**	32%
BBB	**11%**	18%
BB or lower	**16%**	19%
No credit rating	**4%**	5%
	100%	100%

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For corporate sector securities, credit ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. Otherwise, la Caisse uses recognized credit rating agencies.

Credit risk (cont.)

Counterparty risk related to derivative financial instruments

Certain over-the-counter financial instruments give rise to counterparty risk because they are negotiated by contract without being traded or settled through a clearing house. Counterparty risk related to derivative financial instruments is the credit risk created by current or potential exposures arising from derivative financial instrument transactions where the counterparty becomes unable to honour the terms of the contracts.

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, la Caisse carries out transactions with financial institutions in accordance with management's criteria regarding the quality of the issuer. Moreover, la Caisse enters into legal agreements based on ISDA standards under which it benefits from the compensating effects between at-risk amounts and the collateral exchanged in order to limit its net exposure to this risk.

This risk is measured by counterparty, pursuant to the applicable legal agreement, from which it is possible to calculate the net exposure created by all of the over-the-counter derivative financial instruments and collateral exchanged. Actual exposure to counterparty risk is measured on a daily basis, whereas potential exposure to counterparty risk is measured on a monthly basis.

As at December 31, 2019, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk was $317 million related to 33 counterparties ($61 million related to 33 counterparties as at December 31, 2018).

Liquidity risk

Liquidity risk is the possibility of la Caisse not always being able to honour its financial liability commitments without having to obtain funds at abnormally high prices or having to sell assets through forced liquidation. It is also the risk of la Caisse not being able to quickly sell investments without having a significant unfavourable effect on the price of the investment in question.

Liquidity is managed across all of la Caisse's cash activities. Compliance with the established rules is analyzed on a monthly basis, and the liquidity status is determined daily. Managers are responsible for evaluating the liquidity of the markets in which la Caisse obtains financing for its operations.

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, la Caisse has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, la Caisse may issue commercial paper and term notes payable as well as a committed credit facility totalling US$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2019, la Caisse had close to $46 billion in liquidity in the form of government bonds and money market securities ($37 billion as at December 31, 2018).

Furthermore, to manage liquidity risk, la Caisse conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis.

An analysis of undiscounted contractual cash flows of financial liabilities, shown in the table below, is a component of liquidity and financing management. However, this by-maturity allocation is not necessarily representative of the manner in which la Caisse manages its liquidity risk and financing requirements.

Liquidity risk (cont.)

The following tables show the maturities of the undiscounted contractual cash flows of non-derivative financial liabilities, derivative financial instruments and other items:

					December 31, 2019
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	-	(1,537)	-	-	(1,537)
Other financial liabilities	-	(677)	(59)	(465)	(1,201)
Investment liabilities					
Securities sold under repurchase agreements	-	(23,577)	-	-	(23,577)
Securities sold short	-	(3,787)	-	-	(3,787)
Commercial paper payable	-	(8,822)	-	-	(8,822)
Loans payable	-	(368)	-	-	(368)
Term notes payable	-	(2,487)	(8,648)	(2,955)	(14,090)
Net assets attributable to depositors					
Demand and term deposits	(406)	(6)	-	-	(412)
Distributions payable to depositors	-	(2,961)	-	-	(2,961)
	(406)	(44,222)	(8,707)	(3,420)	(56,755)
Derivative financial instruments					
Derivative instruments with net settlement	-	(57)	62	109	114
Derivative instruments with gross settlement					
Contractual cash flows receivable	-	102,277	4,143	1,342	107,762
Contractual cash flows payable	-	(101,694)	(4,102)	(1,491)	(107,287)
	-	526	103	(40)	589
Other items					
Commitments *(Note 18)*	(9)	(19,713)	(74)	(411)	(20,207)
Financial guarantees *(Note 18)*	-	(106)	(305)	(205)	(616)
	(9)	(19,819)	(379)	(616)	(20,823)
	(415)	(63,515)	(8,983)	(4,076)	(76,989)

Liquidity risk (cont.)

					December 31, 2018
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	-	(1,113)	-	-	(1,113)
Other financial liabilities	-	(881)	-	-	(881)
Investment liabilities					
Securities sold under repurchase agreements	-	(12,562)	-	-	(12,562)
Securities sold short	-	(659)	(3,802)	(5,540)	(10,001)
Commercial paper payable	-	(5,939)	-	-	(5,939)
Loans payable	-	(290)	-	-	(290)
Term notes payable	-	(2,746)	(3,019)	(5,680)	(11,445)
Net assets attributable to depositors					
Demand and term deposits	(712)	(6)	-	-	(718)
Distributions payable to depositors	-	(2,506)	-	-	(2,506)
	(712)	(26,702)	(6,821)	(11,220)	(45,455)
Derivative financial instruments					
Derivative instruments with net settlement	-	(4,409)	157	50	(4,202)
Derivative instruments with gross settlement					
Contractual cash flows receivable	-	72,651	1,245	1,016	74,912
Contractual cash flows payable	-	(73,629)	(1,274)	(1,105)	(76,008)
	-	(5,387)	128	(39)	(5,298)
Other items					
Commitments *(Note 18)*	(11)	(18,474)	(134)	(347)	(18,966)
Financial guarantees *(Note 18)*	-	(40)	(357)	-	(397)
	(11)	(18,514)	(491)	(347)	(19,363)
	(723)	(50,603)	(7,184)	(11,606)	(70,116)

Moreover, concerning net assets attributable to depositors, the Regulation sets monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of la Caisse's specialized portfolios of $50 million (in 2018, $15 million plus the proceeds of $2 million multiplied by the number of months that have elapsed since receipt of the notice of withdrawal). Any participation units that are not cancelled given the maximum amount permitted is carried forward to the first day of the subsequent month and are cancelled as soon as the limit permits. The purpose of the limits is to ensure optimal management of la Caisse's overall liquidity. Moreover, substantially all depositors are required to invest with la Caisse in accordance with the Act or the respective applicable legislation.

Liquidity risk (cont.)

Financing-liquidity risk

The following tables show the main terms and conditions and interest rates of the investment liabilities related to la Caisse's financing activities:

				December 31, 2019
	Currency	**Nominal value[1]**	**Maturity**	**Interest rate**
Loans payable	**USD**	**368**	**Less than one year**	**2.28%**
		368		
Commercial paper payable	**CAD**	**1,000**	**Less than one year**	**1.77%**
	USD	**7,823**	**Less than one year**	**1.90%**
		8,823		
Term notes payable	**EUR**	**1,092**	**June 2020**	**3.50%**
	CAD	**1,000**	**July 2020**	**4.60%**
	USD	**2,594**	**June 2021**	**2.13%**
	USD	**2,594**	**March 2022**	**2.75%**
	USD	**2,594**	**July 2024**	**3.15%**
	USD	**1,621**	**November 2039**	**5.60%**
		11,495		

				December 31, 2018
	Currency	Nominal value[1]	Maturity	Interest rate
Loans payable	USD	290	Less than one year	2.37%
		290		
Commercial paper payable	CAD	1,000	Less than one year	1.90%
	USD	4,945	Less than one year	2.60%
		5,945		
Term notes payable	USD	2,390	November 2019	4.40%
	EUR	1,171	June 2020	3.50%
	CAD	1,000	July 2020	4.60%
	USD	2,732	July 2024	3.15%
	USD	1,707	November 2039	5.60%
		9,000		

[1] The amounts shown are translated into Canadian dollars and represent amounts to be repaid at maturity.

Commercial paper payable is issued at fixed rates, with maturities not exceeding 12 months, guaranteed by la Caisse's assets. The nominal value for all outstanding commercial paper may never exceed CA$3 billion and US$10 billion (US$5 billion as at December 31, 2018) in accordance with the limit prescribed in the commercial paper issuance information document.

Term notes payable are repayable at maturity and guaranteed by la Caisse's assets. Certain interest-bearing fixed-rate term notes have an optional prepayment clause at the option of the issuer.

Furthermore, during the year ended December 31, 2019, la Caisse renewed its credit facility arranged with a banking syndicate for a total amount of approximately CA$5 billion, i.e., in two tranches of US$2 billion that are renewable annually for terms of two and three years, respectively. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by la Caisse. As at December 31, 2019 and 2018, no amount had been drawn on this credit facility.

12. CAPITAL MANAGEMENT

La Caisse defines its capital as net assets attributable to depositors. La Caisse's capital may fluctuate according to depositor demands for cancellations and issuances of participation deposit units and for deposits and withdrawals of demand and term deposits. La Caisse's capital management objective is to invest contributions and deposits in the best interests of the depositors in accordance with the Act in order to achieve an optimal return while respecting the depositor investment policies.

La Caisse is not subject to external capital requirements.

Furthermore, la Caisse's objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc subsidiary. Consequently, the Board of Directors has limited the amount of notes that la Caisse may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

13. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

La Caisse enters into securities lending and borrowing transactions as well as securities repurchase agreements whereby it transfers financial assets to counterparties. The transferred securities do not meet derecognition criteria since la Caisse retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

The following table shows the fair values of the financial assets transferred but not derecognized from the Consolidated Statements of Financial Position as well as the fair values of the associated liabilities:

	December 31, 2019	December 31, 2018
Financial assets transferred but not derecognized		
Bonds	**33,897**	15,001
Equities	**10,359**	12,420
	44,256	27,421
Associated financial liabilities		
Loans payable[1]	**368**	237
Securities sold under repurchase agreements[2]	**28,414**	14,763
	28,782	15,000

[1] The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instruments.

[2] The net amount is disclosed in Notes 4 and 7.

14. GUARANTEES

Financial assets pledged as collateral

In the normal course of business, la Caisse pledges financial assets as collateral for transactions involving securities borrowings, securities sold under repurchase agreements and derivative financial instruments. The counterparties are authorized, by way of legal contract or market practices, to either sell or repledge these securities as collateral. On certain conditions, la Caisse may have to pledge additional collateral if the pledged securities lose value.

The following table shows the fair value of collateral pledged by la Caisse according to transaction type:

	December 31, 2019	December 31, 2018
Securities borrowing	**99**	120
Securities sold under repurchase agreements	**28,535**	14,935
Exchange-traded derivative financial instruments	**1,037**	715
Over-the-counter derivative financial instruments	**994**	1,545
	30,665	17,315

Financial assets received as collateral

La Caisse receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, la Caisse may, in certain cases, request additional collateral. La Caisse is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2019 and 2018.

The following table shows the fair value of collateral received by la Caisse according to transaction type:

	December 31, 2019	December 31, 2018
Securities lending	**16,238**	12,488
Securities purchased under reverse repurchase agreements	**8,483**	10,454
Over-the-counter derivative financial instruments	**193**	-
	24,914	22,942

15. RELATED PARTY DISCLOSURES

Related party transactions

La Caisse's primary related parties include unconsolidated subsidiaries, joint ventures, associates, and la Caisse's key management personnel.

La Caisse enters into various transactions with related parties. These transactions are concluded under the same conditions as those prevailing in the market with unrelated parties and are measured at fair value. Given the very nature of la Caisse's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

As a result of the adoption of IFRS 16 on January 1, 2019, la Caisse recognized a right-of-use asset and a lease liability arising from a related party transaction.

Compensation of key management personnel

La Caisse's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. These persons are the members of the Board of Directors, the President and Chief Executive Officer, and key members of the Executive Committee.

The following table shows the compensation of la Caisse's key management personnel:

	2019	2018
Salaries and other short-term employee benefits	**14**	9
Post-employment benefits	**1**	2
Other long-term employee benefits	**5**	7
	20	18

Other related parties

La Caisse is governed by the Act, and the Government of Québec appoints the Board of Director members, at least two-thirds of whom must be independent. The Government of Québec also approves the appointment of the President and Chief Executive Officer. Consequently, la Caisse has availed itself of the exemption set out in IAS 24 – *Related Party Disclosures* regarding the disclosure of transactions with a related government and with any entities related to the related government. The transactions carried out with the Government of Québec and its related entities are investment activities involving bonds issued by or guaranteed by the government and are carried out under normal market conditions through external brokers. These bonds are included in the "Governments" and "Government corporations and other public administrations" bond categories of Note 4a. In addition, la Caisse discloses information on the Government sector category in the "Government of Québec" and "Government corporations and other public administrations in Québec" items of Note 11. Furthermore, the Government of Québec and its related entities have entered into agreements related to a public infrastructure project in Québec being carried out through CDPQ Infra Inc, a subsidiary of la Caisse. These agreements were signed in the subsidiary's normal course of business.

16. INTERESTS IN OTHER ENTITIES

Subsidiaries

Consolidated subsidiary

CDP Financial Inc is a wholly owned subsidiary that issues debt securities in order to finance la Caisse's investments at an optimal financing cost.

Unconsolidated subsidiaries

The subsidiaries presented in this category are entities controlled by la Caisse either directly or indirectly through subsidiaries in accordance with the criteria in IFRS 10.

Intermediate subsidiaries

As part of certain investment activities, la Caisse may use intermediate subsidiaries whose sole purpose is to hold investments for la Caisse. They are therefore not included in the information shown in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, associates and non-controlled structured entities are shown.

The following table shows the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

		December 31, 2019	December 31, 2018
	Principal place of business	**Ownership interest**	Ownership interest
Consolidated subsidiary			
CDP Financial Inc	Canada	**100.0%**	100.0%
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital Inc[1]	Canada	**97.5%**	97.5%
Energy			
Southern Star Acquisition Corporation	United States	**79.9%**	100.0%
Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V. [2]	Mexico	**67.1%**	67.1%
Trencap LP (Énergir)[3]	Canada	**64.7%**	64.7%
Hedge funds			
CTA ALP Fund, LP	United States	**100.0%**	100.0%
CTA FCW Fund, LP	United States	**100.0%**	100.0%
CTA JNM Fund, LP	United States	**-**	100.0%
CTA QN5 Fund, LP	United States	**100.0%**	100.0%
CTA WLH Fund, LP	United Kingdom[4]	**100.0%**	100.0%
EMN ANF Fund, LP (formerly AIM Quantitative Global SF II Ltd)	United States	**100.0%**	100.0%
EMN CDM Fund, LP	United States	**100.0%**	-
EMN CNM Fund, LP	United States	**100.0%**	100.0%
EMN DLC Fund, LP (formerly DSAM Neutral LP)	United Kingdom[4]	**100.0%**	100.0%
EMN ENP Fund, LP	United States	**100.0%**	100.0%
GMAC ASO Fund Inc	Singapore[5]	**100.0%**	-
Ionic Pamli Global Credit Strategies Fund	United States[5]	**100.0%**	100.0%
Kildonan Quebec Fund Ltd	United States[5]	**-**	100.0%
Private debt fund			
Global Credit Opportunities (Canada) LP	Canada	**100.0%**	100.0%
Private investment funds			
Apollo Hercules Partners LP	United States[5]	**97.6%**	97.6%
EC Partners LP	Singapore	**100.0%**	100.0%
GSO Churchill Partners LP	United States[5]	**98.0%**	98.0%
GSO Churchill Partners II LP	United States[5]	**98.0%**	98.0%
KKR-CDP Partners LP	United States[5]	**90.1%**	90.1%
Real estate – Ivanhoé Cambridge Group			
Careit Canada DCR GP	Canada	**94.7%**	94.2%
Careit Canada GP	Canada	**94.7%**	94.2%
IC Australia Trust	Australia	**94.7%**	94.2%
IC Investments US GP	Canada	**94.7%**	94.2%
IC Investments Mexico GP	Canada	**94.7%**	94.2%
IC Multi Equities LP	Canada	**94.7%**	-
Ivanhoé Cambridge Inc	Canada	**94.7%**	94.2%
SITQ E.U. LP	United States	**94.6%**	94.1%

[1] Otéra Capital Inc owns 78.4% of MCAP Commercial LP as at December 31, 2019 (78.1% as at December 31, 2018).
[2] Voting rights amount to 60.0%.
[3] Trencap LP owns 61.1% of Noverco Inc, which owns 100.0% of Énergir Inc and 100.0% of Valener Inc, which together own 100.0% of Énergir LP.
[4] Constituted in the United States.
[5] Constituted in the Cayman Islands in accordance with the limited partner structure.

Subsidiaries (cont.)

	Principal place of business	December 31, 2019 Ownership interest	December 31, 2018 Ownership interest
Industrials			
CDPQ Infra Inc	Canada	**100.0%**	100.0%
Einn Volant Aircraft Leasing Holdings Ltd	Ireland[5]	**90.5%**	90.5%
Patina Rail LLP[1]	United Kingdom	**75.0%**	75.0%
Spinner US AcquireCo Inc (Student Transportation of America)	United States	**79.9%**	79.9%
Trust No. 2431[2]	Mexico	**43.0%**	43.0%
Materials			
McInnis Cement Inc[3] (formerly Beaudier Ciment Inc)	Canada	**27.5%**	57.3%
Services			
Datamars SA[4]	Switzerland	**64.8%**	64.8%

[1] Patina Rail LLP owns 40.0% of Eurostar International Limited.
[2] La Caisse exercises control through a majority of the members of the board of directors. Trust No. 2431 owns 49.0% of ICA Operadora de Vias Terrestres, S.A.P.I. de C.V.
[3] La Caisse exercises control over McInnis Cement Inc since it holds 50.0% of the seats on the board of directors of McInnis Holding LP as well as the deciding vote in the event of an impasse.
[4] Voting rights amount to 55.0%.
[5] Constituted in Bermuda.

Joint ventures

The following table shows the ownership interests held in the main joint ventures as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

	Principal place of business	December 31, 2019 Ownership interest	December 31, 2018 Ownership interest
Consumer discretionary			
MED ParentCo LP	United States	**-**	47.7%
Energy			
HEF HoldCo II, Inc	United States	**33.3%**	33.3%
Financials			
USI Advantage Corp[1]	United States	**26.0%**	26.0%
Industrials			
Delachaux SA[1]	France	**43.0%**	43.0%
DP World Australia B.V.	Australia[3]	**45.0%**	-
DP World Canada Investment Inc	Canada	**45.0%**	45.0%
DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc)	Dominican Republic[4]	**45.0%**	-
DP World Holding UK Limited (UK)	Chile[5]	**45.0%**	-
Information technology			
Kiwi Holdco Cayco, Ltd (FNZ)[2]	United Kingdom[6]	**72.0%**	72.0%

[1] Voting rights amount to 50.0%.
[2] La Caisse exercises joint control through agreements with the other shareholders.
[3] Constituted in the Netherlands.
[4] Constituted in the British Virgin Islands.
[5] Constituted in the United Kingdom.
[6] Constituted in the Cayman Islands.

Associates

The following table shows the ownership interests held in the main associates as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

		December 31, 2019	December 31, 2018
	Principal place of business	Ownership interest	Ownership interest
Consumer discretionary			
Cogeco Communications USA Inc	United States	**21.0%**	21.0%
SGU Holdings LP	United States[8]	**46.7%**	46.7%
Energy			
Azure Power Global Ltd	India[9]	**49.7%**	40.3%
Corex Resources Ltd	Canada	**49.5%**	49.5%
Fluxys SA	Belgium	**20.0%**	20.0%
Invenergy Renewables LLC[1]	United States	**65.0%**	53.6%
IPALCO Enterprises, Inc	United States	**30.0%**	30.0%
London Array Ltd, London Array Unincorporated JV	United Kingdom	**25.0%**	25.0%
NSW Electricity Networks Assets Holding Trust, NSW Electricity Networks Operations Holding Trust (TransGrid)	Australia	**22.5%**	22.5%
Suez Water Technologies and solutions SA	France	**30.0%**	30.0%
Techem GmbH	Germany	**24.5%**	24.5%
Transportadora Associada de Gas SA	Brazil	**31.5%**	-
Financials			
Avison Young (Canada) Inc	Canada	**33.3%**	33.3%
First Lion Holdings Inc	Canada	**22.3%**	-
Greenstone Ltd	Australia	**30.0%**	30.0%
Hilco Trading LLC	United States	**27.3%**	-
Hyperion Insurance Group Ltd	United Kingdom	**29.6%**	29.6%
Industrials			
Airport Holding Kft	Hungary	**21.2%**	21.2%
Alix Partners LLP	United States	**21.0%**	21.0%
Allied Universal Holdco LLC	United States	**41.5%**	-
Alvest International Equity SAS[2]	France	**39.9%**	39.9%
Clarios Power Solutions Holdings LP	United States[8]	**30.0%**	-
Fives Group[3]	France	**30.4%**	30.4%
Groupe Keolis SAS	France	**30.0%**	30.0%
Groupe Solmax Inc	Canada	**30.0%**	30.0%
Knowlton Development Corporation Inc[4]	Canada	**35.8%**	35.8%
Lightspeed POS Inc[5]	Canada	**20.4%**	44.6%
NRT Group Holdings Unit Trust, NRT Group Holdings Pty Ltd (Sydney Metro)	Australia	**24.9%**	-
Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. (OPI), OPCEM, S.A.P.I. de C.V. (OPCEM)	Mexico	**45.5%**	45.5%
IPL Plastics Inc	Canada	**27.1%**	27.4%
PlusGrade Parent LP[6]	Canada	**39.9%**	39.9%
QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane)	Australia	**26.7%**	26.7%
TVS Supply Chain Solutions Limited (formerly TVS Logistics services)	India	**38.2%**	38.2%
Health care			
ANZ Hospital Topco	Australia	**21.3%**	-
Invekra, S.A.P.I. de C.V.	Mexico	**22.7%**	-
Utilities			
CLP India Pvt Ltd	India	**40.0%**	40.0%
Real estate services			
Groupe Foncia	France	**29.1%**	29.1%
Information technology			
Nuvei Corporation[7]	Canada	**28.0%**	-
Telecommunications			
Vertical Bridge Reit LLC	United States	**30.0%**	-
Rail transport			
Bombardier Transportation (Investment) UK Limited	Germany[10]	**30.0%**	27.5%

[1] Voting rights amount to 45.0%.
[2] Voting rights amount to 28.6%.
[3] Voting rights amount to 20.3%.
[4] Voting rights amount to 27.8%.
[5] Voting rights amount to 22.9%.
[6] Voting rights amount to 37.5%.
[7] Voting rights amount to 22.9%.
[8] Constituted in Canada.
[9] Constituted in Mauritius.
[10] Constituted in the United Kingdom.

Non-controlled structured entities

La Caisse holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by la Caisse do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by la Caisse, i.e., $28,181 million in 216 companies as at December 31, 2019 ($25,732 million in 207 companies as at December 31, 2018).

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following tables show changes in liabilities arising from financing activities, including non-cash changes:

			Non-Cash Changes		
	December 31, 2018	**Cash flows from financing activities**	**Change in foreign exchange**	**Change in fair value**	**December 31, 2019**
Commercial paper payable	**5,921**	**3,131**	**(272)**	**14**	**8,794**
Loans payable	**290**	**85**	**(7)**	**-**	**368**
Term notes payable	**9,598**	**2,983**	**(493)**	**244**	**12,332**
	15,809	**6,199**	**(772)**	**258**	**21,494**

			Non-Cash Changes		
	December 31, 2017	Cash flows from financing activities	Change in foreign exchange	Change in fair value	December 31, 2018
Commercial paper payable	4,556	1,180	182	3	5,921
Loans payable	364	(80)	-	6	290
Term notes payable	9,198	-	607	(207)	9,598
	14,118	1,100	789	(198)	15,809

18. COMMITMENTS AND FINANCIAL GUARANTEES

Given the nature of its activities, la Caisse enters into various investment purchase commitments that will be settled in the coming fiscal years in accordance with the terms and conditions in the related agreements.

For la Caisse, financial guarantees consist of providing guarantees, to financial institutions and corporations, on derivative financial instrument transactions, repayment of loans taken by companies in which it has an economic interest, and certain letters of credit of its subsidiaries. As part of certain investment transactions, la Caisse may also provide financial guarantees or issue letters of credit to third parties. The maturities of the commitments are disclosed in Note 11.

The commitments and financial guarantees are detailed as follows:

	December 31, 2019	December 31, 2018
Investment purchase commitments	**19,702**	18,450
Commitments under leases	**505**	516
Financial guarantees	**616**	397
	20,823	19,363

Litigation

In the normal course of business, la Caisse may be subject to legal actions. Although la Caisse cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2019, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

19. SUPPLEMENTARY INFORMATION

The following statements present the financial information of the specialized portfolios:

	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)	
STATEMENT OF FINANCIAL POSITION	**2019**	2018	**2019**	2018	**2019**	2018
Total assets	**1,566**	868	**61,244**	50,950	**96,714**	64,792
Total liabilities excluding net assets attributable to holders of participation units	**685**	2	**30,053**	18,166	**30,784**	9,117
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**881**	866	**31,191**	32,784	**65,930**	55,675
STATEMENT OF COMPREHENSIVE INCOME	**2019**	2018	**2019**	2018	**2019**	2018
Net income	**15**	15	**666**	926	**2,355**	2,245
Net gains (losses) on financial instruments at fair value	**0**	0	**790**	(175)	**3,879**	(1,112)
Investment result before distributions to (recoveries from) holders of participation units	**15**	15	**1,456**	751	**6,234**	1,133
Recoveries (distributions)	**(15)**	(15)	**(666)**	(926)	**(2,355)**	(2,245)
Net income and comprehensive income attributable to holders of participation units	**0**	0	**790**	(175)	**3,879**	(1,112)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**2019**	2018	**2019**	2018	**2019**	2018
Balance at beginning of the year	**866**	1,892	**32,784**	40,012	**55,675**	50,073
Net change in participation units for the year	**15**	(1,026)	**(2,383)**	(7,053)	**6,376**	6,714
Net income and comprehensive income attributable to holders of participation units	**0**	0	**790**	(175)	**3,879**	(1,112)
BALANCE AT END OF THE YEAR	**881**	866	**31,191**	32,784	**65,930**	55,675

	LONG TERM BONDS (764)		REAL RETURN BONDS (762)		INFRASTRUCTURE (782)	
STATEMENT OF FINANCIAL POSITION	**2019**	2018	**2019**	2018	**2019**	2018
Total assets	**3,572**	3,681	**1,282**	1,311	**30,613**	24,447
Total liabilities excluding net assets attributable to holders of participation units	**508**	836	**2**	116	**3,238**	1,897
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**3,064**	2,845	**1,280**	1,195	**27,375**	22,550
STATEMENT OF COMPREHENSIVE INCOME	**2019**	2018	**2019**	2018	**2019**	2018
Net income	**96**	82	**26**	26	**964**	771
Net gains (losses) on financial instruments at fair value	**266**	(84)	**72**	(27)	**724**	1,265
Investment result before distributions to (recoveries from) holders of participation units	**362**	(2)	**98**	(1)	**1,688**	2,036
Recoveries (distributions)	**(96)**	(82)	**(26)**	(26)	**(964)**	(771)
Net income and comprehensive income attributable to holders of participation units	**266**	(84)	**72**	(27)	**724**	1,265
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**2019**	2018	**2019**	2018	**2019**	2018
Balance at beginning of the year	**2,845**	2,929	**1,195**	1,185	**22,550**	15,974
Net change in participation units for the year	**(47)**	0	**13**	37	**4,101**	5,311
Net income and comprehensive income attributable to holders of participation units	**266**	(84)	**72**	(27)	**724**	1,265
BALANCE AT END OF THE YEAR	**3,064**	2,845	**1,280**	1,195	**27,375**	22,550

Supplementary information (cont.)

	REAL ESTATE (710)		EQUITY MARKETS (737)		PRIVATE EQUITY (780)	
STATEMENT OF FINANCIAL POSITION	**2019**	2018	**2019**	2018	**2019**	2018
Total assets	**48,651**	38,326	**118,393**	109,820	**52,018**	44,479
Total liabilities excluding net assets attributable to holders of participation units	**8,952**	100	**1,706**	1,805	**2,885**	2,337
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**39,699**	38,226	**116,687**	108,015	**49,133**	42,142
STATEMENT OF COMPREHENSIVE INCOME	**2019**	2018	**2019**	2018	**2019**	2018
Net income	**19**	6	**2,633**	2,611	**2,297**	1,903
Net gains (losses) on financial instruments at fair value	**(1,147)**	2,729	**15,053**	(3,639)	**2,186**	3,965
Investment result before distributions to (recoveries from) holders of participation units	**(1,128)**	2,735	**17,686**	(1,028)	**4,483**	5,868
Recoveries (distributions)	**(19)**	(6)	**(2,633)**	(2,611)	**(2,297)**	(1,903)
Net income and comprehensive income attributable to holders of participation units	**(1,147)**	2,729	**15,053**	(3,639)	**2,186**	3,965
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**2019**	2018	**2019**	2018	**2019**	2018
Balance at beginning of the year	**38,226**	34,264	**108,015**	111,961	**42,142**	36,500
Net change in participation units for the year	**2,620**	1,233	**(6,381)**	(307)	**4,805**	1,677
Net income and comprehensive income attributable to holders of participation units	**(1,147)**	2,729	**15,053**	(3,639)	**2,186**	3,965
BALANCE AT END OF THE YEAR	**39,699**	38,226	**116,687**	108,015	**49,133**	42,142

	ASSET ALLOCATION (771)		ACTIVE OVERLAY STRATEGIES (773)	
STATEMENT OF FINANCIAL POSITION	**2019**	2018	**2019**	2018
Total assets	**2,725**	5,530	**6,058**	9,576
Total liabilities excluding net assets attributable to holders of participation units	**1,087**	3,906	**5,381**	9,047
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**1,638**	1,624	**677**	529
STATEMENT OF COMPREHENSIVE INCOME	**2019**	2018	**2019**	2018
Net income	**5**	(23)	**(33)**	84
Net gains (losses) on financial instruments at fair value	**(255)**	26	**239**	(247)
Investment result before distributions to (recoveries from) holders of participation units	**(250)**	3	**206**	(163)
Recoveries (distributions)	**(5)**	23	**33**	(84)
Net income and comprehensive income attributable to holders of participation units	**(255)**	26	**239**	(247)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	**2019**	2018	**2019**	2018
Balance at beginning of the year	**1,624**	1,358	**529**	573
Net change in participation units for the year	**269**	240	**(91)**	203
Net income and comprehensive income attributable to holders of participation units	**(255)**	26	**239**	(247)
BALANCE AT END OF THE YEAR	**1,638**	1,624	**677**	529