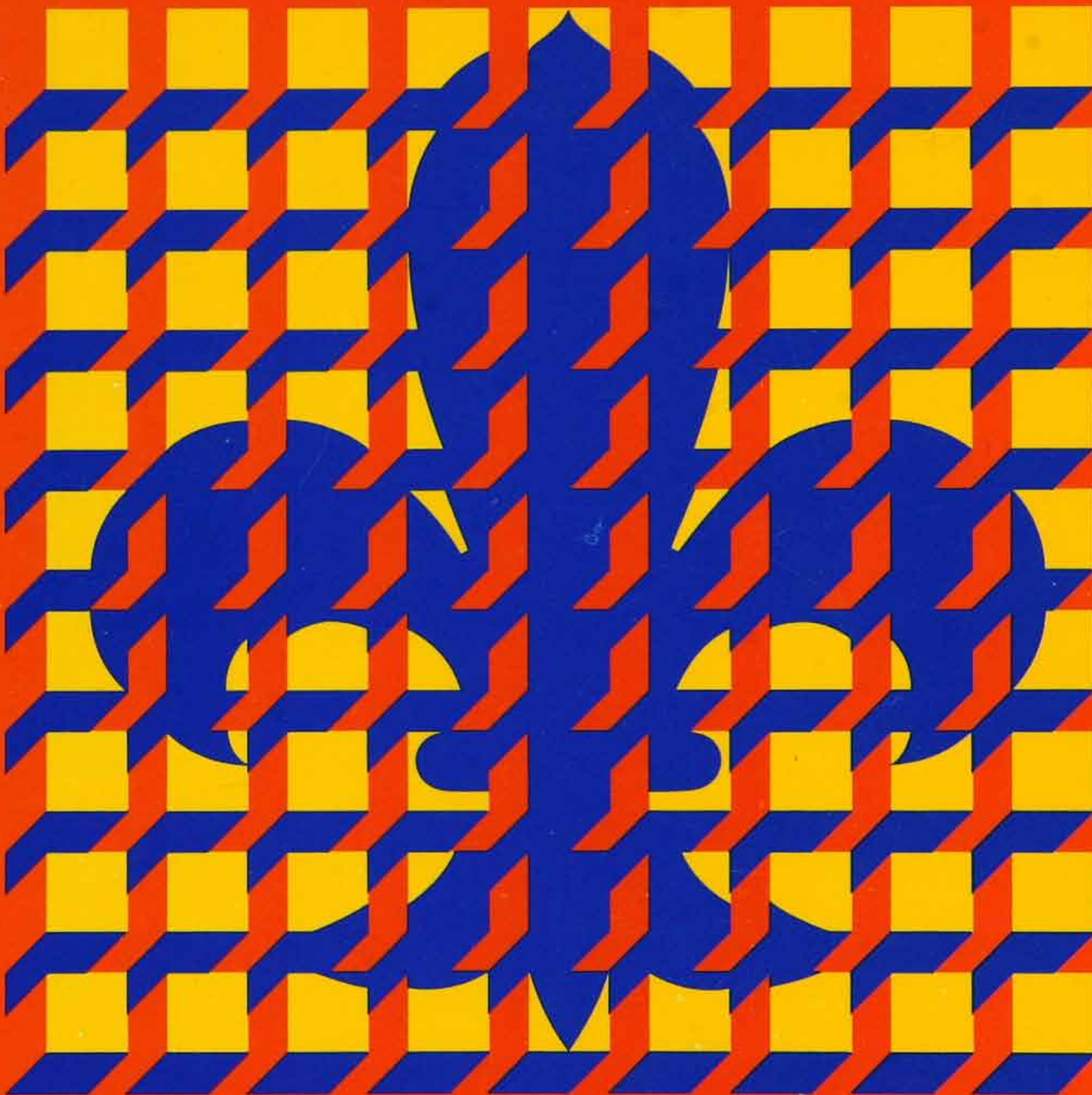
Tenth Annual Report

1975

Caisse de dépôt et placement du Québec



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Caisse de dépôt et placement du Québec

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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 du Québec

Hervé Belzile
President
Alliance Mutual Life Insurance Company

Claude Castonguay
Pouliot, Guérard, Castonguay & Associates Inc.

John H. Dinsmore
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

Bond Department
Roland Lefebvre, Manager
Jean Laflamme, Associate Manager
Serge Leclerc, Assistant Manager

Stock Department
Pierre Arbour, Manager
Étienne J. de Kosko, Associate Manager
Pierre Dufresne, Associate Manager
Raymond Lacourse, Associate Manager
André Bineau, Director of Research
Reynald N. Harpin, Assistant Manager
Claude L. Langevin, Assistant Manager
Jean-Marc Pilon, Portfolio Manager

Private Placement Department
Jean C. Lavoie, Manager
Jacques Doiron, Associate Manager
Jean Longpré, Assistant Manager

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

Depositors' Services Department
Gérard J. Blondeau, Manager
Jacques Roy, Executive Assistant

Economic Research Department
Pierre Mayer, Associate Manager

Administrative Services Department
Pierre E. Langlois, Manager
Guy Rhéaume, Assistant Treasurer
Gody Lienhard, Assistant Manager
Louise M. Zakaib, Personnel

Secretariat
Marcel Camu, Secretary

Internal Audit
Serge Desjardins, Internal Auditor

List of depositors

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

- Commission administrative du régime de retraite
  Government and public employees retirement plan
  Retirement plans for mayors and councillors of cities and towns
- Commission des accidents du travail de Québec
- Office de la construction du 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

Supplemental pension plans whose administrators entrust the management of funds to Caisse de dépôt et placement du Québec

- 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)

Legal Deposit-1st quarter 1976
Bibliothèque nationale du Québec

Caisse de dépôt et placement du Québec

Québec, March 12th, 1976

Raymond Garneau, Esq.
Minister of Finance
Gouvernement du Québec

Sir:
In accordance with provisions of the charter of Caisse de dépôt et placement du Québec, I transmit herewith our tenth annual management report for the year ended December 31st, 1975.

As required under Section 41 of the charter, this report contains a summary of operations and a statement of policies pursued, the audited financial statements of the General Fund and Segregated Funds for the year then ended, the Auditor-General's report, as well as statistical data.

Yours very truly,

M Cazavan

Marcel Cazavan
Chairman of the Board
and General Manager

Address by Mr. Marcel Cazavan, Chairman of the Board of Directors and General Manager of the Caisse de dépôt et placement du Québec, at a meeting of the Board held February 20th, 1976.

Before examining the results of the tenth year of operations, I would like to review the first decade of the Caisse de dépôt et placement du Québec. The Caisse has had many noteworthy achievements and indeed has even surpassed the expectations of 1965. The record of the Caisse is a sound one and those who have been involved, either directly or indirectly, in the various stages of its conception, creation, establishment, management, operations, and growth can be proud of its success.

Sparked by a desire for sound financial emancipation and guided by the accomplishments of the Caisse des dépôts et consignations of France, an agency established in 1816, the Caisse came into being simultaneously with the Régie des rentes du Québec. Their existence was closely related to the coming into force January 1st, 1966, of a compulsory and universal pension program in Canada.

In 1965, it was expected that the Caisse would become an important financial instrument, with other public and parapublic bodies eventually funnelling moneys into it. However, its charter specified that such bodies could deposit funds with the Caisse only with prior authorization from the legislator. This restriction in the scope of its operations is still in effect and the Caisse therefore cannot accept deposits from the general public nor manage private pension funds.

Depositors
Since 1966, various agencies and boards have joined our original depositor, the Régie des rentes. These were the Régie de l'assurance-dépôts du Québec, the Régie de l'assurance-récolte du Québec and the Régie des marchés agricoles du Québec in 1967 and the Régie de l'assurance-maladie du Québec in 1970. The same year, the Caisse also was empowered to manage the funds of supplemental pension plans established by collective agreement decrees. Following amendments to the Act governing it in 1972, the Commission des accidents du travail de Québec entrusted management of a substantial portfolio of securities to the Caisse. The Bureau d'organisation du régime de retraite des employés du gouvernement et des organismes publics – since become the Commission administrative du régime de retraite des employés du gouvernement et des organismes publics – made its first deposit in August, 1973. Finally, three parapublic agencies, authorized to enter into an agreement with the Caisse by mutual consent for management of assets of their supplemental pension plans, exercised this right in 1971 and 1972. At December 31st, 1975, the Caisse had eleven depositors and their consolidated assets totalled $4.3 billion.

Trustee's mandate
It goes without saying that because the Caisse had such a large pool of funds under its management, it soon became a major influence on Canadian financial markets and in business circles. However, its success cannot be measured by the size of its assets nor by the scope of its influence alone. It is rather judged by the manner in which it carries out its dual mandate of trustee and economic agent. This is the challenge the Caisse seeks to take up in its day-to-day operations by conscientiously fulfilling its role of super-trustee on behalf of a community whose legitimate desire for economic progress must always be an uppermost consideration.

This special status often has made it more difficult for the Caisse to discharge its mandate on a daily basis but it was essential that it comply with the strict discipline of the money, financial and stock markets from the very start in order to establish credibility. Since then, it has continued to deal at arm's length in securities of private or public issuers. The National Assembly unanimously had established the Caisse as an autonomous body in 1965 and it has always remained fundamentally independent in the management of its affairs. Despite this, there have been occasional insinuations in certain circles, particularly outside Québec, that some of its decisions were inspired by political motives or by petty nationalism. Suffice it to say, in reply to such criticism, that when the Caisse decides, for example, to handle its stock transactions through a smaller number of investment dealers, to agree to sell securities following a takeover bid, to finance a particular building complex, or to retain the services of a consulting firm, it does so of its own volition, basing itself above all on proven criteria of profitability and efficiency.

Posthumous tribute to the founding Chairman
The numerous achievements of the first decade make it possible to appreciate the scope of the challenge which the founding Chairman, Mr. Claude Prieur, took up in January, 1966. Regretfully, fate deprived him of the satisfaction he would have derived from completing his original mandate and from seeing the breadth of the task he had undertaken enthusiastically and earnestly, fully aware of the difficulties inherent in the post. His untimely death April 11th, 1973, was deeply felt in circles where he had worked. It is fitting to recall here the tribute which Le Devoir published at the time: *"The fact that the Caisse experienced such a brilliant start under his direction... bears witness to Mr. Prieur's exceptional competence and to the excellent choice Mr. Lesage had made when he invited Mr. Prieur to serve his fellow-citizens. Mr. Prieur had great financial power at his disposal and he used it to build a reputation of soundness, com-*

petence and efficiency for the Caisse which, more than any other factor, was to contribute to its emergence today as an acknowledged leader in the financial world."

Role of the Board of Directors

This retrospective also provides me with an opportunity to pay tribute to those who, like you, during the past decade, contributed meaningfully to the development of the Caisse through their efforts as members of the Board, namely, Mr. Michel-F. Bélanger, the late Mr. A. Hamilton Bolton, Messrs. Robert De Coster, Claude Forget, Charles B. Neapole, Roland Parenteau, Jacques Parizeau, Marcel Pepin, Mr. Justice John F. Sheehan, and Mr. Maurice Turgeon. Finally, it is appropriate that I make special reference to the valued contribution of Messrs. Raymond Lavoie and E.-A. Lemieux who have been members of the Board since the Caisse was founded. We benefitted from their vast business experience and useful counsel at Board meetings and are appreciative of their valuable support on many occasions.

Staff recruitment and training

Those who have closely observed the operations and evolution of the Caisse during its first decade can appreciate the encouraging results of the ongoing efforts to recruit and train a highly qualified staff. It was said in 1965 that technical competence of the staff would be the greatest guarantee of good administration. This task has proven difficult in many respects. First of all, there were far fewer Francophone or bilingual specialists experienced in portfolio management, trading, security analysis or well versed in economic matters than there are today. Moreover, it was difficult to convince them to leave desirable positions in the private sector to undertake a career in a new environment where the rules of the game at the time to them appeared somewhat ill-defined. Finally, the fact that the appointment and remuneration of staff were subject to provisions of the Civil Service Act was a not insignificant constraint in the long term.

Without raiding brokerage firms or financial institutions, the Caisse succeeded in recruiting a small initial staff of investment specialists who, though young, had valid experience and who later were able to supervise the training of a number of university graduates in finance. The nature and scope of the activities of the Caisse provided the proper setting for staff improvement. In fact, it has made it possible for over one hundred security and real estate specialists to develop and gain experience during the past decade ; of these, 68 were still on the staff of the Caisse at December 31st, 1975. At the same date, the total strength of the Caisse was 102 and the average assets per employee totalled $42.3 million, compared to $21 million five years earlier.

The Caisse has succeeded in instilling a sense of tradition and continuity in its employees and, consequently, it can look forward confidently to the management of increasingly larger funds in the future. However, the development of its human resources will remain a priority because its management team is rather young and because the number of Francophone investment specialists in Québec is still too limited as overall demand continues to grow.

Highlights for the year

	1975		1974	
Assets under management				
General fund	**$3 699 030 035**	**85.7%**	$3 163 506 290	88.7%
Segregated funds	**370 113 811**	**8.6%**	182 703 647	5.1%
Funds under management	**246 411 995**	**5.7%**	219 419 952	6.2%
	$4 315 555 841	**100.0%**	$3 565 629 889	100.0%
Total income				
General fund	**$ 275 962 759**	**86.8%**	$ 223 143 157	89.4%
Segregated funds	**24 875 730**	**7.8%**	11 018 253	4.4%
Funds under management	**17 016 718**	**5.4%**	15 463 862	6.2%
	$ 317 855 207	**100.0%**	$ 249 625 272	100.0%
Administrative expenditures	**$ 3 895 097**		$ 2 591 051	
Deposits				
Demand deposits	**$ 51 740 749**	**1.5%**	$ 39 389 420	1.3%
Term deposits	**58 097 367**	**1.6%**	68 167 930	2.2%
Notice deposits	**3 457 071 728**	**96.9%**	2 933 680 415	96.5%
	$3 566 909 844	**100.0%**	$3 041 237 765	100.0%
Average balance of deposits	**$3 362 089 301**		$2 811 228 775	
Average interest rate paid				
Demand deposits	**$ 5 457 641**	**7.703%**	$ 3 329 601	9.639%
Term deposits	**4 731 979**	**8.553%**	4 687 454	9.605%
Notice deposits	**262 557 679**	**8.114%**	213 421 813	7.824%
Yield on deposits	**$ 272 747 299**	**8.112%**	$ 221 438 868	7.877%
Number of employees	**102**		86	

Management Report

During the fiscal year ended December 31st, 1975 – the tenth year in its history – the Caisse de dépôt et placement du Québec continued to progress rapidly. Net rate of return on average deposits again reached a new high of 8.11%, in comparison with 7.88% in 1974. Assets of its General Fund totalled $3 699 030 035, a 16.9% increase. As for consolidated assets of the three segregated funds, they once again doubled in 1975 to total $370 113 811. Including funds of $246 411 995 under management, total assets of the funds managed by the Caisse increased to $4 315 555 841, a rise of 21% over the previous year.

This tenth annual report differs in appearance from previous reports. Firstly, its format has been altered because of the scope of operations and the need to provide a retrospective analysis of financial data. Secondly, it has become desirable to provide a separate section for operations of the segregated funds which today represent an important portion of total assets managed by the Caisse.

The economy

Like most industrialized countries, Canada experienced a recession in 1975. However, the situation was not as acute in Canada. The Gross National Product declined only slightly following a moderate increase of 2.8% in 1974.

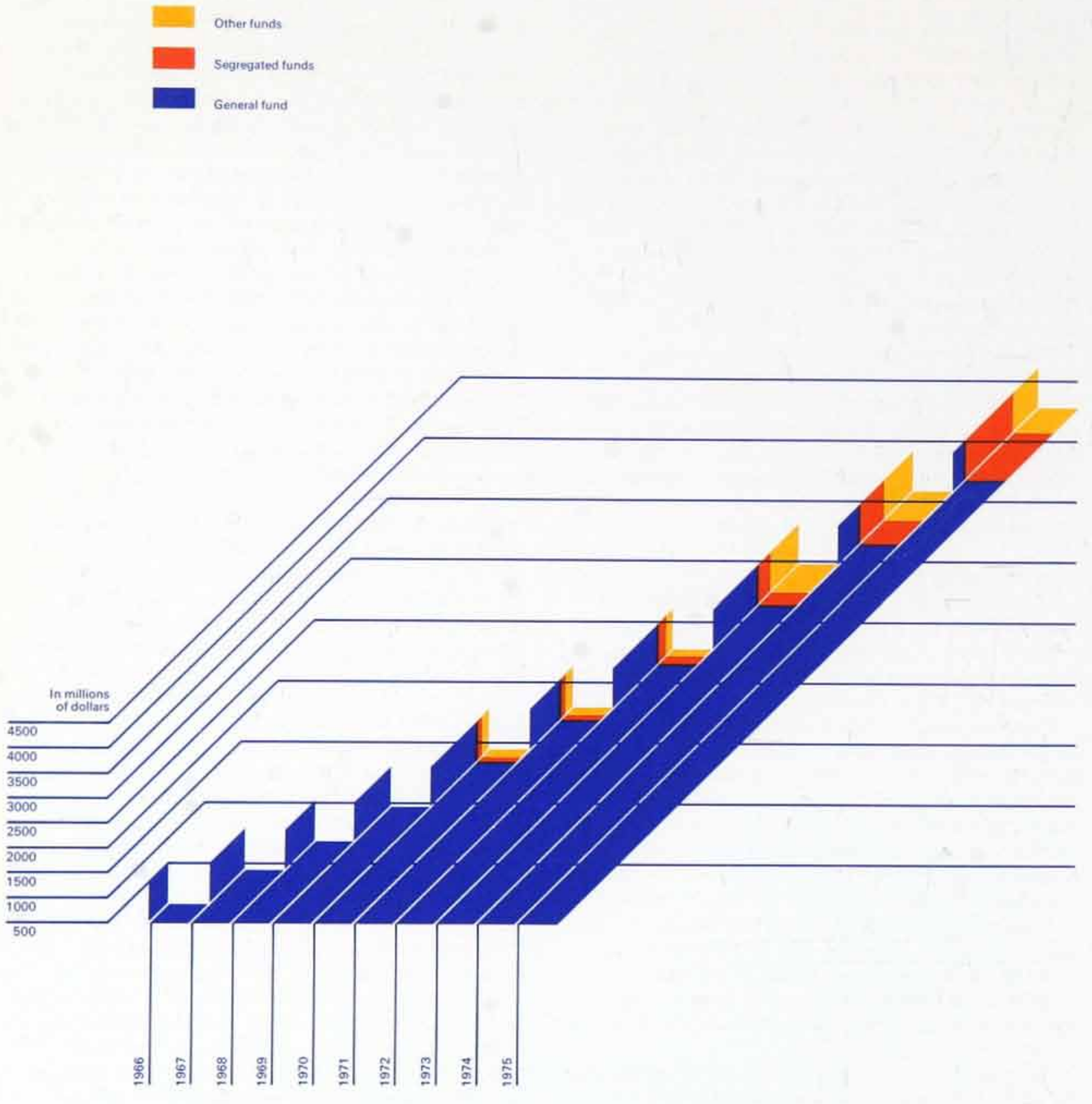
The stagnation of the Canadian economy was part of the extended economic slowdown which began early last year under the influence of a sustained decline in consumer spending and industrial investments. While purchasing power of Canadian consumers was reduced because of the rapid rise in unemployment and inflation, business reacted negatively to the weakness of the overall demand, to the accumulation of production overcapacity, and to reduction in profits. Finally, following two years of inordinate accumulation, a substantial liquidation of inventories proved a determining factor in the mediocre performance of the Canadian economy.

As to foreign trade, the volume of exports dropped by about 7.5% due to weak external demand and to restrictions imposed on Canadian oil and gas exports. The volume of imports declined by approximately 4% as a result of diminishing domestic demand which nevertheless remained strong viewed against that of other industrialized countries. Along with a marked deterioration in terms of trade, the current account deficit increased from $2.2 billion in 1974 to approximately $5.6 billion. The result of this deficit situation was an 8% devaluation in the Canadian dollar from mid-1974 to mid-1975.

With respect to prices, costs and revenues, the situation grew sufficiently alarming to prompt the federal government to adopt price and income control policy. In point of fact, despite the weakness in demand and the high level of overcapacity, the Consumer Price Index increased by an average of 10.8% in 1975 following a similar rise the previous year. These price advances were sustained by spiralling unit prices brought about mainly by substantial salary increases coupled with a drop in productivity. Unusual tensions in the food industry, combined with adjustments in the structure of energy prices, further darkened the picture. All in all, this inflationary environment contributed to limiting the reduction in declared earnings to about 4% in 1975. Finally, a slower employment growth, along with an ever-increasing active population, raised the annual average unemployment rate from 5.4% in 1974 to 7.1% in 1975.

Changes in the Canadian economic situation in 1975 were influenced by more stringent monetary restrictions. In addition, the federal budget brought down in June constituted a complete turn-around following four straight years of expansionary measures. While such steps favored economic growth, they jeopardized the stability of prices and the balance of payments in 1975. To remedy the situation, federal fiscal policy became increasingly restrictive, as evidenced by increased unemployment insurance contributions, temporary elimination of family allowance indexation, elimination of some programs, and budget cuts. Although relatively moderate until now, such austerity measures seem to presage stronger intervention in the years to

Assets under management



come to stem the growth of government expenditures and to reduce the budget deficit gradually.

Canadian monetary policy also became more restrictive in 1975 in an effort to counterbalance these deficient price and balance of trade situations. Indeed, at the end of the first quarter of 1975, the Bank of Canada gradually restricted its credit terms, thus relinquishing the traditional position of alignment with American monetary policy. This tightening intensified during the second semester when the demand for short-term loans was unduly inflated by prolonged interruption of postal services.

The purpose of such a strategy is to curtail economic growth and, simultaneously, to ease the inflationary spiral. In addition, the lowering effects on imports are likely to alleviate the current deficit. Finally, by increasing the yield spreads with those of the American financial market, this strategy ensures financing of the external deficit while seeking to contain the downward trend of the Canadian dollar. Introduction of the anti-inflation program last October confirmed the soundness of this strategy when emphasis was placed on the determination of the Bank of Canada to support the controls in years ahead through gradual reduction in the growth of monetary aggregates at a non-inflationary rate.

Because of the distortion caused by the postal strike, the stringency of Canadian monetary policy was not truly reflected in the evolution of monetary aggregates in 1975. However, marked deterioration in the general liquidity of banks, spiralling interest rates on the Canadian short-term money market, and significant and unprecedented yield spreads with those of the American financial markets are clearly the consequence of such restraints. It is to be expected that these measures will be relaxed gradually and that the Bank of Canada progressively will align its monetary policy with that of the United States depending on the rate of inflation abatement and partial reduction of the huge current account deficit.

In 1975, the Québec economy was affected adversely by the Canadian recession but the drop in industrial production was not as pronounced as that of Canada as a whole. It is therefore appropriate to speak of a slowdown in the Québec economy in 1975; it resulted in a virtually nil rate of growth, in a contraction in the value of residential construction, in substantial price increases, and in a high rate of unemployment.

The overall increase in capital expenditures in Québec was significantly lower than in 1974. The weakness was concentrated in the manufacturing and construction industries. The Québec share of overall manufacturing investments in Canada was, in fact, lower than last year. The main increases occurred in the primary metal, transport equipment, and chemical and allied products industries.
A lowering trend also was noted in the food and beverage, rubber, forest and paper industries. The value of manufacturers' shipments in Québec was higher than in 1974 and this increase also was greater than that recorded in Canada. Although the rate of growth of large manufacturing operations declined, the transport equipment and machinery industries remained highly active. However, reductions were recorded, mainly in the textile, knitted goods, forest, furniture and furnishings, primary metals and other manufacturing industries.

The degree to which the competitive position of Canadian and Québec products deteriorated on international markets because of spiralling wage costs in recent years cannot be determined at present. However, a study of the Canadian foreign trade structure, particularly with the United States, and the much higher wage increases in the Canadian manufacturing sector compared with those of our main trading partner indicate it might well become more profitable to import from the United States products now manufactured in Canada.

Investment policy

Study of the General Fund Summary of Investments at December 31st, 1975, shows the following breakdown: 70.96% in bonds, 17.58% in stocks and convertible securities, 6.19% in mortgages and real estate, and 5.27% in short-term investments. Compared with last year, the shares and convertible securities reflect the most significant decline; in 1974, they represented 19.37% of the General Fund. As for the proportion of mortgages and real estate, it slipped by 1.01%, mainly because of the sharp decline in the construction industry in 1974 and 1975. These changes led to a reduction in the percentage of private sector securities to 35.9% of the total long-term investments, compared with 38.1% last year. As for the ratio of variable income securities to fixed income securities, it was 19.3 and 80.7%, respectively, at year-end, compared with 20.9 and 79.1% at the end of 1974. Distribution of General Fund investments varies from year to year according to the investment program adopted by the Board of Directors.

It should be noted that, on a consolidated basis, the composition of segregated funds differs from that of the General Fund. This is due, in part, to the fact that the investments are subject to the agreements entered into between the Caisse and the various supplemental pension plans for management of their assets. Such agreements stipulate the funds must be invested in the three segregated portfolios in the proportions set by the administrator of each plan. The administrators are commissioned by their respective pension fund committees; these committees generally are made up of union and management representatives. Caisse portfolio managers at times are invited to attend committee meetings to give their views as to the appropriate investment mix, considering the economy at that moment. Moreover, investments in the segregated funds are subject to provisions of the Supplemental Pension Plans Act. In view of the foregoing, growth of the three segregated funds of the Caisse may vary significantly from year to year and the composition of their investment portfolios may be quite different from that of the General Fund.

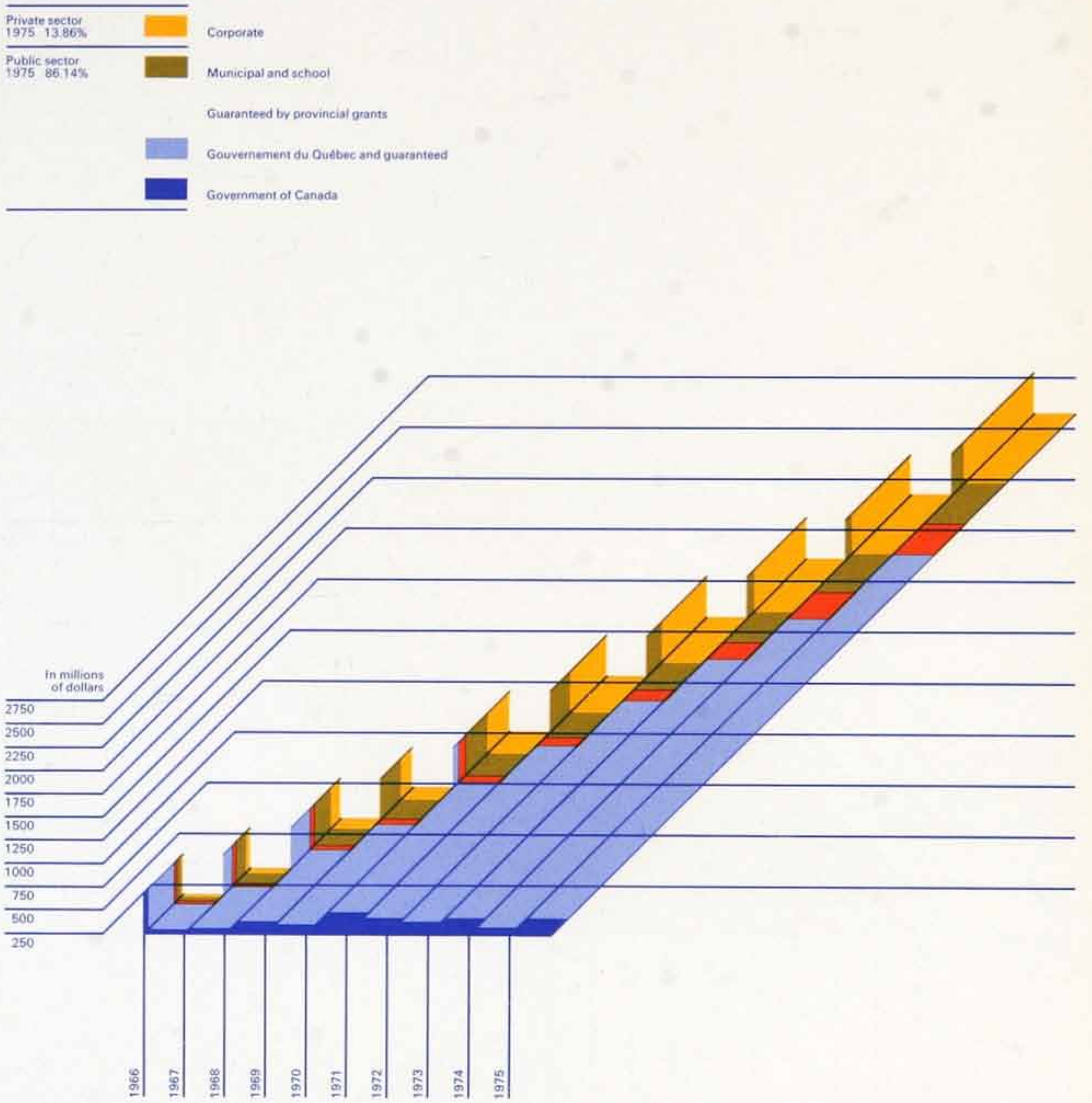
The 1974 annual management report of the Caisse recalled the guidelines of general investment policy followed since its establishment. In 1975, this policy remained consistent with the unaltered objectives originally outlined, namely, the protection of capital, attainment of a return compatible with the risks taken, and sound diversity in investments, the whole with a view to promoting the economic growth of Québec.

The comparison made in the 1974 report between the way in which funds of the Régime de rentes du Québec (RRQ) and those of the Canada Pension Plan (CPP) were invested showed that the savings which other Canadian provinces make with respect to public service debt because of the preferred rates they obtain on borrowings from the CPP are realized effectively at the expense of the overall return on pension plan assets. After comparing their respective returns and mentioning the partial funding system adopted by each plan, the report pointed out that, failing amendments to the RRQ, the possibility of exhausting the RRQ reserve could prove a determining factor in future investment trends.

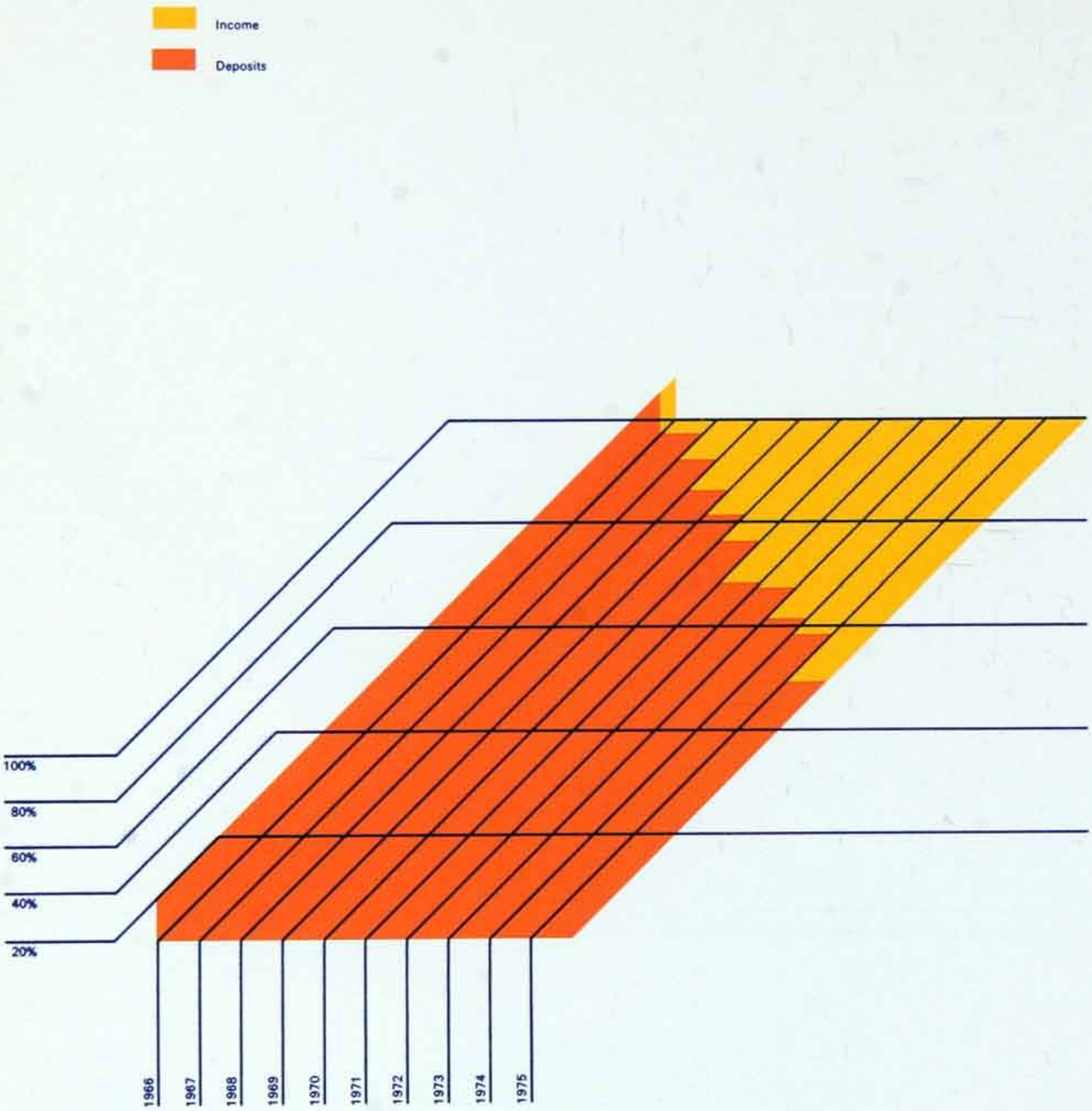
In June, 1975, the Régie des rentes du Québec made public its actuarial report of the pension plan at December 31st, 1974. The report specified that only one projection was considered with respect to the population and the economic situation. It noted that the population is growing older because it is barely renewing itself; as for the selected economic factor taken into account, it was described as being relatively stable in the long term. The results and conclusions of the study therefore stem basically from these two elements. In such a context, the report adds: "the fund should increase but at a decelerating pace until 1991, to afterwards decrease very rapidly and become exhausted in the year 2000. Indeed, it will take only nine years to exhaust a fund which will have reached a maximum of $11.5 billion."

Furthermore, the report submitted in June, 1975, by the CPP Advisory Committee stated that for the provinces, the CPP funds represent "a very substantial, easily accessible, steady source of ready provincial financing at below-market rates". After referring to the better financial performance of the RRQ, it expressed the opinion that the disparity in the return of the two plans could result in a marked

Distribution of bond portfolio



Source of funds



difference in benefits. Stressing the desirability of consistency in the two plans, the Committee added, however, that it would be difficult to achieve this if the CPP rate of return did not improve. To this end, it recommended that a new formula be adopted whereby the CPP could increase its return on loans to provinces. However, the Committee rejected the principle of investing in securities other than provincial bonds. The change advocated would require an amendment to the CPP Act and, consequently, approval by two-thirds of the Canadian provinces.

Following publication of the report, it was made known that failing an adjustment in CPP contributions, this source of financing no longer would be available to the provinces as early as 1982, at which time the estimated amount of new contributions would be about equal to benefits paid and operating costs of the plan.

As for the Québec plan, the start of the plateau should occur in 1985, with the result that the Régie des rentes then would no longer be in a position to deposit new funds with the Caisse. Based on these forecasts, the new funds deposited by the Régie des rentes, which totalled $254.4 million in 1975 compared to $241.2 million in 1974, gradually would drop to $231 million in 1976, to $172 million in 1980, and to only $6 million in 1984. Such a reduced volume of new deposits from the most important present depositor of the Caisse would occur at the very moment when the financing needs of Hydro-Québec, for example, reach a new peak, with an estimated total of $5.9 billion between 1976 and 1979.

Without fostering undue fears with respect to the problem of future financing of the plan, the Caisse nevertheless must recognize the merits of the Régie des rentes recommendation that additional studies and work be undertaken urgently. It also believes that any major delay in selecting financing criteria seriously could limit the number of possibilities.

Since 1966, the annual average of net deposits made by the Régie des rentes was $234 million. It now has reached a level of $254 million. This rapid and sustained accumulation of capital, combined with the investment income derived therefrom, considerably has changed the composition of the annual cash flow of the General Fund during the decade, enabling the Caisse to enjoy a substantial degree of latitude on financial markets. Thus, investment income, which in 1970 accounted for 24% of total sources of funds, now represent 51%. This shows the increasing influence of revenues, particularly those of the Régie des rentes, on the overall General Fund cash flow.

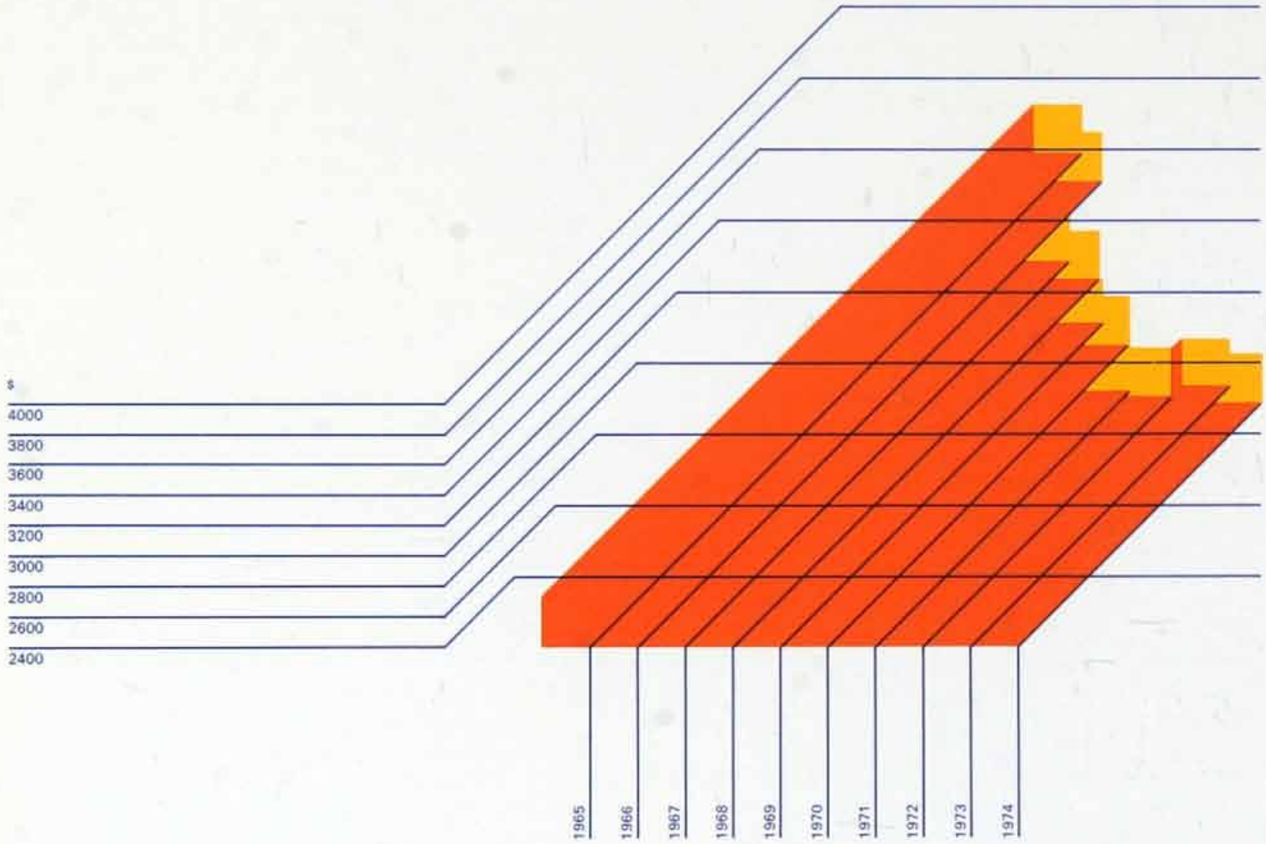
However, it should be mentioned that the foreseeable reduction in new deposits by this body could be offset by an increase in deposits in the segregated funds. Should this prove to be the case, total new deposits with the Caisse should nevertheless continue to grow until 1982, according to data now available.

At the beginning of 1975, the Caisse decided to reduce to less than thirty the number of investment dealers with whom it engages in stock transactions. Formerly, its policy had been to allocate its business to a number of firms twice or three times greater, taking into account the quality and degree of specialization of services offered by each of them. However, the numerous mergers of companies in the past few years in the securities field already had brought about a reduction in the number of brokerage firms with which it had been dealing.

Also, because of the size of its stock portfolios and the ongoing investments it makes, the Caisse endeavored to reduce the time that fund managers, financial analysts and traders must devote to examination of the extensive documentation supplied by brokerage firms or to the preparation of meetings with their representatives. It therefore was decided to limit the number of firms in such a way that their efforts to provide a higher quality of service would be better rewarded. This new system allows for periodic review of the authorized list of brokerage firms, thus ensuring sound competition at all times.

Concurrently, the Stock Department research group intensified its efforts to exert greater impact

Ratio of net tangible assets to long-term debt – Canadian corporations



on portfolio yields. To this end, analysts have undertaken a review of the basic file of some sixty companies. This work will continue throughout most of 1976 and will entail visits to executives of these major Canadian companies to discuss future prospects in their industry.

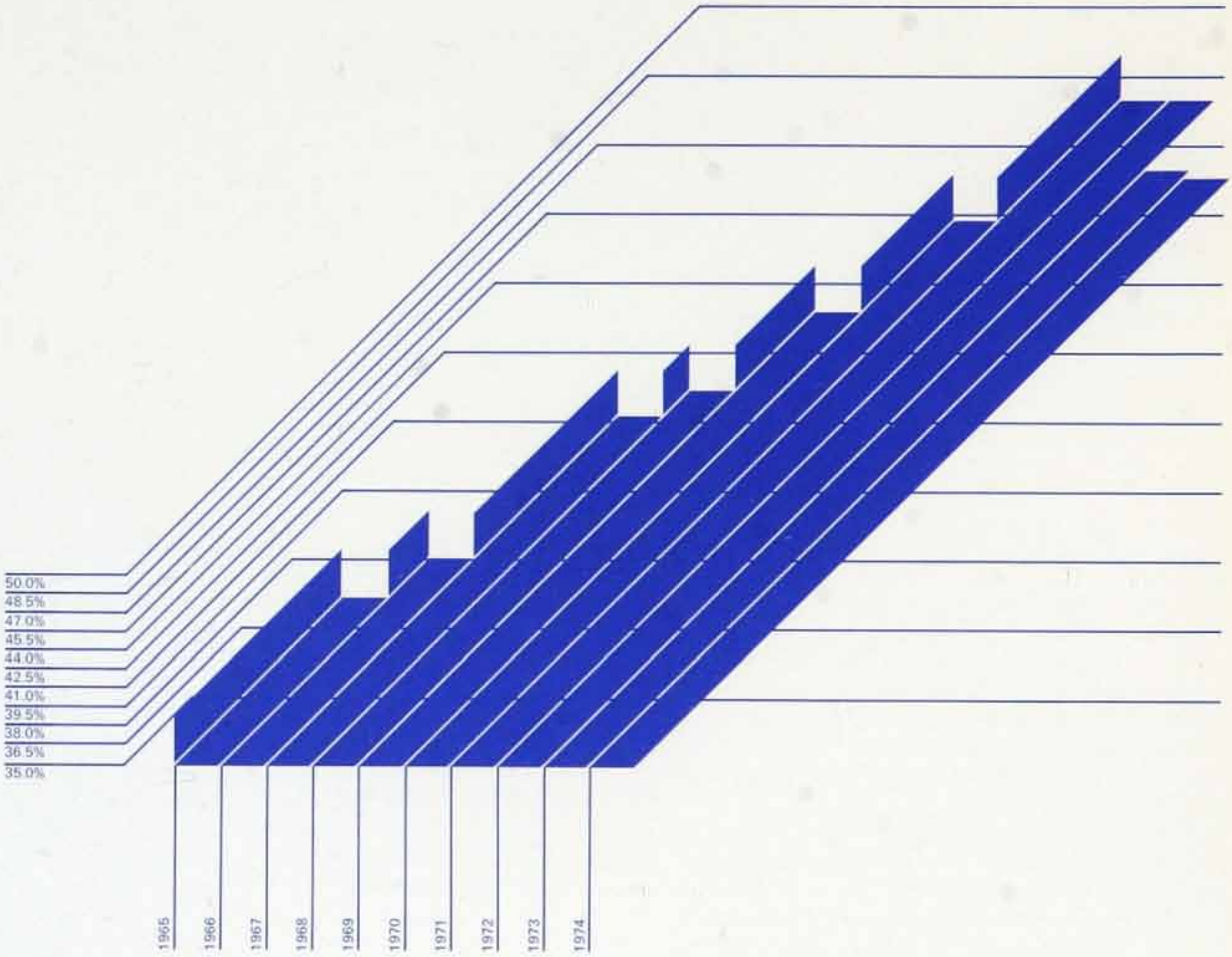
Portfolios

Bonds

Overall funds managed by the Bond Department increased by $556.5 million during the year. At December 31st, 1975, total assets of $3 157.9 million comprised the following: General Fund, $2 577.9 million (81.6%); segregated bond portfolio, $155.3 million (4.9%); funds under management, $233.2 million (7.4%); and short-term investments, $191.5 million (6.1%). During the year, the average weighted return on the General Fund bond portfolio increased from 8.61 to 8.99% while its book value rose by $401.4 million to $2 577.9 million. The yield at maturity obtained on new funds and on trading operations rose from 10.5% last year to 11.0% in 1975.

The overall nominal value of new bonds issued or guaranteed by the Gouvernement du Québec and acquired by the Caisse totalled $377.1 million for

Ratio of long-term debt to shareholders' equity – Canadian corporations



the General Fund and $32.4 million for other funds. Of these, $234.3 million were private placements of $117 million with the Gouvernement du Québec ; $65 million with Hydro-Québec ; and $52.3 million with Sidbec. Moreover, some $82 million in securities of this category which matured during the year were cashed with the result that the overall nominal value of net purchases in 1975 for all portfolios totalled $327.5 million. The book value of these investments in the General Fund amounted to $1 799 296 329 at December 31st, 1975, and their average return was 8.91%, compared with 8.54% the previous year.

With respect to bonds guaranteed by provincial grants, the General Fund held $123 660 865 in hospital, CEGEP or university bonds, an increase of

$20.3 million over the previous year. The average rate of return of this category rose from 8.73 to 9.15% during the year. As for net investments in Québec municipal and school board bonds, they totalled $49.7 million during the year, thus raising the book value of such securities to $233 387 432 at December 31st, 1975. Their average return increased from 8.76% in 1974 to 9.14% in 1975.

The book value of corporate bonds increased by $38.9 million to $357 360 129; at year-end, their yield was 9.36%, compared to 8.94% in 1974. Even though 1975 figures on the levels of corporate indebtedness in Canada are not yet available, it is expected that they will remain as high as in recent years. The "ratio of long-term debt to shareholders' equity" and "ratio of net tangible assets to long-term debt" charts show the changes in these ratios from 1965 to 1974. In 1975, the Caisse pursued the consolidation effort undertaken in 1973 in order to maintain the overall quality of securities held despite the general deterioration in coverage ratios. In the selection of quality criteria, it takes into account not only current coverage ratios but also the nature of covenants contained in trust deeds.

Finally, the value of investments in Government of Canada bonds amounted to $64 195 380 at year-end, representing 2.5% of the bond portfolio. The return on these securities increased from 7.68 to 8.32% during 1975.

At December 31st, 1975, the Caisse held $191 517 330 in short-term investments. Among others, these included a sum of $87 million to meet commitments to some depositors; the balance of $104 million constituted the liquid assets cushion of the General Fund, or 2.9% of total investments.

The total book value of short- and long-term investments in the segregated bond portfolio increased from $76.4 million to $155.3 million, and the average weighted yield, which was 9.93% at the beginning of the year, rose to 10.15% during the year. The Caisse also is commissioned to manage two bond portfolios whose book value totalled $233.2 million at December 31st, 1975.

Stocks

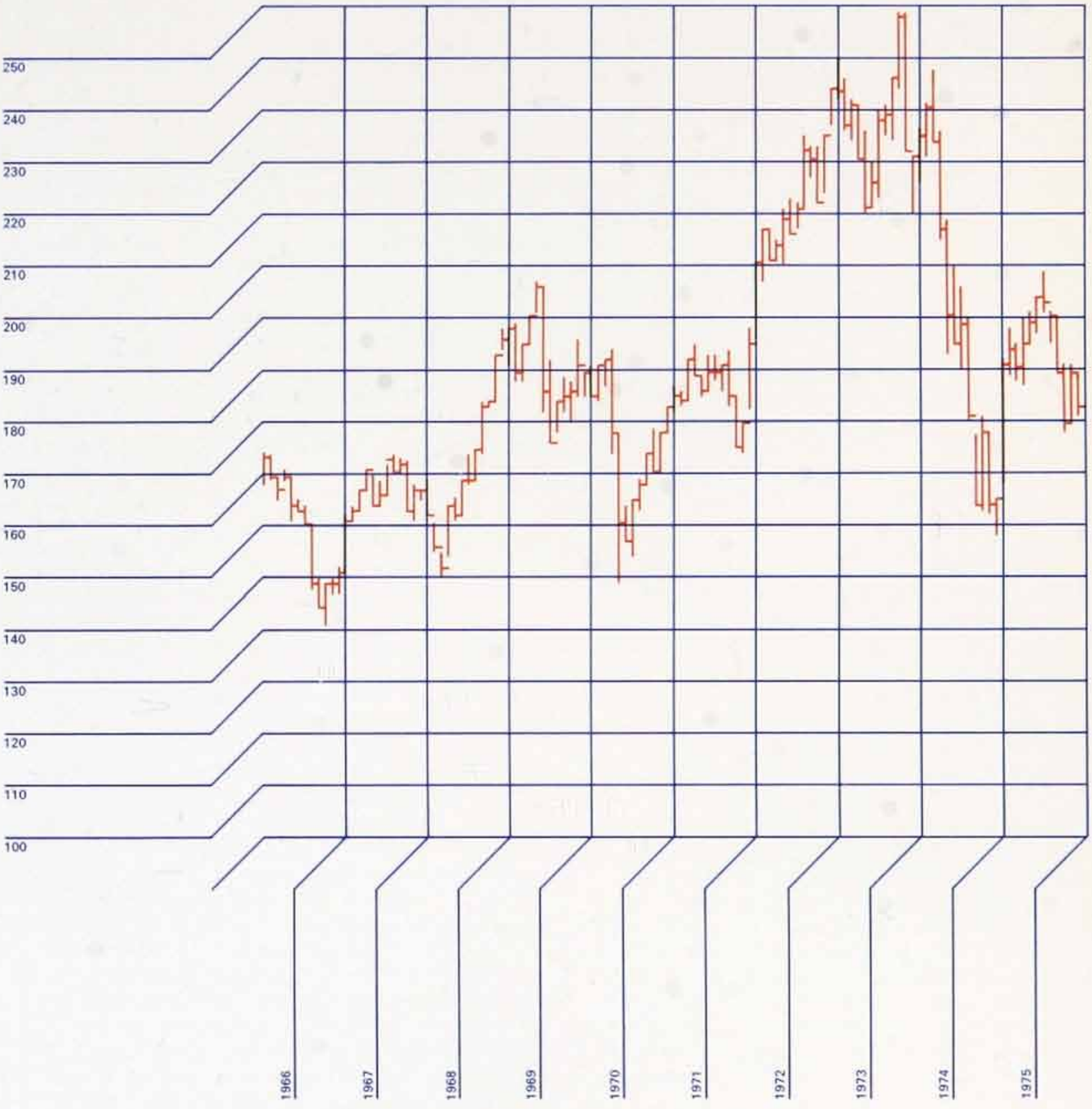
During the year, a net amount of $36.8 million in stocks and convertible securities was added to the General Fund stock portfolio. This addition represents the smallest annual growth recorded since the Caisse entered the stock market in 1967; in comparison, net purchases totalled some $110 million in 1974. Consequently, the proportion of stock investments in relation to overall investments in the General Fund declined from 19.4 to 17.6% during the year.

These results are attributable to several factors. Firstly, it should be recalled that there was a significant reduction in the liquidity of Canadian stock market securities in 1975, given the lower trend recorded both in volume and transactions. Also, the position of the Caisse as a main shareholder in some large Canadian corporations sometimes tends to limit its dealings in such securities. Finally, the relative attractiveness of long-term bonds also prompted a reduced allocation of funds earmarked for stock investments in the General Fund.

Following the sharp upward trend in the composite index of the Montréal Stock Exchange and the Toronto Stock Exchange, which rose from 155 to 184 and from 156 to 188, respectively, from the beginning of January to the end of February, 1975, the stock market remained at about this level for six months. The February-to-August period was therefore conducive to a $30 million reduction in the overall position, of which $22 million was in the "Mines and Metals" sector. At the beginning of September, after the Dow Jones and the Montréal Stock Exchange indexes dipped below the levels of 800 and 180, respectively, the Caisse started to accumulate securities, particularly after the federal anti-inflation program was announced in October. From September to December, net stock purchases of over $62 million were made, raising the book value of investments to $638 680 512, an increase of 6.1% over the previous year.

In 1975, the Caisse undertook a redistribution of some securities under the traditional headings of its General Fund stock portfolio. Since such transfers

Composite index of the Montréal Stock Exchange



make comparison with previous years difficult, an explanation is in order. Investments in holding companies, which had been included with "Heavy and Secondary Industries", now fall under a new heading, "Holding and Real Estate Companies" and, as such, have been integrated into real estate investments. At year-end, the total of this new category was $61.9 million, including the above-mentioned transfer of $41.4 million. Also, as a result of a company merger, a sum of approximately $11 million, included under the heading of "Oil and Gas" at December 31st, 1974, was transferred to the "Public Utilities" sector.

Such changes aside, the largest net purchases during the year were in the "Public Utilities" and "Banks and Finance" categories, in amounts of approximately $15 million and $22 million, respectively. On the other hand, there was a significant contraction in the "Mines and Metals" sector and its book value decreased by $24.8 million. As for "Oil and Gas", a net increment of $11.7 million was recorded during the year.

Investments in "Public Utilities" and "Banks and Finance" were based principally on the foreseeable drop in short- and long-term interest rates. Investments in "Oil and Gas" appeared more attractive after fiscal issues between the federal and provincial governments had been resolved. Well-received, too, was the Canadian government's decision to allow the price of Western Canada oil and gas to be increased gradually to levels approaching those of OPEC nations so as to promote oil exploration and a greater degree of energy independence for the country.

Fiscal and international economic problems affected investments in the "Mines and Metals" sector in various ways. In the past, this industry experienced cycles of remarkable prosperity, mainly because of high world-wide demand for raw materials. In view of the expected gradual easing of inflation throughout the world, it seems unlikely at present that the price of these products will reach the 1973 level during the next favorable cycle. In addition, it is expected that persistent increases in costs will continue to affect the profit margins of these companies adversely. Consequently, the Caisse opted, during the year, in favor of a lower proportion of such securities in its portfolio than in previous years.

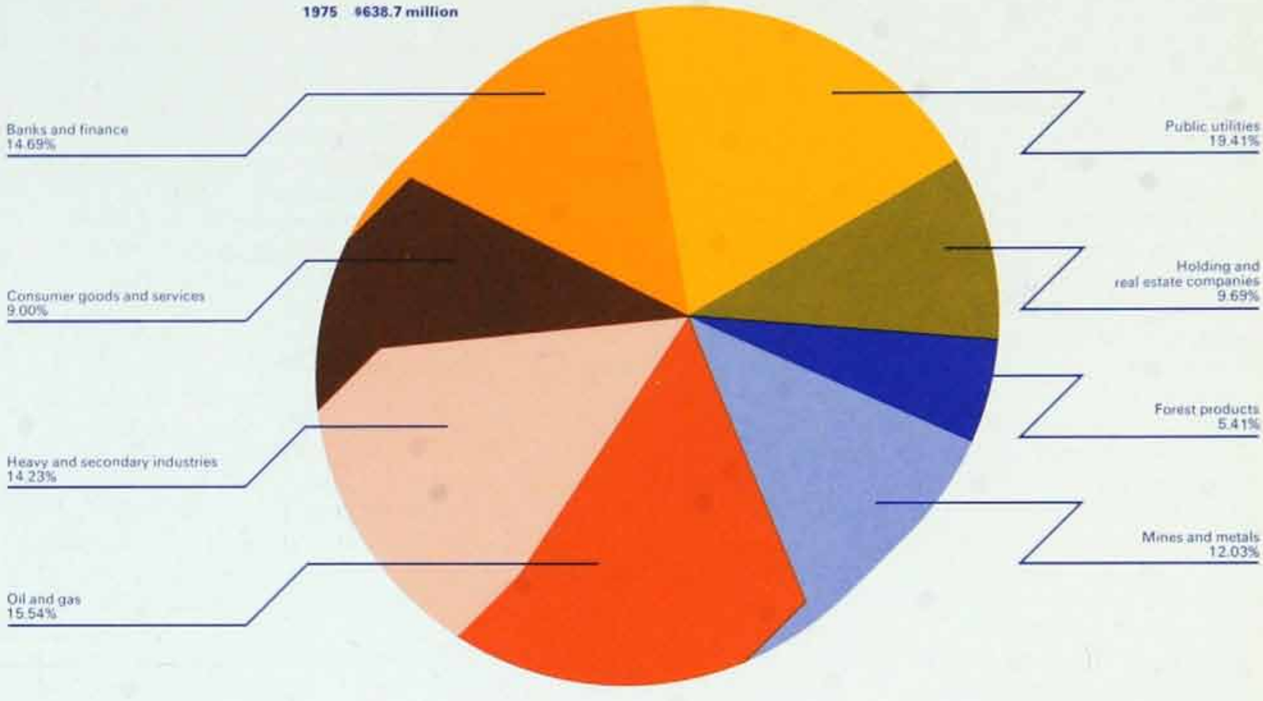
The deficit of $125.2 million in the General Fund stock portfolio at December 31st, 1974, was reduced to $36.6 million during the year. This overall improvement, coupled with a $5.0 million profit realized on sale of investments, brings total appreciation to $93.6 million, an increase of 15.8% in relation to the average book value of this portfolio during the year. In comparison, the Montréal Stock Exchange composite index and the Toronto Stock Exchange industrial index recorded increases of 11.21 and 9.93%, respectively, while the Dow Jones index advanced by 38.4%. Dividend revenues and interest on convertible securities totalled $30.5 million for the year, or an average weighted return of 4.98% based on the book value of securities, excluding profits on sale of investments.

Private placements

The Private Placement Department is interested primarily in medium-sized Québec firms generally in need of long-term financing of $500 000 or more. Its scope of operations embraces the various sectors of economic activity and comprises manufacturing as well as service companies. Since its establishment in 1967, the Department has completed 66 financing transactions, totalling nearly $70 million. These various transactions, in the form of corporate bonds, shares or mortgages, subsequently are integrated into the three portfolios of the General Fund, depending on the nature of the securities acquired.

In 1975, medium-sized companies faced the problem of a virtually non-existent public financial market. Because of the high level of inflation during 1974 and 1975, long-term interest rates reflected a sharply higher trend. Given the relative lack of elasticity of interest rates in relation to risks, investors turned to higher quality securities. At the same time, company profit margins were being eroded by inflation while inventory gains realized in

Distribution of stock portfolio



1974 disintegrated. Faced with lower profits, an unfavorable money market, and high interest rates, small- and medium-sized firms were forced to curtail expansion plans considerably.

Despite the slowdown in business, the Department recorded an appreciable increase in the volume of private placements in 1975. It considered some forty applications of all types, totalling approximately $70 million, and made financing offers amounting to $23.5 million. Ten companies accepted these offers for a total of $18.5 million; at year-end, outstanding commitments totalled $11.8 million. During the year, disbursements of $8.6 million were made; there was no capital loss and gains of $180 000 were realized on the disposal of investments.

Through private placements, the Caisse endeavors to contribute more tangibly to the economic development of Québec. In 1975, for instance, it co-operated with Québec private companies and individuals by participating in negotiations which resulted in the reacquisition and financing of two large firms of Québec origin, with operations extending to Eastern Canada, which had been taken over by large foreign companies. Acting in conjunction with public bodies, including the Société de développement industriel, it also financed establishment in Québec of two large European manufacturing firms which use advanced technology in the production of new products with excellent prospects on North American markets.

In the management of its private placements, the Caisse at times finds itself in a delicate situation; for instance, an investment and the survival of a company important to Québec may both be at stake. In such a case, the Caisse seeks to protect its capital and searches for suitable approaches so that the firm may remain a going concern. During 1975, two problems of this nature were resolved following acquisition of companies by local firms and the assistance of the Caisse in closing these transactions.

Mortgages

The difficult situation in which the construction industry operated in 1974 persisted during 1975. Construction costs of real estate projects fluctuated inordinately, bringing about increases of 20 to 40%. Needless to say, such price increases, combined with higher operating costs, greatly influenced the profitability of new buildings, placing many lenders and owners in highly delicate situations.

Sound real estate development is based on long-term projections. A project which will take several years to complete and whose useful life will vary from 30 to 50 years or even more, obviously cannot be planned in a climate of uncertainty. It is essential that promoters, owners and institutional lenders be able to foresee construction costs, operating costs, and rental revenue with a reasonable degree of accuracy. Given these factors, lenders turned to investments offering greater flexibility in this climate of change.

If residential construction retained any degree of attractiveness in 1975, it was due to the fact that its financing was carried out principally on a short-term basis and that the industry received generous federal grants. However, as long as the rate of inflation remains as high and until such time as a certain degree of economic stability is restored, lenders and promoters will continue to be extremely prudent in regard to residential buildings for rental purposes. In fact, in the present context, it remains exceedingly difficult to find a sufficient number of quality tenants prepared to accept the unpredictable rental increases required by promoters and lenders.

The mortgage operations of the Caisse necessarily reflected such conditions. During the year, disbursements of $25.5 million were made and the sum of new authorizations and outstanding commitments totalled $78.6 million. In 1975, the Caisse had to cancel a commitment of $38 million which had been made in 1972 for the financing of a vast real estate complex in Hull. Nevertheless, its total outstanding commitments at year-end amounted to $100.5 million while the total portfolio reached $225 025 850, made up of $198 973 067 in mortgages and $26 052 783 in real estate. The breakdown was as follows: residential sector, 28%; commercial buildings, 62.5%; and industrial buildings, 9.5%.

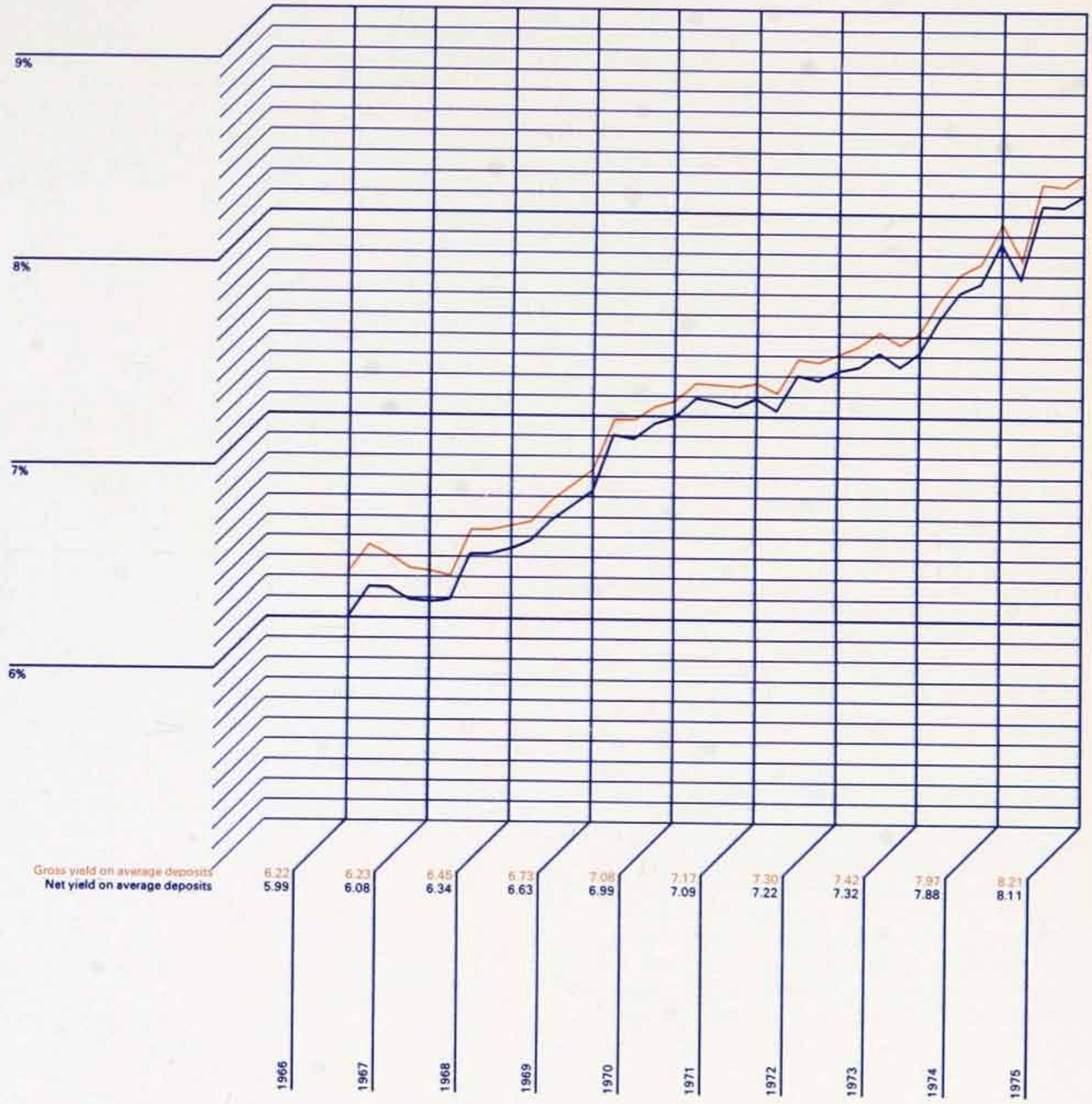
The average weighted return on mortgages was up from 9.32% last year to 9.45% at December 31st, 1975, while the real estate yield rose from 10.20% to 11.20%. As for the overall average return, it was 9.65% at year-end compared to 9.44% in 1974. During the year, mortgages of approximately $19 million were sold by the mortgage investment portfolio of the Caisse to the segregated mortgage portfolio in order to meet the investment needs of some depositors.

Financial statements and statistical data

The balance sheet of the General Fund of the Caisse shows an increase of $525.7 million in the deposit account for a total of $3 566 909 844 at December 31st, 1975. Notice deposits were up by $523.4 million over the previous year and now total $3 457 071 728, or 96.9% of all deposits. The average rate of return on notice deposits increased to 8.114% from 7.824% in 1974. By comparison, the average rates of return on term deposits and demand deposits were 8.553% and 7.703%, respectively.

Total income of the General Fund of the Caisse for the year ended December 31st, 1975, amounted to $275 962 759, including $491 547 in management fees charged to segregated fund participants and to bodies whose assets are handled as a portfolio under management. Administrative expenditures totalled $3 895 097, or 0.116% of the balance of the General Fund average deposits, compared to 0.092% last year. However, taking management fees into consideration, the share of administrative

Yield on deposits



expenditures supported by the General Fund was \$3 403 550, or 0.101% of average deposits.

This year, the statement of income and expenditure has been changed to reflect profit and loss on sale of investments under the "Investment income" heading. Formerly, these were transferred directly to the general reserve. In 1975, the net loss of \$679 637 on sale of investments was attributable mainly to the disposal of fixed income securities with a view to increasing the return on long-term investments. This loss resulted in a reduction of the general reserve which, at year-end, showed a balance of \$49 504 042, compared to \$50 183 679 last year. This reserve is maintained to serve as an adjustment account for use when notice deposits are withdrawn. At December 31st, 1975, it represented 1.36% of total investments of the Caisse, compared to 1.61% the previous year.

Following transfer from the general reserve, the balance of income on the statement of income and expenditure totalled \$272 747 299 ; after deduction of interest paid on demand and term deposits during the year, net income stood at \$262 557 679 and was distributed to the holders of notice deposits in proportion to their participation. The latter is expressed in terms of units.

Administrative expenditures rose by \$1 304 046 over the previous year. Salaries and fringe benefits increased by \$452 020 ; to a certain extent, this increase was due to the fact that staff was strengthened from 86 to 102 during the year. The "Premises and office equipment" account was higher by \$639 874, notably as a result of the additional office space rented in the Stock Exchange Tower and of the purchase and installation of electronic data-processing equipment. Since 1973, the Caisse has made a practice of charging purchases of furniture and leasehold improvements directly to administrative expenditures. Increases in the two above-mentioned accounts represent approximately 84% of the total rise in expenses during the year.

Staff

At the end of this tenth fiscal year, the Board of Directors wishes to pay tribute to the management and staff of the Caisse for the results obtained during the year as well as during the decade and to express to them its sincere appreciation for the sense of initiative, dedication and efficiency which they displayed in carrying out their respective duties.

On behalf of the Board of Directors,

M Bagavau.

Chairman

Québec, March 12th, 1976

Financial Statements and Statistics General Fund

Notice deposits consist of units of participation giving their holders a proportionate share in the net assets and net income of the General Fund of Caisse de dépôt et placement du Québec. At December 31st, 1975, the holders of the units of participation were:

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

Balance sheet

as at December 31st, 1975

Assets

	1975	1974
Investments (Note 2)		
Bonds	**$ 2 577 900 135**	$ 2 176 462 670
Shares and convertible securities	**638 680 512**	601 878 405
Mortgages	**198 973 067**	197 941 685
Real estate	**26 052 783**	25 742 929
Short-term investments	**191 517 330**	104 973 164
	$ 3 633 123 827	$ 3 106 998 853
Cash	**1 289 506**	435 488
Investment income receivable	**64 203 734**	54 604 583
Other assets	**412 968**	1 467 366
	$ 3 699 030 035	$ 3 163 506 290

The accompanying notes are an integral part of the financial statements

On behalf of the Board of Directors,

Marcel Cazavan
Gill Fortier

Liabilities

	1975	1974
Deposits		
Notice deposits (Note 3)	**$ 3 457 071 728**	$ 2 933 680 415
Term deposits	**58 097 367**	68 167 930
Demand deposits	**51 740 749**	39 389 420
	$ 3 566 909 844	$ 3 041 237 765
Accrued interest on deposits	**73 862 566**	64 282 115
Transactions under settlement	**5 545 879**	5 619 672
Other liabilities	**3 207 704**	2 183 059
	$ 3 649 525 993	$ 3 113 322 611
General reserve	**49 504 042**	50 183 679
	$ 3 699 030 035	$ 3 163 506 290

Auditor's Report

In accordance with Section 43 of its charter, I have examined the balance sheet of Caisse de dépôt et placement du Québec as at December 31st, 1975 and the statement of income and expenditure, the statement of general reserve and the summary of allocation of balance of income 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 financial transactions of Caisse de dépôt were made in compliance with its charter; these financial statements present fairly the financial position of Caisse de dépôt as at December 31st, 1975 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.

Gérard Larose, C.A.
Auditor-General
Québec, March 8th, 1976

Statement of income and expenditure

for the year ended December 31st, 1975

Income		**1975**		1974
Investment income				
Interest on bonds	**$**	**204 626 086**	$	167 967 358
Dividends, interest on convertible securities		**30 516 342**		25 017 225
Interest on mortgages		**17 586 544**		15 337 319
Real estate revenue		**3 356 316**		2 572 269
Interest on short-term investments		**19 628 241**		12 779 373
Profit and loss on sale of investments		**(679 637)**		(886 762)
	$	**275 033 892**	$	222 786 782
Administration fees		**491 547**		312 091
Other income		**437 320**		44 284
Total income	**$**	**275 962 759**	$	223 143 157
Administrative expenditures				
Directors' fees and expenses	**$**	**5 721**	$	6 734
Salaries and fringe benefits		**2 017 195**		1 565 175
Travel expenses		**89 705**		64 115
Legal, professional and bank charges		**363 276**		223 976
Premises and office equipment		**1 231 000**		591 126
Documentation and stationery		**91 315**		81 974
Other		**96 885**		57 951
	$	**3 895 097**	$	2 591 051
Balance of income before transfer	**$**	**272 067 662**	$	220 552 106
Transferred from general reserve		**679 637**		886 762
Balance of income	**$**	**272 747 299**	$	221 438 868
Interest on demand and term deposits		**10 189 620**		8 017 055
Net income	**$**	**262 557 679**	$	213 421 813

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 beginning of year	$ 2 287 964	$ 61 994 151	$ 64 282 115
Balance of income	10 189 620	262 557 679	272 747 299
	$ 12 477 584	$ 324 551 830	$ 337 029 414
Transfers to deposit accounts	11 056 156	252 110 692	263 166 848
Balance of accrued interest at year-end	$ 1 421 428	$ 72 441 138	$ 73 862 566

Deposit accounts – Summary of transactions

	Deposits		
	Demand and term deposits	Notice deposits	Total
Balance at beginning of year	$ 107 557 350	$2 933 680 415	$3 041 237 765
Deposits	262 505 231	—	262 505 231
Transfers	(271 280 621)	271 280 621	—
Interest	11 056 156	252 110 692	263 166 848
Balance at year-end	$ 109 838 116	$3 457 071 728	$3 566 909 844

General reserve

	1975	1974
Balance at beginning of year	**$ 50 183 679**	$ 51 070 441
Transferred to Statement of income and expenditure	**(679 637)**	(886 762)
Balance at year-end	**$ 49 504 042**	$ 50 183 679

Disclosure of significant accounting policies

The main accounting practices and principles followed by Caisse de dépôt et placement du Québec are summarized below in order to facilitate understanding of data contained in the financial statements.

Investments
Shares, land and short-term investments are accounted at cost while other investments are at amortized cost.

Notice deposits
Notice deposits consist of units of participation giving their holders a proportionate share in the net assets and net income of Caisse de dépôt. The value of units of participation at the end of a quarter is established by dividing the market value of the net assets of Caisse de dépôt by the total number of units outstanding at that date.

General reserve
The general reserve is made up of an amount equal to the profit and loss realized on sale of investments.

Fixed assets
It is the practice of Caisse de dépôt to charge directly to administrative expenditures the disbursements for leasehold improvements and furniture and equipment.

Notes to financial statements

Note 1
The financial statements include the accounts of the General Fund of Caisse de dépôt et placement du Québec and its wholly-owned subsidiaries, Cadim Inc. and Développements Pasteur Inc., but exclude the segregated funds, for which separate financial statements are submitted, and the assets under management.

Note 2
At December 31st, 1975, the market value of investments was $3 289 910 157 (1974, $2 730 550 076).

Note 3
At December 31st, 1975, notice deposits consisted of 4 024 798.572 units of participation (1974, 3 370 355.652).

Statistical information

Average interest rate paid on deposits

	Average deposits	Interest paid or due	Average yield
Demand deposits	$ 70 850 802	$ 5 457 641	7.703%
Term deposits	55 321 227	4 731 979	8.553%
Notice deposits	3 235 917 272	262 557 679	8.114%
Total	$3 362 089 301	$ 272 747 299	8.112%

Yield on deposits - General Fund

	Amount	Yield equivalence on average deposits of the General Fund
Total income*	$ 276 642 396	8.228%
Administration fees		
Segregated Funds	(389 405)	(0.012%)
Funds under management	(102 142)	(0.003%)
	$ 276 150 849	8.213%
Administrative expenditures		
General Fund	(3 403 550)	(0.101%)
Balance of income	$ 272 747 299	8.112%

*Excluding profit and loss on sale of investments

Summary of investments

as at December 31st, 1975

% Book value		Nominal value
	Bonds	
1.76%	Government of Canada	$ 67 975 000
49.53%	Gouvernement du Québec and guaranteed	1 839 517 500
3.40%	Guaranteed by provincial grants	126 708 000
6.43%	Municipal and school	243 245 000
9.84%	Corporate	362 684 216
70.96%		$2 640 129 716
	Shares and convertible securities	
3.41%	Public utilities	
2.58%	Banks and finance	
1.58%	Consumer goods and services	
2.50%	Heavy and secondary industries	
2.73%	Oil and gas	
2.12%	Mines and metals	
0.95%	Forest products	
1.71%	Holding and real estate companies	
17.58%		
5.47%	**Mortgages**	
0.72%	**Real estate**	
6.19%		
5.27%	**Short-term investments**	
100.00%	**Total investments**	

*This weighted average yield does not take into account profit and loss on sale of investments.

Book value	Percentage	Yield*	Market value
$ 64 195 380	2.49%	8.32%	$ 59 663 568
1 799 296 329	69.80%	8.91%	1 578 350 942
123 660 865	4.80%	9.15%	108 527 829
233 387 432	9.05%	9.14%	203 460 564
357 360 129	13.86%	9.36%	321 338 680
$2 577 900 135	100.00%	8.99%	$2 271 341 583
$ 123 960 994	19.41%	6.87%	$ 112 709 407
93 801 854	14.69%	6.58%	109 812 928
57 503 570	9.00%	2.69%	48 912 289
90 878 357	14.23%	4.84%	88 098 565
99 231 169	15.54%	2.67%	94 966 388
76 863 592	12.03%	3.93%	63 341 395
34 532 658	5.41%	6.75%	32 555 746
61 908 318	9.69%	5.08%	51 628 676
$ 638 680 512	100.00%	4.98%	$ 602 025 394
$ 198 973 067	88.42%	9.45%	$ 198 973 067
26 052 783	11.58%	11.20%	26 052 783
$ 225 025 850	100.00%	9.65%	$ 225 025 850
$ 191 517 330		9.37%	$ 191 517 330
$3 633 123 827			$3 289 910 157

Highlights for the decade
(in millions of dollars)

	1975	1974	1973
Investments			
Bonds			
Government of Canada	**64.2**	36.7	57.1
Gouvernement du Québec and guaranteed	**1 799.3**	1 534.3	1 317.5
Guaranteed by provincial grants	**123.7**	103.3	87.8
Municipal and school	**233.4**	183.7	141.3
Corporate	**357.3**	318.5	261.9
	2 577.9	2 176.5	1 865.6
Shares and convertible securities			
Public utilities	**124.0**	93.7	84.6
Banks and finance	**93.8**	72.0	64.5
Consumer goods and services	**57.5**	55.5	52.9
Heavy and secondary industries	**90.9**	128.2	117.1
Oil and gas	**99.2**	98.6	77.8
Mines and metals	**76.9**	101.7	62.7
Forest products	**34.5**	35.8	18.7
Holding and real estate companies	**61.9**	16.4	13.4
	638.7	601.9	491.7
Mortgages	**199.0**	197.9	128.9
Real estate	**26.0**	25.7	23.9
	225.0	223.6	152.8
Short-term investments	**191.5**	105.0	85.9
Total investments	**3 633.1**	3 107.0	2 596.0
Breakdown of long-term investments			
Public sector	**64.1%**	61.9%	63.9%
Private sector	**35.9%**	38.1%	36.1%
	100.0%	100.0%	100.0%
Fixed income securities	**80.7%**	79.1%	79.5%
Variable income securities	**19.3%**	20.9%	20.5%
	100.0%	100.0%	100.0%

1972	1971	1970	1969	1968	1967	1966
55.7	57.9	73.3	46.7	51.4	13.1	11.9
1 088.5	882.9	711.8	538.4	394.7	236.7	119.2
65.0	38.7	28.1	21.0	10.6	9.5	4.3
121.6	106.8	98.6	83.6	56.5	36.9	15.1
244.3	186.3	93.1	45.6	36.8	21.1	2.8
1 575.1	1 272.6	1 004.9	735.3	550.0	317.3	153.3
68.4	53.0	42.2	38.0	26.5	12.1	—
54.3	45.0	37.3	28.3	19.0	10.2	—
42.5	41.1	34.2	21.3	12.7	3.8	—
68.4	59.3	40.1	18.8	10.1	4.7	—
52.7	34.6	24.6	17.0	14.6	6.6	—
46.4	32.7	21.2	21.1	14.1	9.0	—
19.9	15.2	12.8	7.4	2.3	1.2	—
—	—	—	4.7	—	—	—
352.6	280.9	212.4	156.6	99.3	47.6	—
72.9	67.2	44.8	25.5	2.7	—	—
21.9	20.9	14.8	4.4	1.1	—	—
94.8	88.1	59.6	29.9	3.8	—	—
90.9	29.4	28.7	54.2	20.5	48.0	27.6
2 113.4	1 671.0	1 305.6	976.0	673.6	412.9	180.9
65.8%	66.2%	71.4%	74.8%	78.6%	81.2%	98.2%
34.2%	33.8%	28.6%	25.2%	21.4%	18.8%	1.8%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
81.6%	81.6%	82.2%	82.5%	84.6%	87.0%	100.0%
18.4%	18.4%	17.8%	17.5%	15.4%	13.0%	—
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Highlights for the decade

(continued)

	1975	1974	1973
Net income	**262.6**	213.4	165.8
Administrative expenditures	**3.9**	2.6	2.3
General reserve	**49.5**	50.2	51.1
Deposits			
Demand deposits	**51.7**	39.4	46.9
Term deposits	**58.1**	68.2	42.1
Notice deposits	**3 457.1**	2 933.7	2 445.9
	3 566.9	3 041.3	2 534.9
Average interest rate paid			
Demand deposits	**7.70%**	9.64%	6.19%
Term deposits	**8.55%**	9.61%	7.31%
Notice deposits	**8.11%**	7.82%	7.34%
Average balance of deposits	**3 362.1**	2 811.2	2 325.6
Yield on deposits	**8.11%**	7.88%	7.32%
Assets under management			
General fund	**3 699.0**	3 163.5	2 641.8
Segregated funds	**370.1**	182.7	85.8
Funds under management	**246.4**	219.4	234.8
	4 315.5	3 565.6	2 962.4
Number of employees	**102**	86	84

1972	1971	1970	1969	1968	1967	1966
133.3	103.8	77.9	52.9	32.8	17.0	4.9
1.5	1.2	1.0	0.8	0.6	0.5	0.2
33.4	19.7	7.4	6.0	1.4	(0.2)	(0.1)
54.4	58.1	50.0	43.4	53.8	43.7	—
19.0	6.0	—	—	—	—	—
2 002.3	1 584.0	1 245.2	924.7	618.1	369.0	178.5
2 075.7	1 648.1	1 295.2	968.1	671.9	412.7	178.5
4.23%	3.97%	6.32%	7.32%	6.39%	4.71%	—
5.25%	4.21%	6.93%	—	—	—	—
7.32%	7.20%	7.02%	6.61%	6.33%	6.21%	5.99%
1 888.3	1 492.8	1 143.2	829.0	547.1	300.6	82.1
7.22%	7.09%	6.99%	6.63%	6.34%	6.08%	5.99%
2 147.6	1 697.8	1 325.9	990.4	683.9	418.6	183.3
51.7	27.9	8.6	—	—	—	—
46.1	50.2	54.1	—	—	—	—
2 245.4	1 775.9	1 388.6	990.4	683.9	418.6	183.3
80	72	66	57	50	38	23

Financial Statements and Statistics Segregated Portfolios

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

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 Caisse de dépôt as segregated portfolios.

As at December 31st, 1975, the following supplemental pension plans were the registered owners of all issued and outstanding units of participation in the three segregated portfolios of Caisse de dépôt:

- Complementary social benefits plans of the construction industry
- Government and public employees retirement plan
- Retirement plans for mayors and councillors of cities and towns
- 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)

Highlights for the year

	1975		1974	
Consolidated assets				
Bond fund	$ 161 061 814	43.5%	$ 77 647 671	42.5%
Stock fund	99 310 246	26.8%	46 768 464	25.6%
Mortgage fund	109 741 751	29.7%	58 287 512	31.9%
	$ 370 113 811	100.0%	$ 182 703 647	100.0%
Consolidated breakdown of investments				
Bonds	$ 145 311 201	39.8%	$ 67 828 765	37.6%
Shares and convertible securities	75 562 752	20.7%	46 245 920	25.6%
Mortgages	100 624 781	27.5%	44 675 721	24.8%
	$ 321 498 734	88.0%	$ 158 750 406	88.0%
Deposits and short-term investments	43 836 243	12.0%	21 602 267	12.0%
	$ 365 334 977	100.0%	$ 180 352 673	100.0%
Consolidated breakdown of long-term investments				
Public sector	$ 96 111 019	29.9%	$ 35 580 123	21.3%
Private sector	225 387 715	70.1%	131 793 423	78.7%
	$ 321 498 734	100.0%	$ 167 373 546	100.0%
Fixed income securities	$ 245 935 982	76.5%	$ 121 127 626	72.4%
Variable income securities	75 562 752	23.5%	46 245 920	27.6%
	$ 321 498 734	100.0%	$ 167 373 546	100.0%
Net earnings for the year				
Bond fund	$ 10 322 189	41.5%	$ 4 535 190	41.2%
Stock fund	6 337 674	25.5%	2 180 397	19.8%
Mortgage fund	8 215 867	33.0%	4 302 666	39.0%
	$ 24 875 730	100.0%	$ 11 018 253	100.0%
Deposits	$ 170 368 662		$ 86 774 967	
Unit market value				
Bond fund	$ 1 515.81		$ 1 388.85	
Stock fund	$ 1 137.58		$ 939.80	
Mortgage fund	$ 1 490.96		$ 1 356.19	
Percentage of increase (decrease) in unit market value				
Bond fund	9.14%		0.93%	
Stock fund	21.04%		(25.76%)	
Mortgage fund	9.94%		9.83%	

Management Report

The following section of the Management Report deals with activities of the segregated bond, stock and mortgage portfolios of the Caisse de dépôt et placement du Québec for the year ended December 31st, 1975. This is the sixth year of operations of these three segregated portfolios which were established in 1970 and which are being managed in accordance with provisions of the Supplemental Pension Plans Act. At the time, the Caisse was authorized to manage the assets of public or para-public pension plans. Today, it administers the funds of six different plans to which several thousand employees contribute.

In 1975, new deposits from participants totalled $170 368 662, compared to $86 774 967 in 1974. This substantial increase gave a new thrust to the three segregated funds and, for the second year in a row, their consolidated assets doubled to total $370 113 811 at year-end. The greater portion of these assets represented long-term investments of $321 498 734, including $145 311 201 in bonds, $75 562 752 in common or preferred shares and convertible securities, and $100 624 781 in mortgages. The proportion of investments in the private sector dropped from 78.7% in 1974 to 70.1% in 1975 while the percentage of fixed income securities rose from 72.4 to 76.5% during the year.

Net consolidated earnings for the fiscal year totalled $24 875 730 in relation to $11 018 253 in 1974, including a net profit of $1 637 356 on sale of securities, bringing retained earnings since creation of these portfolios to $46 791 221 at year-end. Management fees of $403 321 applicable to these three portfolios were charged directly to participants' accounts.

Bond portfolio

Assets of the segregated bond portfolio increased by $83.4 million in 1975 to total $161 061 814, distributed as follows: $145.3 million in bonds, $9.9 million in short-term investments, and $2.3 million in term and demand deposits. At 10.20%, the average yield of long-term investments rose significantly during the year. Analysis of the $77.5 million increase in bond investments shows that public sector securities accounted for 78%.

During the year, the book value of the "Gouvernement du Québec and guaranteed" bond category rose by $32 million to $44 099 228 while its yield was 10.28%, compared with 9.70% the previous year. Bonds "Guaranteed by provincial grants" advanced by $6.1 million to a total of $20 006 380 at December 31st, 1975, and a yield of 10.34% compared with 9.92% at the same date in 1974. Municipal and school bonds were up by $12.4 million over 1974 and totalled $21 207 765; the return on these investments was 10.25%, compared with 9.69% the previous year. At year-end, the book value of corporate bonds had increased by $17 million to $49 200 182 and their yield rose to 10.19%. An amount of $10.8 million in Government of Canada bonds was held at December 31st, 1975, and the yield was 9.58%.

Net earnings of the segregated bond portfolio totalled $10 322 189, bringing total retained earnings since creation of the portfolio to $18 491 739. During the year, 49 644 units were issued for an amount of $73 091 954. The market value of each of the 103 045 units outstanding at December 31st, 1975, was $1 515.81, compared with $1 388.85 at the end of the previous year, an increase of 9.14%.

Stock portfolio

Assets of the segregated stock portfolio more than doubled in 1975 and amounted to $99 310 246 at year-end. They included, among others, $72.9 million in common or preferred shares of 99 Canadian companies, all listed on the Stock Exchange, $2.7 million in convertible securities, and $23.5 million in short-term investments and demand deposits. The latter amount was set aside to take up major equity positions in Canadian corporations whose stocks are trading at low prices in relation to their traditional value.

The book value of stock and convertible security investments increased by $29.3 million during the year. "Public Utilities" recorded an increase of $8.5 million while "Forest Products" were up by $5.9 million. Net purchases of $3.5 million were made in the "Oil and Gas" sector. The increases under these three headings accounted for 61% of the overall rise. Investments in holding companies, included last year under "Heavy and Secondary Industries", were integrated into investments in real estate firms under a new heading, "Holding and Real Estate Companies", which increased by $3.2 million during the year, taking into account the transfer of $944 521. The average weighted return on stocks and debentures was 4.71%, excluding net profits of $2 234 262 on sale of investments during the year.

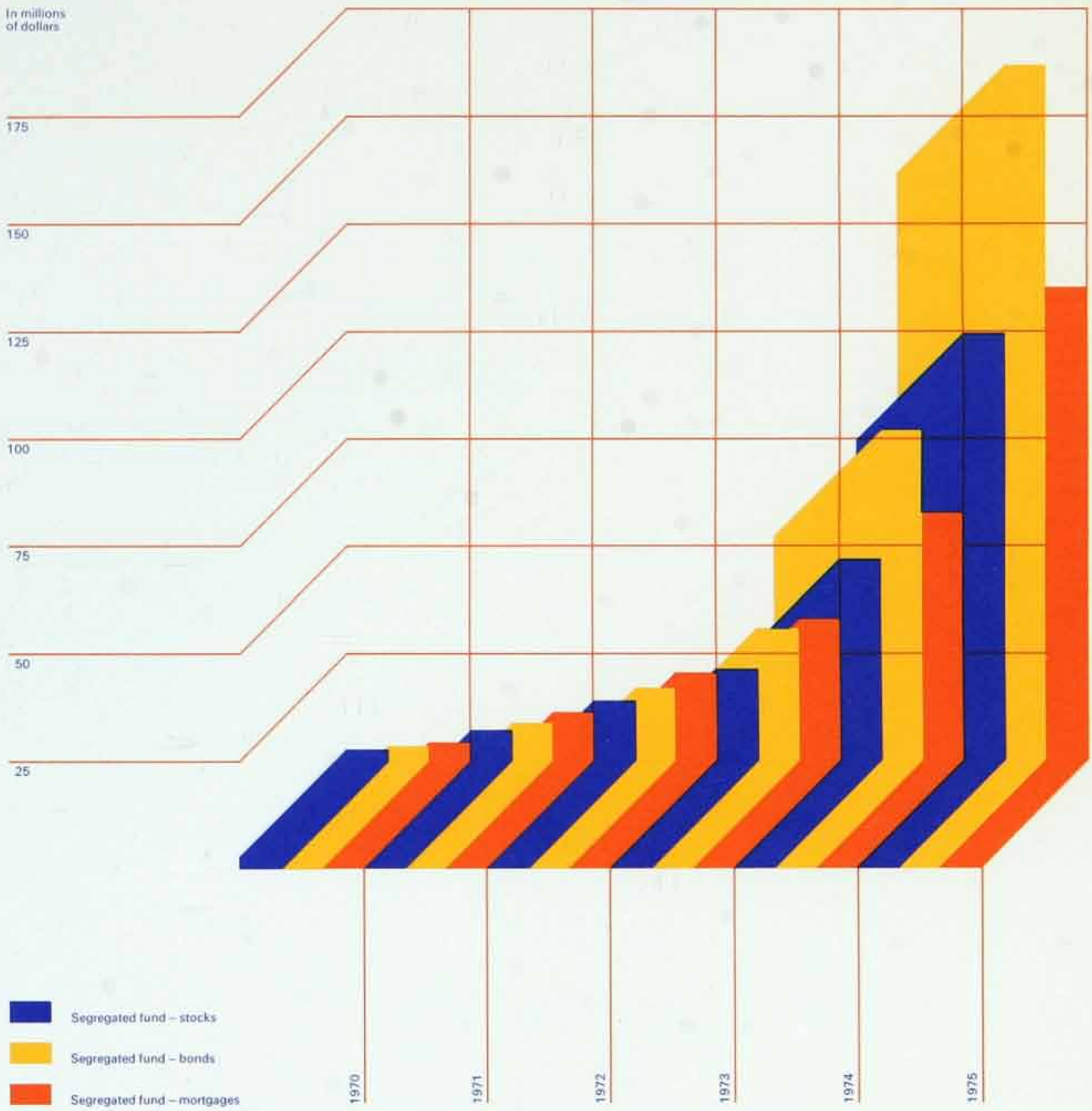
Net earnings of the segregated stock portfolio, including net profits on the disposal of investments, totalled $6 337 674, thus bringing total retained earnings to $11 774 129. During the year, a total of 41 950 units were issued for a consideration of $46 204 108. Each of the 80 053 units outstanding at December 31st, 1975, had a market value of $1 137.58 compared with $939.80 the previous year, a jump of 21.04%.

Mortgage portfolio

Total assets of the segregated mortgage portfolio increased by $51.5 million and totalled $109 741 751 at year-end. Net earnings amounted to $8 215 867, compared with $4 302 666 in 1974, thereby bringing retained earnings to $16 525 353. At December 31st, 1975, the average yield was 9.96% compared with 9.48% a year earlier.

During the year, depositors purchased 30 626 units for a total consideration of $43 238 372. At December 31st, 1975, each unit of the mortgage portfolio was worth $1 490.96, compared with $1 356.19 the previous year, an increase of 9.94%.

Assets



In millions of dollars
175
150
125
100
75
50
25
1970
1971
1972
1973
1974
1975
Segregated fund – stocks
Segregated fund – bonds
Segregated fund – mortgages

Unit market value

The $55.9 million increment in mortgages stems mainly from the acquisition of blocks of insured mortgages from financial institutions and the General Fund of the Caisse, in amounts of $34.4 million and $16.3 million, respectively. Because of the persistent slowdown in the construction industry, segregated mortgage fund managers intend to continue purchasing blocks of mortgages to offset the low volume of new commitments. Towards the end of 1975, the fund undertook to purchase some $30 million of such mortgages from a financial institution during 1976.

Demand deposits

The daily interest rate paid by the Caisse on demand deposits of segregated portfolios fluctuated between 6.33 and 9.18%, averaging 7.70% during the year.

Depositors

According to provisions of Bill 94, "An Act respecting retirement plans for mayors and councillors of cities and towns", assented to December 24th, 1974, the Commission administrative du régime de retraite began during the year to deposit moneys accruing by virtue of the Act in the segregated funds of the Caisse.

Moreover, the Construction Industry Complementary Social Benefits Plans Act was assented to November 20th, 1975, and the Office de la construction du Québec has taken over administration of such plans from the Régie des rentes du Québec. The Caisse, which has managed the assets of the construction industry since 1970, will continue to invest in its segregated funds the moneys which the Office has been depositing since the beginning of 1976. It also retains administration of the portfolio under management.

On behalf of the Board of Directors,

M. Bazavan.

Chairman

Québec, March 12th, 1976

Balance sheet

as at December 31st, 1975

Bonds

Assets	1975	1974
Bonds, at amortized cost		
(Market value $140 446 253 ; 1974, $64 347 043)	**$ 145 311 201**	$ 67 828 765
Short-term investments	**9 974 139**	8 623 140
Demand deposits	**(7 674 677)**	(687 362)
Term deposits	**10 000 000**	—
Accrued interest	**3 451 151**	1 883 128
	$ 161 061 814	$ 77 647 671
Participants' equity		
103 045 units of participation (Note 1)	**$ 142 570 075**	$ 69 478 121
Retained earnings	**18 491 739**	8 169 550
	$ 161 061 814	$ 77 647 671

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 Caisse de dépôt et placement du Québec as at December 31st, 1975 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, these financial statements present fairly the financial position of this portfolio of Caisse de dépôt as at December 31st, 1975 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.

Gérard Larose, C.A.
Auditor-General
Québec, March 8th, 1976

Statement of earnings and retained earnings

for the year ended December 31st, 1975

Bonds

		1975		1974
Investment income				
Interest on bonds	$	**9 865 003**	$	3 839 867
Interest on short-term investments		**648 370**		949 730
Interest on demand deposits		**248 625**		59 505
Interest on term deposits		**157 097**		373 607
Profit and loss on sale of investments		**(596 906)**		(687 519)
Net earnings for the year	$	**10 322 189**	$	4 535 190
Balance of retained earnings at beginning of year		**8 169 550**		3 634 360
Balance of retained earnings at year-end	$	**18 491 739**	$	8 169 550

Note 1
During the year, 49 644 units of participation were issued for an amount of $73 091 954 and there was no withdrawal.

Note 2
The administration fees of this portfolio are charged directly to the participants and amounted to $111 303 for the year ended December 31st, 1975 (1974, $58 665).

Balance sheet

as at December 31st, 1975

Stocks

Assets	1975	1974
Shares and convertible securities, at cost		
(Market value $67 318 982; 1974, $35 286 717)	$ 75 562 752	$ 46 245 920
Short-term investments	18 900 454	1 983 010
Demand deposits	4 554 539	(1 461 944)
Accrued interest and dividends receivable	292 501	1 478
	$ 99 310 246	$ 46 768 464
Participants' equity		
80 053 units of participation (Note 1)	$ 87 536 117	$ 41 332 009
Retained earnings	11 774 129	5 436 455
	$ 99 310 246	$ 46 768 464

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 Caisse de dépôt et placement du Québec as at December 31st, 1975 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, these financial statements present fairly the financial position of this portfolio of Caisse de dépôt as at December 31st, 1975 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.

Gérard Larose, C.A.
Auditor-General
Québec, March 8th, 1976

Statement of earnings and retained earnings

for the year ended December 31st, 1975

Stocks

		1975		1974
Investment income				
Dividends, interest on convertible securities	**$**	**2 534 770**	$	1 077 075
Interest on short-term investments		**990 729**		278
Interest on demand deposits		**552 490**		70 071
Interest on term deposits		**25 423**		—
Profit and loss on sale of investments		**2 234 262**		1 032 973
Net earnings for the year	**$**	**6 337 674**	$	2 180 397
Balance of retained earnings at beginning of year		**5 436 455**		3 256 058
Balance of retained earnings at year-end	**$**	**11 774 129**	$	5 436 455

Note 1
During the year, 41 950 units of participation were issued for an amount of $46 204 108 and there was no withdrawal.

Note 2
The administration fees of this portfolio are charged directly to the participants and amounted to $109 910 for the year ended December 31st, 1975 (1974, $44 753).

Balance sheet

as at December 31st, 1975

Assets	1975	1974
Mortgages	$ 100 624 781	$ 44 675 721
Short-term investments	4 886 087	3 930 800
Demand deposits	3 195 701	7 214 623
Term deposits	—	2 000 000
Accrued interest	1 035 182	466 368
	$ 109 741 751	$ 58 287 512
Participants' equity		
73 605 units of participation (Note 1)	$ 93 216 398	$ 49 978 026
Retained earnings	16 525 353	8 309 486
	$ 109 741 751	$ 58 287 512

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 Caisse de dépôt et placement du Québec as at December 31st, 1975 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, these financial statements present fairly the financial position of this portfolio of Caisse de dépôt as at December 31st, 1975 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.

Gérard Larose, C.A.
Auditor-General
Québec, March 8th, 1976

Statement of earnings and retained earnings

for the year ended December 31st, 1975

Mortgages

		1975		1974
Investment income				
Interest on mortgages	$	**6 765 165**	$	3 349 327
Interest on short-term investments		**314 172**		280 327
Interest on demand deposits		**1 129 140**		56 912
Interest on term deposits		**7 390**		616 100
Net earnings for the year	$	**8 215 867**	$	4 302 666
Balance of retained earnings at beginning of year		**8 309 486**		4 006 820
Balance of retained earnings at year-end	$	**16 525 353**	$	8 309 486

Note 1
During the year, 30 626 units of participation were issued for an amount of $43 238 372 and there was no withdrawal.

Note 2
The administration fees of this portfolio are charged directly to the participants and amounted to $182 108 for the year ended December 31st, 1975 (1974, $88 540).

Consolidated summary of investments

as at December 31st, 1975

% Book value		Nominal value
	Bonds	
2.96%	Government of Canada	$ 10 800 000
12.06%	Gouvernement du Québec and guaranteed	44 710 000
5.48%	Guaranteed by provincial grants	20 554 000
5.80%	Municipal and school	21 995 000
13.47%	Corporate	50 425 000
39.77%		$ 148 484 000
	Shares and convertible securities	
3.31%	Public utilities	
0.88%	Banks and finance	
2.23%	Consumer goods and services	
3.22%	Heavy and secondary industries	
3.34%	Oil and gas	
3.38%	Mines and metals	
2.48%	Forest products	
1.11%	Holding and real estate companies	
19.95%		
0.73%	Convertible securities	
20.68%		
27.55%	**Mortgages**	
12.00%	**Deposits and short-term investments**	
100.00%	**Total investments**	

*This weighted average yield does not take into account profit and loss on sale of investments.

Book value	Yield*	Market value
$ 10 797 646	9.58%	$ 10 858 750
44 099 228	10.28%	42 849 906
20 006 380	10.34%	19 144 536
21 207 765	10.25%	20 173 894
49 200 182	10.19%	47 419 167
$ 145 311 201	10.20%	$ 140 446 253
$ 12 096 397	7.32%	$ 11 564 872
3 215 943	4.84%	3 338 018
8 132 148	3.58%	7 463 583
11 765 319	5.35%	11 120 986
12 196 643	2.27%	9 978 453
12 363 176	3.73%	10 288 173
9 069 537	4.85%	7 938 587
4 049 143	4.75%	3 066 560
$ 72 888 306	4.57%	$ 64 759 232
2 674 446	8.54%	2 559 750
$ 75 562 752	4.71%	$ 67 318 982
$ 100 624 781	9.96%	$ 100 624 781
$ 43 836 243		$ 43 836 243
$ 365 334 977		$ 352 226 259

Six-year statistical summary

Bond portfolio	1975	1974
Assets		
Bonds		
Government of Canada	$ 10 797 646	$ 751 669
Gouvernement du Québec and guaranteed	44 099 228	12 117 158
Guaranteed by provincial grants	20 006 380	13 864 221
Municipal and school	21 207 765	8 847 074
Corporate	49 200 182	32 248 643
	$ 145 311 201	$ 67 828 765
Deposits and short-term investments	12 299 462	7 935 778
Other assets	3 451 151	1 883 128
	$ 161 061 814	$ 77 647 671
Participants' equity		
Capital	$ 142 570 075	$ 69 478 121
Retained earnings	18 491 739	8 169 550
	$ 161 061 814	$ 77 647 671
Unrealized appreciation (depreciation) of fund	$ (4 864 948)	$ (3 481 722)
Investment income	$ 10 919 095	$ 5 222 709
Profit and loss on sale of investments	(596 906)	(687 519)
Net earnings for the year	$ 10 322 189	$ 4 535 190
Units of participation outstanding	103 045	53 401
Average cost of units outstanding	$ 1 383.57	$ 1 301.06
Unit book value	$ 1 563.02	$ 1 454.04
Unit market value	$ 1 515.81	$ 1 388.85

1973	1972	1971	1970
$ 1 517 339	$ 500 417	$ 700 313	$ 501 250
3 018 054	1 684 812	1 342 385	594 125
4 957 018	1 124 955	—	—
3 139 508	1 814 085	350 000	350 000
17 577 327	7 330 894	5 546 033	1 734 531
$ 30 209 246	$ 12 455 163	$ 7 938 731	$ 3 179 906
437 409	4 522 142	1 146 879	(201 428)
553 377	215 429	169 859	51 814
$ 31 200 032	$ 17 192 734	$ 9 255 469	$ 3 030 292
$ 27 565 672	$ 15 379 199	$ 8 588 387	$ 2 965 364
3 634 360	1 813 535	667 082	64 928
$ 31 200 032	$ 17 192 734	$ 9 255 469	$ 3 030 292
$ (797 500)	$ 273 417	$ 246 344	$ 162 407
$ 1 793 893	$ 965 666	$ 486 796	$ 64 004
26 932	180 787	115 357	924
$ 1 820 825	$ 1 146 453	$ 602 153	$ 64 928
22 099	13 126	7 764	2 923
$ 1 247.37	$ 1 171.66	$ 1 106.18	$ 1 014.49
$ 1 411.83	$ 1 309.82	$ 1 192.10	$ 1 036.71
$ 1 375.74	$ 1 330.65	$ 1 223.83	$ 1 092.27

Six-year statistical summary

Stock portfolio	1975	1974
Assets		
Convertible securities	$ 2 674 446	$ 918 196
Shares		
Public utilities	12 096 397	3 567 414
Banks and finance	3 215 943	5 378 766
Consumer goods and services	8 132 148	4 720 376
Heavy and secondary industries	11 765 319	9 502 758
Oil and gas	12 196 643	8 723 557
Mines and metals	12 363 176	9 422 402
Forest products	9 069 537	3 179 688
Holding and real estate companies	4 049 143	832 763
	$ 75 562 752	$ 46 245 920
Deposits and short-term investments	23 454 993	521 066
Other assets	292 501	1 478
	$ 99 310 246	$ 46 768 464
Participants' equity		
Capital	$ 87 536 117	$ 41 332 009
Retained earnings	11 774 129	5 436 455
	$ 99 310 246	$ 46 768 464
Unrealized appreciation (depreciation) of fund	$ (8 243 770)	$(10 959 203)
Investment income	$ 4 103 412	$ 1 147 424
Profit and loss on sale of investments	2 234 262	1 032 973
Net earnings for the year	$ 6 337 674	$ 2 180 397
Units of participation outstanding	80 053	38 103
Average cost of units outstanding	$ 1 093.48	$ 1 084.74
Unit book value	$ 1 240.56	$ 1 227.42
Unit market value	$ 1 137.58	$ 939.80

1973	1972	1971	1970
$ 456 150	$ —	$ —	$ —
3 755 521	2 669 936	1 481 274	218 948
936 747	2 102 194	481 426	21 264
1 882 009	1 404 303	746 537	—
1 451 583	1 445 613	587 579	—
5 726 636	854 388	—	—
3 377 540	1 330 095	1 151 614	—
957 222	1 445 881	796 164	—
19 967	—	—	—
$ 18 563 375	$ 11 252 410	$ 5 244 594	$ 240 212
2 977 879	2 332 103	2 142 463	2 262 510
15 467	21 976	5 673	788
$ 21 556 721	$ 13 606 489	$ 7 392 730	$ 2 503 510
$ 18 300 663	$ 12 433 850	$ 7 129 351	$ 2 468 771
3 256 058	1 172 639	263 379	34 739
$ 21 556 721	$ 13 606 489	$ 7 392 730	$ 2 503 510
$ (1 132 076)	$ 898 119	$ 218 352	$ 14 688
$ 652 379	$ 415 881	$ 167 421	$ 34 739
1 431 040	493 379	61 219	—
$ 2 083 419	$ 909 260	$ 228 640	$ 34 739
16 135	11 545	7 010	2 446
$ 1 134.22	$ 1 076.99	$ 1 017.03	$ 1 009.31
$ 1 335.06	$ 1 178.56	$ 1 054.59	$ 1 023.51
$ 1 265.86	$ 1 256.35	$ 1 085.75	$ 1 029.52

Six-year statistical summary

Mortgage portfolio	1975	1974
Assets		
Mortgages	$ 100 624 781	$ 44 675 721
Deposits and short-term investments	8 081 788	13 145 423
Other assets	1 035 182	466 368
	$ 109 741 751	$ 58 287 512
Participants' equity		
Capital	$ 93 216 398	$ 49 978 026
Retained earnings	16 525 353	8 309 486
	$ 109 741 751	$ 58 287 512
Net earnings for the year	$ 8 215 867	$ 4 302 666
Units of participation outstanding	73 605	42 979
Average cost of units outstanding	$ 1 266.44	$ 1 162.84
Unit book value	$ 1 490.96	$ 1 356.19

1973	1972	1971	1970
$ 25 307 348	$ 18 086 942	$ 3 432 523	$ —
7 483 021	2 670 622	7 754 414	3 109 173
248 654	138 858	23 702	—
$ 33 039 023	$ 20 896 422	$ 11 210 639	$ 3 109 173
$ 29 032 203	$ 19 317 677	$ 10 788 540	$ 3 068 000
4 006 820	1 578 745	422 099	41 173
$ 33 039 023	$ 20 896 422	$ 11 210 639	$ 3 109 173
$ 2 428 075	$ 1 156 646	$ 380 926	$ 41 173
26 757	18 425	10 558	3 068
$ 1 085.03	$ 1 048.45	$ 1 021.84	$ 1 000.00
$ 1 234.78	$ 1 134.13	$ 1 062.27	$ 1 013.42

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