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**CAISSE
DE DÉPÔT
ET PLACEMENT
DU QUÉBEC**

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86 774 967

**Ninth Annual
Report 1974**

**Caisse de dépôt
et placement
du Québec**

The Caisse de dépôt et placement du Québec is a corporation within the meaning of the Civil code and an agent of the Crown in right of the Province created by a provincial Act assented to July 15th, 1965.

Bodies whose constituent Act prescribes the deposit of moneys with the Caisse de dépôt et placement du Québec

- Commission des accidents du travail de Québec
- Régie de l'assurance-dépôts du Québec
- Régie de l'assurance-maladie du Québec
- Régie de l'assurance-récolte du Québec
- Régie des marchés agricoles du Québec
- Régie des rentes du Québec

Other bodies availing themselves of the services of the Caisse de dépôt et placement du Québec

- Government and Public Employees Retirement Plan
- Supplemental pension plans established by collective agreement decrees
- Supplemental pension plan of l'Université du Québec
- Supplemental pension plan of the Société de développement de la Baie James
- Supplemental pension plan (C.S.N. – A.H.P.Q. – Ministère des Affaires sociales)

Board of Directors

Marcel Cazavan, Chairman
General Manager
Caisse de dépôt et placement du Québec

Judge Gill Fortier, Vice-Chairman
President
Régie des rentes du Québec

Judge Richard Beaulieu*
President
Commission municipale de Québec

Hervé Belzile
President
Alliance Mutual Life Insurance Company

Claude Castonguay
Pouliot, Guérard, Castonguay & Associates Inc.

John H. Dinsmore
Assistant Deputy Minister of Industry
and Commerce
Gouvernement du Québec

Pierre Goyette*
Deputy Minister of Finance
Gouvernement du Québec

Louis Laberge
President
Québec Federation of Labor

Raymond Lavoie
President and General Manager
Crédit Foncier Franco-Canadien

E.-A. Lemieux*
General Manager – Finance and Accounting
Hydro-Québec

*Associate member

Management

General Management

Marcel Cazavan, General Manager
Jean-Michel Paris, Assistant General Manager

Investment

Bond Department

Roland Lefebvre, Manager
Jean Laflamme, Associate Manager
Guy Liébart, Assistant Manager

Stock Department

Pierre Arbour, Manager
Etienne J. de Kosko, Associate Manager
Pierre Dufresne, Associate Manager
Raymond Lacourse, Associate Manager
Claude L. Langevin, Assistant Manager

Private Placement Department

Jean C. Lavoie, Manager
Jacques Doiron, Associate Manager

Real Estate and Mortgage Department

Gilles Doré, Manager
Dominique Colard, Associate Manager
Pierre Galarneau, Associate Manager
Bernard Ranger, Legal Counsel

Deposits

Gérard J. Blondeau, Manager
Jacques Roy, Executive Assistant

Economic Research

Pierre Mayer, Associate Manager

Treasury

Guy Rhéaume, Assistant Treasurer
Gody Lienhard, Assistant Manager

Internal Audit

Serge Desjardins, Internal Auditor

Secretariat

Marcel Camu, Secretary
Louise M. Zakaib, Personnel

Chairman of the Board and
General Manager

Québec, March 7th, 1975

Raymond Garneau, Esq.
Minister of Finance
Gouvernement du Québec

Sir :

In accordance with provisions of the charter of the Caisse de dépôt et placement du Québec, I transmit herewith our ninth annual management report and statements of accounts for the year ended December 31st, 1974.

As required under Section 41 of the charter, this report contains an outline of policy, a summary of our activities and statements of accounts duly verified by the Auditor-General, as well as statistical data.

Yours very truly,

A handwritten signature in cursive script, appearing to read 'M. Cazavan', with a long, sweeping underline that extends to the left.

Marcel Cazavan

Management Report

During the fiscal year ended December 31st, 1974, the general fund of the Caisse de dépôt et placement du Québec (Caisse) made significant advances. Stimulated by an increase of more than \$500 million during the year, its assets topped the \$3 billion mark. For the first time, its investment income exceeded \$200 million and the net rate of return on average deposits reached a high of 7.88%, compared to the rate of 7.32% achieved in 1973, an unprecedented increase of 0.56%. Finally, general fund assets of \$3 163 506 290, combined with consolidated assets of \$182 703 647 in the three segregated funds and the sum of \$219 419 952 in securities under management, brought total assets managed by the Caisse to \$3 565 629 889, an increase of 20.9% over last year.

The economy

Inflation was prevalent throughout the world in 1974, leading to serious disruptions. In Canada as in other industrialized countries, the year was marked by rapid and substantial price increases as well as by a shortage of certain products and commodities. The high prices of oil products in particular resulted in alarming deficits in the balance of payments of importing countries. These imbalances gave rise to a marked slowdown in economic growth throughout the world.

In view of the darkening international economic situation, Canada, at the same time as the

United States and Germany, adopted tax and monetary incentives towards the end of the year to improve the economy and to support efforts undertaken to halt the cumulative decline of the world economy. These corrective measures already have helped ease the money markets to some extent, lending credence to the hope that money and bond interest rates will drop significantly. However, it is rather improbable that industrialized countries will, on the whole, experience satisfactory economic growth in 1975.

Indeed, a trend towards a considerable accumulation of world-wide production overcapacity is already noticeable. In such a context, it will be increasingly difficult to integrate additional production costs to sales prices. A gradual easing of inflationary trends could ensue, notwithstanding indications of substantial salary increases. Corporate profits, spectacularly high in 1974, mainly because of the reevaluation of inventories, will be considerably lower in 1975 because of smaller anticipated profit margins.

As for the Canadian economy, the real Gross National Product increased at an encouraging annual rate of 5.8% during the first quarter of the year, then remained relatively stagnant before finally dropping to a negative rate during the last quarter. Nevertheless, the real GNP should increase by 3.7% in Canada in 1974. In the United States, it decreased by 2.2%, the largest drop since the Second World War. The economic slowdown which occurred in several countries with which Canada trades exerted a depressive force on our economy, to a lesser degree on the whole, however, than with most of our trading partners. Nevertheless, overall domestic demand remained relatively strong, principally because of invest-

ments. Canadian imports increased significantly as our exports, in real figures, decreased. This imbalance resulted in a deficit of some \$2 billion in the current account of our balance of payments, compared to a deficit of \$425 million in 1973.

While the rate of growth of the Canadian economy, which began to decline during the second quarter, was mainly attributable to outside factors, the drop in consumer spending, the reduced number of new housing starts and the rise in work stoppages also contributed greatly to offsetting the favorable results of the first quarter. Indeed, residential construction declined sharply in 1974, particularly as of the second quarter. There were some 222 000 new housing starts during the year, 17% less than in 1973. In this respect, the Economic Council of Canada estimates that 250 000 new housing units will have to be built per year between now and 1980 to replace existing units and to meet the needs of demographic growth.

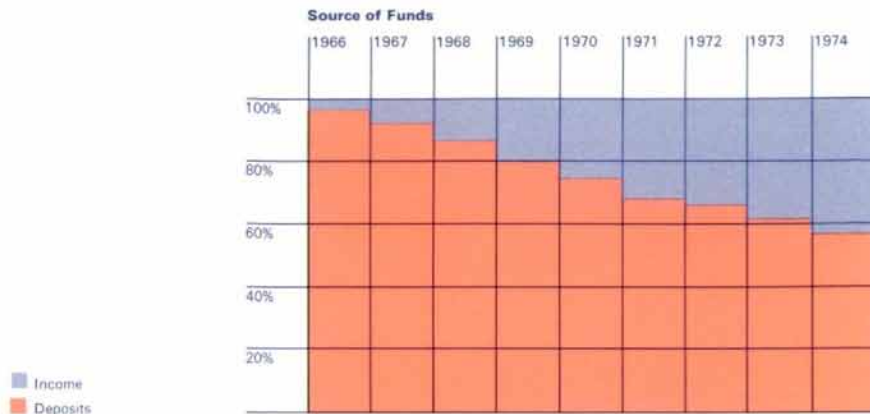
Although Québec felt the repercussions of the slowdown in the Canadian economy, the performance of its own economy remained relatively satisfactory on the whole. Because of some strong export markets, including pulp and paper, sustained domestic demand, supported by major development projects, activity within the Montreal real estate sector and continued investment in manufacturing, the real rate of growth of the Québec Gross National Product was roughly equal to that of Canada in 1974. This is an encouraging situation in view of the fact that Québec, in the

past, generally was among the Canadian regions most seriously affected during any economic downturn.

The new situation partially stems from the fact that orders for nondurable goods increased in Canada at a faster rate than those for durable goods. Since Québec is oriented more towards the manufacture of nondurable goods, the evolution in demand has promoted the expansion of its industrial activity to such a degree that the value of manufacturers' shipments in this area should be far above the Canadian average for 1974.

The net profits of some of the companies which exert a great influence on the Québec economy were remarkably high. On the other hand, some sectors were seriously affected by the American recession. The decline in certain export goods, such as lumber, suggests future difficulties. In addition, the Canadian textile industry, which is concentrated largely in Québec, has had to cope with major difficulties due to foreign competition and reduced demand; as a result, many lay-offs became necessary.

Throughout 1974 but more particularly during the second and third quarters, the difficulties brought about by inflation seriously affected the bond market, resulting in strong pressures on the short-term money market. Many issuers of quality securities had to borrow capital at rates ranging from 10% to 11½%.



Faced with the erosion of their liquid position, Canadian chartered banks were forced to increase their prime lending rate to an all-time high of 11.50%, with a 10.75% average rate for the year. Interest rates on their 89-day deposit certificates even reached 10.50% while the rate of interest on trust company five-year guaranteed deposit certificates climbed to 10.75% and even higher. In fact, spiralling interest rates and the significant deterioration of the liquid position of banks have illustrated more clearly the tightened credit climate in 1974 than the expansion of the money supply as such. Because financing was concentrated in the Canadian banking system, the money supply nevertheless increased by 21% during the year while bank loans as a whole rose by approximately 19%.

In view of the disappointing evolution of the Canadian economic situation and darkening prospects on the international scene, the Bank of Canada in November followed the American orientation and eased its monetary policy. The discount rate, which rose from its 7.25% level at the beginning of the year to 8.25%, 8.75% and 9.25%, dropped to 8.75% on November 18th, 1974, and to 8.25% on January 13th, 1975. Furthermore, the rate of secondary reserves for chartered banks was reduced in two stages from 8% to 6% during December, 1974. Finally, the rate of total bank liquidity, taking into account net foreign currency assets, rose to 21.4% in December after dropping to a low of 16.2% in May.

With respect to taxation, the November 18th federal budget was expansionist in nature, favoring individuals rather than corporations. The companies most affected were those in the primary sector while those in the secondary sector maintained tax advantages gained earlier.

Investment policy

The Caisse began its tenth year of operations at the beginning of 1975. This period is adequate to warrant an assessment of the investment policy pursued since 1966; this report provides the proper framework to detail its guidelines. In short, it will be recalled that after negotiations between the federal government and the provinces, a universal and compulsory pension scheme went into effect in Canada January 1st, 1966. Two parallel plans were instituted: the Québec Pension Plan and the Canada Pension Plan. Identical in many respects, they differed, however, in the method of investing their funds. The Caisse de dépôt et placement du Québec thus came into being.

In this connection, it should be noted that pursuant to the Canada Pension Plan, contributions collected in one province are all invested in long-term bonds of the same province at a rate of return calculated on the basis of that of long-term bonds of the Government of Canada. Provincial governments use the proceeds of such issues to implement the programs of their choice. This enables them to obtain a large proportion of their loans at rates lower than those which they have to pay on financial markets. The resulting

savings in respect to the public debt are achieved at the expense of the overall return on assets of the pension plan.

Contrary to the situation prevailing in the rest of Canada, the funds of the pension plan in Québec are not totally invested in securities of the province. Québec legislators have conceived of the management of such funds from a highly different angle and, consequently, the Caisse has been granted extensive investment powers. At the time, some felt the capital reserve, consisting initially of Québec Pension Plan funds, would be supplemented later by funds from other government bodies in order to form "the most important and most powerful financial instrument which has ever existed in the Province of Québec". Similarly, the Caisse was to be considered "an instrument of growth, a powerful lever".

As soon as the Caisse was established, its directors set forth a general investment policy which enabled it to carry out its role of trustee successfully while meeting the requirements of its socio-economic vocation. Over the years, this policy has remained consistent with the primary principles and objectives enunciated at the outset, namely, the protection of capital, attainment of a return compatible with the risks taken and sound diversity in investments, while aiming to promote Québec's economic growth.

Initially, the Caisse favored long-term investments because the moneys entrusted to it by its sole depositor, the Régie des rentes du Québec, would not become payable until the distant future. This is still the case but to a lesser degree. In point of fact, the special actuarial study carried out in November, 1974, shows that, based on the theory of intermediate cost, the reserves of the Québec Pension Plan will be exhausted in 1994,

thirteen years earlier than the date anticipated in the 1970 study. The results of a five-year actuarial study now underway will be known within a few months. Failing amendments to the Québec Pension Plan, these results could influence the orientation of future investments significantly.

Even in its 1971 management report, the Caisse pointed out that it could be compelled to abandon its investment role after 1990 and to undertake the liquidation of assets to meet the financial requirements of the Québec Pension Plan. Although other bodies subsequently were authorized to make deposits in the general fund of the Caisse, the proportion of their assets is modest in comparison to that of the Régie des rentes. More importantly, their limited interest in long-term deposits points to their special financial needs. In fact, 95.7% of long-term deposits and 92.9% of deposits as a whole at December 31st, 1974, came from the Régie des rentes du Québec.

The investment policy of the Caisse was influenced strongly by the actuarial requirements of its main depositor and its growth was linked to the annual injection of considerable new capital from the Régie des rentes. It should be noted that a slight decline already has begun. Deposits of the Régie des rentes, which totalled \$253.5 million in 1972, diminished to \$244.3 and \$241.2 million in 1973 and 1974, respectively, as a result of the increased benefits being paid by the Régie des rentes.

Several other aspects of Québec savings are reflected in the assets of the general fund of the Caisse: employer and employee contributions to the Health Insurance Plan, crop insurance premiums paid by farmers, employers' workmen's compensation contributions, reserves accruing pursuant to the Deposit Insurance Act, etc. The aim of the Caisse is to invest these funds in such a way that the general public would benefit from the economic and financial advantages generated by use of such large sums of money.

From the start, the Caisse made a point of establishing clearly that it was not its calling to grant loans at preferential rates or terms, nor to take undue risks affecting the security of its investments. The Summary of Investments at December 31st, 1974, accurately illustrates the parameters of its investment policy and the conception of its role as trustee.

To acquire a portfolio of such magnitude in a nine-year period, the Caisse had to integrate itself within the complex structure of financial institutions on which the Canadian and Québec economies are based. Viewed at its inception as the investment arm of the Québec Pension Plan, the Caisse has broadened the range of its activities gradually. Today, in addition to managing the funds of five other paragonovernmental bodies, it is also responsible, through its segregated funds and portfolios under management, for the management of supplemental pension plans of the public, parapublic and peripublic sectors, which are partially or fully funded. The present and expected

rate of growth of these funds is such that they could in time involve greater assets than those now managed by the Caisse for the Régie des rentes du Québec.

Over the years, the Caisse always has supported bond issues of the Gouvernement du Québec and Hydro-Québec on the Canadian primary market, purchasing \$1 503.2 million of such securities. This amount includes private placements negotiated since 1969 with the Gouvernement du Québec and Hydro-Québec for a nominal value of \$510 million, as well as \$60 million with Sidbec. On some occasions, it has resorted to financing formulae which, while reflecting current conditions, did not upset the market of other Québec public borrowers.

With a special view to optimizing return on its portfolio, the Caisse began to intervene in 1966 on the secondary bond market and has succeeded in achieving recognition as a stabilizing force for Québec and Hydro-Québec securities. Its activities between public issues have helped revive or sustain the interest of certain institutional investors. At December 31st, 1974, the Caisse continued to be the largest holder of bonds issued in Canadian funds by the Gouvernement du Québec and Hydro-Québec.

As a result of its active and sustained presence on financial markets, the Caisse prompted a number of benefits for Québec. Thus, during

certain periods of tightening markets, its concerted action brought about the elimination of abnormal distortions between supply and demand. In addition, it contributed towards a significant reduction in the spread between the yield of Québec securities and that of other provinces.

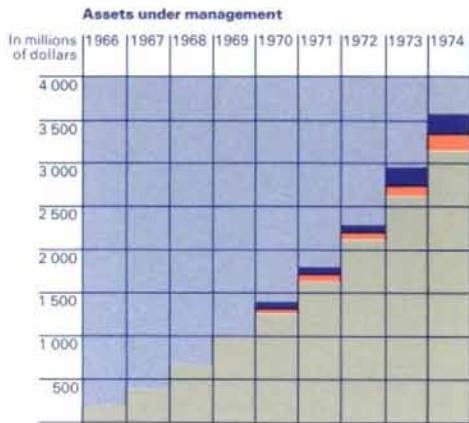
It is obvious that this narrowing of the gap not only has benefited Québec and Hydro-Québec but also has influenced the structure of interest rates on municipal, school commission, CEGEP, university and hospital issues. The Caisse always has supported such issues, attempting, wherever possible, to distribute its investments in proportion to the borrowing requirements of the territory as a whole. It also seeks to favor the expansion of the secondary market for such issues. However, it is bound by its charter to limit its participation to 20% of the total of any municipal or school commission issue and may not hold more than 20% of the current bond debt of such bodies.

The bond portfolio also includes corporate securities. These are mainly high-quality bonds, generally issued by companies which operate on a national scale but which are actively involved in the economic and financial structure of Québec. This portfolio also includes debt securities of smaller public or private companies. These often are purchased as private placements. The criteria of selection for such investments take into account the economic advantages these companies represent for Québec.

Investments in shares and convertible securities are the main element in the variable income securities category of the portfolio; their proportion of 19.37% in relation to overall investments is higher than the average of life insurance companies but below that of Canadian pension trust funds as a whole.

Though the Caisse to date has acted cautiously in respect to the overall limit of 30% governing it for stock investments, it nevertheless now manages the largest individual portfolio of Canadian equities in the country. This statement is based on research carried out by professors David C. Shaw and T. Ross Archibald of the University of Western Ontario who, in the sixth instalment of their study on *The Management of Change in the Canadian Securities Industry*, make a comparative analysis of the investment policies of the Caisse and of the Canada Pension Plan "CPP" from 1966 to 1972. The authors came to the conclusion that "while the results in any one year may vary considerably between the two Plans, investment policies adopted by the Caisse compared to those of the CPP should result in the Caisse continuing to earn, over a longer time period, a higher rate of return on funds deposited with it".

Since 1967, the Caisse has been an active investor in Canadian stock markets. Up to 1972, its stock portfolio increased by an average of approximately \$59 million per year. In 1973 and in 1974, the book value of this portfolio increased by more than \$100 million and the overall value of all securities transacted during this period exceeded \$493 million. At December 31st, 1974, its general fund portfolio included shares of 169 companies, 155 of which were listed on stock exchanges. The Caisse invests in the shares of Canadian corporations only and attempts to carry out such transactions on the floor of the Montreal Stock Exchange where it has become one of the most active participants.



Investments in shares by the Caisse must be studied in a broader context, that is, taking into account the capital tied up in bonds, debentures or short-term securities. In fact, \$1 026 083 322 was invested in this manner in 222 companies at December 31st, 1974. In 58 of these companies, investments of the Caisse exceeded \$5 million; in 79 cases, they were between \$1 and \$5 million and in 85 companies, under \$1 million.

The phenomenon of company mergers has increased in scope in Québec over the past few years and the Caisse has not been indifferent to this development. On several occasions, it made the merger, acquisition or consolidation of companies possible. Since 1967, it also has acquired shares of nine Québec companies when they first were listed on the stock market.

The percentage of participation of the Caisse in large firms seldom exceeds 10% of outstanding common shares. However, in the case of a few medium-sized companies, its position often is close to the 30% ceiling allowed by its charter. Stock portfolio managers periodically call on senior executives of companies in which the Caisse is a major stockholder. In this way, they are able to follow the evolution of the company more closely and keep abreast of trends within that particular sector.

Pursuant to provisions of its charter, the Caisse is required to restrict its real estate and mortgage activities to the Province of Québec. Such investments began in 1968 in the case of the general

fund and in 1970 for the segregated mortgage portfolio. The Caisse serves the entire territory of Québec through two regional offices in Montreal and Québec City.

The general investment policy of the Caisse has remained constantly oriented towards the financing of new buildings because of the appreciable effect of construction starts on the economy of a city or region. Consequently, financing or investment proposals totalling \$400 million have been approved since operations began, \$59.4 million of which were for the segregated fund. Commitments made with respect to new projects now underway totalled \$111.9 million at December 31st, 1974.

The largest share of funds, \$135.2 million, was assigned to residential housing; nearly all mortgage loans are guaranteed by the Central Mortgage and Housing Corporation, which has recognized the Caisse as an authorized lender since 1968. Investments in the commercial sector rank second with a sum of \$99.6 million; essentially, these funds have served to finance large shopping centres, most of which are outside the urban areas of Montreal and Québec City. An amount of \$90.3 million promoted the construction of administrative buildings. The Caisse also has helped to stimulate the Québec tourist industry by devoting \$44.1 million to the financing of new hotel facilities affiliated with well-known chains. Finally, it has approved transactions totalling \$29.7 million for the construction of industrial buildings and approximately \$1.1 million for various other projects. Some \$126 million of the transactions as a whole were invested outside the two large urban centres of the Province of Québec.

The Caisse believes that by concerning itself mainly with large projects, it has been in a better position to promote realty development in Québec. As a general rule, the financing of most projects has been assumed by the Caisse alone but, in some cases, it deemed it preferable to associate itself with other lending institutions to ensure the completion of huge complexes.

The availability of mortgage loans in Québec for new single-family dwellings is generally satisfactory. In fact, trust companies, chartered banks, life insurance companies and caisses populaires are able to meet the needs of the population adequately through their branch networks. Consequently, the Caisse has not attempted to enter this market, though it periodically seeks to acquire mortgage loans on single-family dwellings for its segregated portfolio. Instead, it seeks to buy blocks of such debts from financial institutions willing to dispose of them. In this way, the Caisse frees the funds of these institutions which then are able to grant new mortgage loans.

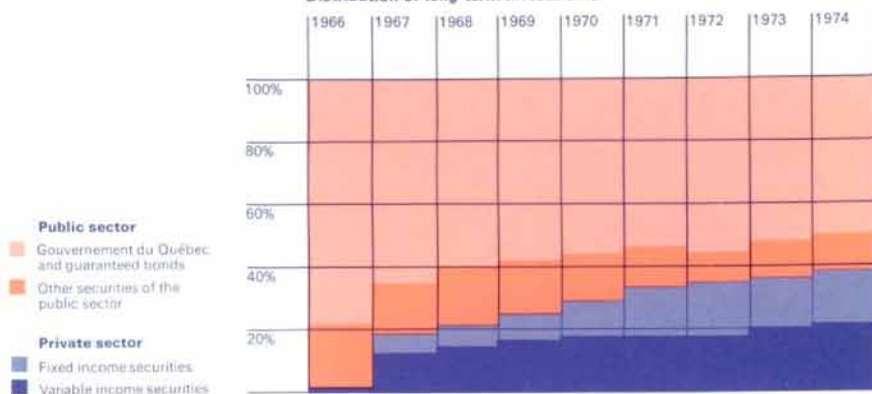
On occasion, the Caisse adopts formulae whereby it can share in the operating profits of the real estate complexes it finances. Such practices are adopted by most financial institutions in order to increase the return of a long-term mortgage investment. In this way, the Caisse at times buys the land on which these real estate complexes are built in order to link its participation to the

rental of this land through emphyteutic leases. However, it is not the investment policy of the Caisse to buy land for the sole purpose of real estate speculation. Because of its status as trustee and for various other considerations, the Caisse has refrained from assuming the role of promoter, builder or owner of real estate complexes.

The Caisse has handled private placements since 1967. While abstaining from actively soliciting business in this area, it has become particularly interested in medium-sized Québec companies in need of financing of \$500 000 or more to carry out a specific expansion or consolidation program. It has studied many such applications for financing. However, a number of these were turned down because it is not the policy of the Caisse to engage in rescue operations, settle estate problems or inject large sums of speculative funds in community projects. In other cases, applications were turned down because of the unstable position of the company, the dubious profitability of the projected investments or the lack of financial and human resources.

While the preparation of a complete file for the approval of such investments requires an imposing amount of work and great caution, the subsequent negotiation of financing terms requires considerable efforts, particularly when the management of the company is not too familiar with the mechanisms of this complicated procedure. In addition, it is much more difficult and costly to decide, for example, on the purchase of \$500 000 of bonds or debentures of a medium-sized company than to study a similar investment in a large corporation.

Distribution of long-term investments



Despite the difficulties and risks inherent in private placements, the usefulness of the role played by the Caisse in this area is self-evident. It has concluded 56 transactions totalling \$51.3 million, most of which were by way of bonds or debentures. Once negotiated, these investments are integrated into the various portfolios of the general fund.

So far, the Caisse has avoided direct participation in the venture capital market. As a general rule, such stock investments are not readily marketable, pay little or no dividends and often require continuous supervision as well as managerial involvement. However, the Caisse has deemed it appropriate to take equity participation in venture capital firms operating in Québec. In so doing, it is able to benefit from their experience in this highly specialized field of activity and to direct companies seeking venture capital to them.

Portfolios

In the Summary of Investments at December 31st, 1974, the total book value of portfolios of the general fund of the Caisse is shown as \$3 106 998 853, an increase of \$510.4 million, or 19.7%, over the preceding year. The value of bonds rose by \$310.9 million during the year, making up 70.1% of the overall portfolio, a slight decrease in relation to the 1973 figure of 71.9%. As for stocks and convertible securities, they increased by \$110.2 million and represented

19.4% of the portfolio as a whole, compared to 18.9% last year. The real estate and mortgage portfolio showed a 47% gain and its total rose to \$222 478 299, or 7.2% of overall investments compared to 5.8% in 1973. With respect to short-term securities, their percentage was equivalent to 3.4% of the portfolio, amounting to \$104 973 164. As a whole, 62% of all investments of the Caisse's general fund were in the public sector and 38% in the private sector; last year, these percentages were 64% and 36%, respectively.

Bonds

At the beginning of the year, the Caisse expected that long-term interest rates would rise but not as sharply as they did between March and August of 1974. Consequently, short-term securities held at the end of August exceeded \$200 million. This unprecedented liquid position level explains why over 45% of all bond purchase commitments were contracted during the last quarter of the year when rates were higher. The book value of the bond portfolio increased to \$2 176 462 670 at December 31st, 1974, up \$310.9 million over last year. The average return of this portfolio increased from 8.19% to 8.61% while that on new funds and on trading operations was about 10.5%.

The strong position in short-term securities enabled the Caisse to reduce its portfolio of Government of Canada bonds, held for purposes of liquidity. The Caisse thus was able to reinvest the proceeds of the sale of some \$20 million of these bonds in securities offering a higher yield. Through aggressive management, it succeeded in raising the return of this category from 6.67% to

7.68%. At year-end, investments in Government of Canada bonds amounted to \$36 737 671, or 1.2% of the total portfolio.

The nominal value of purchases of new bonds issued or guaranteed by the Gouvernement du Québec amounted to \$292.5 million in the main portfolio and \$12.5 million in the segregated bond portfolio. Following purchases and sales in this category of bonds on the secondary market and the redemption of some \$46 million of securities which matured during the year, the book value of these investments totalled \$1 534 238 748 at December 31st, 1974. The average return was 8.54%, compared to 8.16% a year earlier. Of the \$292.5 million in new bonds in the portfolio, \$175 million were private placements with the Gouvernement du Québec for \$60 million, with Hydro-Québec, for \$85 million, and with Sidbec, for \$30 million.

In addition, the Caisse made net acquisitions of \$15.5 million in bonds guaranteed by provincial grants and issued by hospitals, CEGEPs or universities, and \$42.4 million in municipal and school commission bonds. Here again, its influence was felt on a market which, until recently, was still characterized by the placement of securities with individuals. Generally, when the market proves somewhat unreceptive over a prolonged period, the Caisse increases its participation in such issues; on the other hand, when more favorable conditions prevail, its net investments are lower. The average rate of return on bonds guaranteed by provincial grants rose to 8.73%,

compared to 8.38% in 1973; the yield on municipal and school bonds increased from 8.29% to 8.76% during the year.

With respect to corporate bonds, the consolidation effort undertaken in 1973 by institutional portfolio managers in order to improve the quality of securities held was intensified during the year. The gradual deterioration in interest and asset coverage ratios as a result of higher levels of corporate indebtedness and increased interest rates prompted the Caisse to place greater emphasis on the criterion of security. The book value of corporate bonds increased by \$56.6 million, reaching \$318 473 472, with a return of 8.94% at year-end, compared to 8.41% the previous year.

The short-term securities held by the Caisse amounted to \$104 973 164 at December 31st, 1974. This category particularly includes investments made specifically to meet commitments with respect to term deposits which then totalled \$68 167 930. Once this amount and the demand deposits of the segregated portfolios are deducted, the liquid assets cushion of the general fund amounted to some \$12.7 million, or 0.4% of total investments.

Composite index of the Montreal Stock Exchange 1974



Stocks

Following a decline of about 15% in North American stock markets in 1973, the start of a strong upward turn took shape in Canada at the beginning of the year. Investors believed the economic prospects of the country were better than those of a number of industrialized countries where the downward trend of stock markets had persisted since November, 1973. However, the upturn in Canadian markets proved short-lived; a general downward direction of market prices began in March and continued practically without break until December. During this period, the Dow Jones index plunged to 577.6, a decline of 35%. At the same time, Canadian stock market indexes fell by about 37% and the stock market slump spread to all industrialized countries, severely affecting Great Britain, Italy and France, in particular; in comparison, Germany and Japan experienced more modest declines.

In Canada, the common shares of a number of large corporations were trading at prices lower than their book value or even on the basis of extremely low price/earnings ratios following net profit increases partially resulting from an inflationist reevaluation of inventories.

Furthermore, the difficulties encountered in reconciling, from a tax viewpoint, the federal government and provinces rich in oil and gas added to the uncertainty of the investment climate and had an adverse impact on Western oil indexes which dropped by 55% between March and November, 1974. A similar scenario evolved in the mining area when some of the provinces levied new taxes on mining companies and the

federal government decided such taxes would not be deductible expenses for federal income tax purposes. The heavier tax burden on these companies had a negative effect on "Mines and Metals" stock market prices.

Believing that an agreement eventually would be reached between the federal and provincial governments to enable the natural resources industry to develop soundly, the Caisse substantially increased its holdings in this industry through net investments of \$39.1 million in the "Mines and Metals" sector and \$20.9 million in "Oil and Gas". This amount of \$60 million is equivalent to 54.4% of the net acquisitions of the portfolio in 1974.

The book value of the portfolio rose to \$601 878 405, of which \$22 403 971 were convertible securities. Each category of securities recorded an increase but "Mines and Metals", "Oil and Gas" and "Forest Products" were the only sectors whose relative importance increased in 1974. Following net investments of \$39.1 million, the "Mines and Metals" sector ranked second in the stock portfolio and its book value reached \$101 666 356 at December 31st, 1974. It is still the "Heavy and Secondary Industries" category which has the largest concentration of investments, totalling \$128 251 299, or 21.3% of all investments. As for the "Oil and Gas" sector, its book value reached \$98 564 913 following net purchases of \$20.9 million during the year. As

a result, the "Public Utilities" sector dropped to fourth position, even though its book value was \$93 663 134 at year-end. The acquisition of some \$17.1 million in paper company shares practically doubled the "Forest Products" sector, increasing its value to \$35 839 542 at year-end. The "Banks and Finance" and "Consumer Goods and Services" sectors, with a book value of \$72 022 728 and \$55 466 307, respectively, at December 31st, 1974, decreased in importance during the year.

Up to 1974, the liquidation value of the stock portfolio had been lower than its book value only in 1967 and 1970. However, at December 31st, 1974, its market value amounted to \$476 657 770, that is, \$125 220 635 below cost. Thus, the stock portfolio decreased from a capital surplus of \$39.3 million at the end of 1973 to a deficit of \$125.2 million at December 31st, 1974; this \$164.5 million decrease represents a reduction of 28.2% in relation to the average book value of this portfolio, taking into account net profits on sale of securities during the year. In comparison, the composite index of the Montreal Stock Exchange and the Toronto Stock Exchange declined by 29.6% and 26.6%, respectively, while the Dow Jones index dropped by 27.6%. The dividends and interest income of convertible securities totalled \$25 017 225 during the year, representing an average weighted return of 4.58% calculated on the book value of the securities, compared to 3.72% in 1973. These returns do not include net profits of \$10 695 085 realized on the sale of securities during the year.

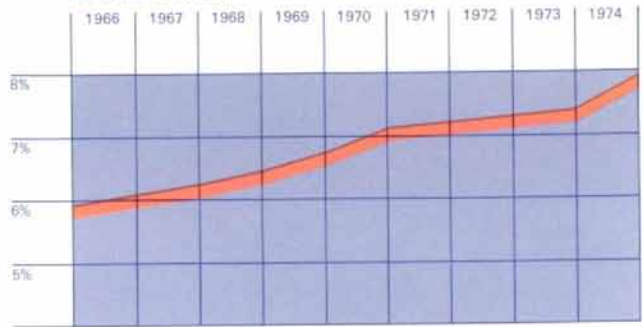
Real estate and mortgages

Inflation and numerous disruptions in the construction industry in 1974 significantly dampened the optimism of promoters, led to apathy among buyers and made lending institutions cautious.

The escalation of costs and higher mortgage interest rates, which rose progressively from 10% to 12% during the year, made it increasingly difficult to implement profitable real estate projects. Furthermore, the availability of mortgage loans was somewhat limited. In view of the fact that the real estate market reacts more slowly to economic and social change, it can be said that the climate which prevailed in 1974 has contributed to reduce the total amount of disbursements during the year. The volume of commitments and disbursements of the Caisse also will undoubtedly be reduced in 1975, due to the indecision of contractors in the light of the uncertain economic situation and unrest within the construction industry.

In 1974, the number of new authorizations and commitments for the general fund as well as for the segregated mortgage fund totalled some \$60 million, compared to \$90 million in 1973. On the other hand, disbursements of some \$74.7 million and \$12.4 million were entered in the mortgage and real estate portfolio of the general fund and the segregated mortgage fund, respectively. At December 31st, 1974, the real estate and mortgage investment portfolio amounted to \$222 478 299, an increase of \$71.2 million over the previous year. Its breakdown was as follows: 34.6% in residential buildings, 36.6% in commercial buildings, 20.4% in office buildings, and 8.4% in industrial buildings. During the year, overall average return of the portfolio increased from 8.98% to 9.44%.

Net yield on deposits



Net income

Financial statements and statistical information

The balance sheet of the general fund of the Caisse highlights an increase of \$506.3 million in the deposits account, which totalled \$3 041 237 765 at December 31st, 1974. Notice deposits reflect an increase of \$487.8 million for a total of \$2 933 680 415. Contrary to the previous year, the average return on demand and term deposits was higher in 1974 than that of notice deposits because of the high interest rates which prevailed on the money market. Interest paid or due on demand deposits fluctuated between 7.90% and 10.03%, averaging 9.64% during the year. The average rate of return on term deposits was 9.61%. As for notice deposits, the average rate of return reached 7.824% in 1974, compared to 7.337% in 1973.

The total income of the Caisse for the year ended December 31st, 1974, amounted to \$224 029 919, including a sum of \$312 091 representing administration fees paid by participants to segregated funds and by bodies which entrust their assets to the Caisse as a portfolio under management. Expenditures totalled \$2 591 051, or 0.092% of the average balance of deposits, compared to 0.099% last year. The balance of income amounted to \$221 438 868. Taking into account interest paid on demand and term deposits, net income totalled \$213 421 813 and was distributed among the holders of notice deposits in proportion to their participation.

The rate of return on total income, in relation to the average balance of all general fund deposits during the year, that is, \$2 811 228 775, is 7.969%. After deduction of expenses, the balance of income represents a net rate of return of 7.877%, compared to 7.316% in 1973.

Segregated funds and securities under management

During the past five years, the Caisse has been entrusted with the management of substantial funds of public, parapublic or peripublic pension funds. The investments it makes on behalf of these funds must be in accordance with provisions of the Supplemental Pension Plans Act and be kept separate from those of the general fund in three segregated portfolios. Sums deposited periodically by the administrator of a plan are initially accepted by the Caisse as demand or term deposits and subsequently are assigned, at specific dates and in the proportions agreed upon, to the purchase of units in the segregated bond, stock or mortgage portfolios at the unit liquidation value of the net assets of each portfolio.

It may happen that the assets of a plan already are made up of securities when the administrator entrusts management to the Caisse; these securities then are managed according to a specific mandate and the proceeds of their later liquidation are used to acquire units in the segregated portfolios. The by-laws of the Caisse provide mechanisms which enable it to enter into agreements with public sector organizations in respect to a particular type of management for a supplemental pension plan.

As a result of adoption of Bill 94, "An Act respecting retirement plans for mayors and councilors of cities and towns", assented to December 24th, 1974, the Commission administrative du régime de retraite is required to deposit with the Caisse the moneys collected pursuant to the Act, less the portion it anticipates it will need in the immediate future. The Commission, which has been dealing with the Caisse since 1973 with respect to the Government and Public Employees Retirement Plan, will establish standards for investment of the funds collected under Bill 94 in the segregated portfolios of the Caisse.

Deposits made during the year by the various participants totalled \$86 774 967, compared to \$21.3 million in 1973. They contributed to increasing the consolidated assets of the segregated funds to \$182 703 647, an advance of \$96.9 million over the previous year. These assets were made up mainly of investments of \$167 373 546, of which \$76 451 905 were in bonds and other similar securities, \$46 245 920 in common and preferred shares and convertible debentures, and \$44 675 721 in mortgages. The proportion of these investments in the private sector was 78.7%.

The assets of the segregated bond portfolio increased by \$46.4 million in 1974 for a total of \$77 647 671. The average yield of the securities improved significantly, rising from 8.51% to 9.93% during the year. Analysis of the "Investments" account reveals an increase of \$46.2 million, \$23.3 million of which were in private sector securities and \$22.9 million in the public sector. The "Gouvernement du Québec and guaranteed" bond category increased by \$9.1 million during the year while that of the securities "Guaranteed by provincial grants" advanced by \$8.9 million. As for municipal and school bonds,

they were up by \$5.7 million. At December 31st, 1974, corporate bonds represented 53.5% of total investments, compared to 58.2% the previous year.

Net earnings of the segregated bond portfolio totalled \$4 535 190, bringing total retained earnings to \$8 169 550. During the year, 31 302 units were issued for a consideration of \$41 912 449. The liquidation value of each of the 53 401 units outstanding at December 31st was \$1 388.59, compared to \$1 375.74 at the end of the previous year. Despite a decrease of about 14% in the overall long-term bond market in 1974, the liquidation value of the segregated bond portfolio unit nevertheless increased by 0.93% during the year.

Total assets of the segregated stock portfolio more than doubled in 1974, totalling \$46 768 464 at year-end. Total investments of \$46 245 920 were made up of \$918 196 in convertible debentures and \$45 327 724 in common and preferred shares issued by 89 Canadian companies, all listed on stock exchanges. Net earnings, including net profits on sale of securities, totalled \$2 180 397. During the year, 21 968 units were issued for a price of \$23 031 346. The liquidation value of each of the 38 103 units outstanding at December 31st, 1974, was \$939.80, compared to \$1 265.86 last year, a drop of 25.8%. This decrease was recorded during a period when the composite index of the Montreal Stock Exchange slumped by 29.6%.

As for the segregated mortgage portfolio, its assets increased by \$25.2 million, reaching \$58 287 512. Demand deposits and short-term securities in the portfolio totalled \$11 145 423 because the Caisse had committed itself to purchase some 630 insured mortgage loans totalling approximately \$10.1 million at the beginning of 1975. Net earnings for the year amounted to \$4 302 666, bringing retained earnings at year-end to \$8 309 486. A total of 16 222 units were issued for an amount of \$20 945 823. At year-end, each of the 42 979 outstanding units was worth \$1 356.19, compared to \$1 234.78 the previous year, an increase of 9.83%. The average return on mortgages was 9.48% as at December 31st, 1974, compared to 9.37% in 1973.

At year-end, the consolidated assets of the pension funds administered by the Caisse as portfolios under management totalled \$30 182 975 and the assets as a whole of all the pension funds under its management amounted to \$212 886 622.

In conformity with an agreement entered into October 19th, 1973, and approved by the Lieutenant-Governor in Council, the Caisse manages the bond portfolio of the Commission des accidents du travail de Québec. Under the agreement, the proceeds of the liquidation of securities and any funds subsequently deposited by the Commission are invested in the general fund of the Caisse. During the year, book value of the investments of the Commission decreased by \$5.3 million, amounting to \$189 236 977 at year-end. The average return on these investments was 7.12% at year-end, compared to 7.01% in 1973. At December 31st, 1974, the total assets of the Commission managed by the Caisse amounted to \$264 022 386, an increase of \$36.3 million over the previous year.

Board of Directors

During the year, the Lieutenant-Governor in Council appointed Mr. John H. Dinsmore, Assistant Deputy-Minister of Industry and Commerce, to succeed Mr. Claude Forget who resigned at the end of 1973.

Staff

At year-end, the regular staff of the Caisse consisted of 86 employees.

The results of this ninth year of operation provide eloquent evidence as to the efforts made by the management, officers and employees of the Caisse. The Board of Directors is pleased to express its gratitude for the initiative and devotion they showed in carrying out their respective duties.

On behalf of the Board of Directors,

Chairman



Québec, March 7th, 1975

Balance sheet

as at December 31st, 1974

Assets

	1974	1973
Investments (Note 2)		
Bonds	\$ 2 176 462 670	\$ 1 865 548 010
Shares and convertible securities	601 878 405	491 655 228
Mortgages (Note 3)	197 941 685	128 900 001
Real estate (Note 6)	24 536 614	23 047 203
Assets under lease	1 206 315	1 488 442
Short-term investments	104 973 164	85 943 437
	\$ 3 106 998 853	\$ 2 596 582 321
Cash	435 488	2 303 014
Investment income receivable	54 604 583	42 563 781
Other assets	1 467 366	1 003 517
	\$ 3 163 506 290	\$ 2 642 452 633

The accompanying notes are an integral part
of the financial statements

On behalf of the Board of Directors,

Marcel Cazavan
Gill Fortier

Liabilities

	1974	1973
Deposits		
Notice deposits (Note 4)	\$ 2 933 680 415	\$ 2 445 923 839
Term deposits	68 167 930	42 100 000
Demand deposits	39 389 420	46 886 917
	\$ 3 041 237 765	\$ 2 534 910 756
Accrued interest on deposits	64 282 115	47 089 267
Transactions under settlement	5 619 672	7 953 676
Other liabilities (Note 6)	2 183 059	1 428 493
	\$ 3 113 322 611	\$ 2 591 382 192
General reserve (Note 5)	50 183 679	51 070 441
	\$ 3 163 506 290	\$ 2 642 452 633

Auditor's Report

In accordance with Section 43 of the Caisse de dépôt et placement du Québec Act, I have examined the balance sheet of the Caisse de dépôt as at December 31st, 1974, and the statement of income and expenditure for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the investments and the operations of the Caisse de dépôt were made in compliance with the Act; the accompanying balance sheet and statement of income and expenditure present fairly the financial position of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Robert Noël, C.A.
Assistant Auditor-General
Québec, March 5th, 1975

Statement of income and expenditure

for the year ended December 31st, 1974

Income	1974	1973
Investment income		
Interest on bonds	\$ 167 967 358	\$ 138 858 235
Dividends and interest on convertible securities	25 017 225	15 942 802
Interest on mortgages	15 337 319	9 253 818
Real estate and leased asset revenue	2 572 269	1 877 514
Net interest on short-term investments	12 779 373	6 177 182
	\$ 223 673 544	\$ 172 109 551
Administration fees	312 091	132 864
Other income	44 284	202 765
Total income	\$ 224 029 919	\$ 172 445 180
Expenditure		
Directors' fees and expenses	\$ 6 734	\$ 6 173
Salaries and fringe benefits	1 565 175	1 194 398
Travel expenses	64 115	52 312
Legal, professional and bank charges	223 976	237 615
Premises and office equipment	591 126	683 263
Documentation and stationery	81 974	68 640
Other expenses	57 951	48 022
	\$ 2 591 051	\$ 2 290 423
Balance of income	\$ 221 438 868	\$ 170 154 757
Interest on demand and term deposits	8 017 055	4 367 488
Net income	\$ 213 421 813	\$ 165 787 269

The accompanying notes are an integral part of the financial statements

Summary of allocation of balance of income

	Interest on deposits		
	Demand and term deposits	Notice deposits	Total
Balance of accrued interest at the beginning of the year	\$ 1 260 431	\$ 45 828 836	\$ 47 089 267
Balance of income	8 017 055	213 421 813	221 438 868
	\$ 9 277 486	\$ 259 250 649	\$ 268 528 135
Transfers to deposit accounts	6 989 522	197 256 498	204 246 020
Balance of accrued interest at year-end	\$ 2 287 964	\$ 61 994 151	\$ 64 282 115

Deposit accounts – Summary of transactions

	Deposits		
	Demand and term deposits	Notice deposits	Total
Balance at the beginning of the year	\$ 88 986 917	\$ 2 445 923 839	\$ 2 534 910 756
Deposits	302 080 989	—	302 080 989
Transfers	(290 500 078)	290 500 078	—
Interest	6 989 522	197 256 498	204 246 020
Balance at year-end	\$ 107 557 350	\$ 2 933 680 415	\$ 3 041 237 765

General reserve

	1974	1973
Balance at the beginning of the year	\$ 51 070 441	\$ 33 350 552
Net profit and loss on sale of investments	(886 762)	17 719 889
Balance at year-end	\$ 50 183 679	\$ 51 070 441

Notes to the financial statements

Note 1

The financial statements include the accounts of the Caisse de dépôt et placement du Québec and its wholly-owned subsidiaries, Cadim Inc. and Développements Pasteur Inc.

Note 2

Shares, land and short-term investments are accounted at cost while other investments are at amortized cost. At December 31st, 1974, the market value of investments was \$2 730 550 076 (1973, \$2 541 605 056).

Note 3

Mortgages include an amount of \$53 054 015 (1973, \$35 713 552) of loans in the form of mortgage bonds issued under a trust deed.

Note 4

Notice deposits consist of 3 370 355,652 (1973, 2 766 422,772) units of participation giving their holders a proportionate share in the net assets and net income of the Caisse de dépôt et placement du Québec.

Note 5

The general reserve is made up of net profit and loss realized on sale of investments, to be used as an adjusting account on withdrawals of notice deposits.

Note 6

The figures of 1973 for real estate and other liabilities have been increased by an amount of \$628 201 to conform with those of 1974.

Statistical information

Yield on deposits

	Amount	Yield equivalence on average deposits*
Total income	\$ 224 029 919	7.969%
Expenditure	2 591 051	0.092%
Balance of income	\$ 221 438 868	7.877%

*Average balance of deposits amounted to \$2 811 228 775

Average interest rate paid on deposits

	Average deposits	Interest paid or due	Average yield
Demand deposits	\$ 34 542 395	\$ 3 329 601	9.639%
Term deposits	48 801 197	4 687 454	9.605%
Notice deposits	2 727 885 183	213 421 813	7.824%
Total	\$ 2 811 228 775	\$ 221 438 868	7.877%

Summary of investments as at December 31st, 1974

% Book value		Nominal value
Bonds		
1.18%	Government of Canada	\$ 41 150 000
49.38%	Gouvernement du Québec and guaranteed	1 567 837 500
3.33%	Guaranteed by provincial grants	106 086 000
5.91%	Municipal and school	192 124 000
10.25%	Corporate	323 052 666
70.05%		<u>\$ 2 230 250 166</u>
Stocks and convertible securities		
3.01%	Public utilities	
2.32%	Banks and financial	
1.79%	Consumer goods and services	
4.13%	Heavy and secondary industries	
3.17%	Oil and gas	
3.27%	Mines and metals	
1.15%	Forest products	
0.53%	Real estate companies	
19.37%		
4.66%	Mortgages	
1.71%	Mortgage bonds issued under a trust deed	
0.79%	Real estate	
7.16%		
0.04%	Assets under lease	
3.38%	Short-term investments	
100.00%	Total investments	

Note : At December 31st, 1974, the net cumulative profit on sale of investments was \$50 183 679

Book value	Percentage	Weighted average yield	Market value
\$ 36 737 671	1.69%	7.68%	\$ 34 207 408
1 534 238 748	70.49%	8.54%	1 360 007 907
103 320 856	4.75%	8.73%	90 469 173
183 691 923	8.44%	8.76%	159 119 891
318 473 472	14.63%	8.94%	281 430 149
<u>\$ 2 176 462 670</u>	<u>100.00%</u>	<u>8.61%</u>	<u>\$ 1 925 234 528</u>
\$ 93 663 134	15.56%	5.65%	\$ 75 264 500
72 022 728	11.97%	5.95%	77 897 731
55 466 307	9.22%	3.29%	39 592 038
128 251 299	21.31%	5.03%	106 855 990
98 564 913	16.38%	2.12%	63 837 143
101 666 356	16.88%	4.97%	70 202 734
35 839 542	5.95%	7.12%	33 555 094
16 404 126	2.73%	2.52%	9 452 540
<u>\$ 601 878 405</u>	<u>100.00%</u>	<u>4.58%</u>	<u>\$ 476 657 770</u>
\$ 144 887 670	65.12%	9.34%	\$ 144 887 670
53 054 015	23.85%	9.29%	53 054 015
24 536 614	11.03%	10.20%	24 536 614
<u>\$ 222 478 299</u>	<u>100.00%</u>	<u>9.44%</u>	<u>\$ 222 478 299</u>
\$ 1 206 315		8.13%	\$ 1 206 315
\$ 104 973 164		10.87%	\$ 104 973 164
<u>\$ 3 106 998 853</u>			<u>\$ 2 730 550 076</u>

Segregated portfolios

At the end of 1969, the Act broadened the field of activity of the Caisse de dépôt by allowing it to manage the sums of money derived from supplemental pension plans of public or quasi-public bodies.

The Caisse de dépôt is required to hold the investments of these plans separate from its own and to manage them pursuant to the Act governing supplemental pension plans. These investments in bonds, stocks and mortgages are designated by the Caisse de dépôt as segregated portfolios.

Segregated portfolio – bonds

Balance sheet

as at December 31st, 1974

Assets

	1974	1973
Investments, at amortized cost (Market value \$72 970 183; 1973, \$29 411 746)	\$ 76 451 905	\$ 30 209 246
Demand deposits	(687 362)	37 409
Term deposits	—	400 000
Accrued interest	1 883 128	553 377
	<u>\$ 77 647 671</u>	<u>\$ 31 200 032</u>
Participants' equity		
53 401 units of participation (1973, 22 099 units)	\$ 69 478 121	\$ 27 565 672
Retained earnings	8 169 550	3 634 360
	<u>\$ 77 647 671</u>	<u>\$ 31 200 032</u>

On behalf of the Board of Directors,

Marcel Cazavan
Gill Fortier

Auditor's Report

I have examined the balance sheet of the Segregated Portfolio-Bonds of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the statement of earnings and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Bonds of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Robert Noël, C.A.
Assistant Auditor-General
Québec, March 5th, 1975

Statement of earnings and retained earnings

for the year ended December 31st, 1974

	1974	1973
Investment income		
Interest on bonds	\$ 4 789 597	\$ 1 643 487
Interest on demand deposits	59 505	66 665
Interest on term deposits	373 607	83 741
	\$ 5 222 709	\$ 1 793 893
Profit and loss on sale of securities	(687 519)	26 932
Net earnings for the year	\$ 4 535 190	\$ 1 820 825
Balance of retained earnings at the beginning of the year	3 634 360	1 813 535
Balance of retained earnings at year-end	\$ 8 169 550	\$ 3 634 360

Note

The management fees of this portfolio are charged directly to the participants and amounted to \$58 665 for the year ended December 31st, 1974.

Segregated portfolio – stocks

Balance sheet

as at December 31st, 1974

Assets

	1974	1973
Investments, at cost (Market value \$35 286 717 ; 1973, \$17 431 299)	\$ 46 245 920	\$ 18 563 375
Demand deposits and short-term securities	521 066	2 977 879
Accrued interest and dividends receivable	1 478	15 467
	<u>\$ 46 768 464</u>	<u>\$ 21 556 721</u>
Participants' equity		
38 103 units of participation (1973, 16 135 units)	\$ 41 332 009	\$ 18 300 663
Retained earnings	5 436 455	3 256 058
	<u>\$ 46 768 464</u>	<u>\$ 21 556 721</u>

On behalf of the Board of Directors,

Marcel Cazavan
Gill Fortier

Auditor's Report

I have examined the balance sheet of the Segregated Portfolio-Stocks of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the statement of earnings and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Stocks of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Robert Noël, C.A.
Assistant Auditor-General
Québec, March 5th, 1975

Statement of earnings and retained earnings

for the year ended December 31st, 1974

	1974	1973
Investment income		
Dividends and interest on convertible securities	\$ 1 077 353	\$ 538 187
Interest on demand deposits and short-term securities	70 071	97 803
Interest on term deposits	—	16 389
	\$ 1 147 424	\$ 652 379
Profit and loss on sale of securities	1 032 973	1 431 040
Net earnings for the year	\$ 2 180 397	\$ 2 083 419
Balance of retained earnings at the beginning of the year	3 256 058	1 172 639
Balance of retained earnings at year-end	\$ 5 436 455	\$ 3 256 058

Note

The management fees of this portfolio are charged directly to the participants and amounted to \$44 753 for the year ended December 31st, 1974.

Balance sheet

as at December 31st, 1974

Assets

	1974	1973
Mortgages	\$ 44 675 721	\$ 25 307 348
Demand deposits and short-term securities	11 145 423	(16 979)
Term deposits	2 000 000	7 500 000
Accrued interest	466 368	248 654
	<u>\$ 58 287 512</u>	<u>\$ 33 039 023</u>
Participants' equity		
42 979 units of participation (1973, 26 757 units)	\$ 49 978 026	\$ 29 032 203
Retained earnings	8 309 486	4 006 820
	<u>\$ 58 287 512</u>	<u>\$ 33 039 023</u>

On behalf of the Board of Directors,

Marcel Cazavan
Gill Fortier

Auditor's Report

I have examined the balance sheet of the Segregated Portfolio-Mortgages of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the statement of earnings and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Mortgages of the Caisse de dépôt et placement du Québec as at December 31st, 1974, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Robert Noël, C.A.
Assistant Auditor-General
Québec, March 5th, 1975

Segregated portfolio – mortgages**Statement of earnings and retained earnings**

for the year ended December 31st, 1974

	1974	1973
Investment income		
Interest on mortgages	\$ 3 349 327	\$ 2 001 034
Interest on demand deposits and short-term securities	337 239	266 973
Interest on term deposits	616 100	160 068
Net earnings for the year	\$ 4 302 666	\$ 2 428 075
Balance of retained earnings at the beginning of the year	4 006 820	1 578 745
Balance of retained earnings at year-end	\$ 8 309 486	\$ 4 006 820

Note

The management fees of this portfolio are charged directly to the participants and amounted to \$88 540 for the year ended December 31st, 1974.

