

1976

**Eleventh
Annual Report**

**Caisse de dépôt
et placement du Québec**



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Board of Directors

Caisse de dépôt et placement du Québec

Jacques Parizeau, 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 eleventh annual report for the year ended December 31st, 1976.

Yours very truly,



Marcel Cazavan
Chairman of the Board
and General Manager

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 and Officers

General Management

Marcel Cazavan, General Manager
 Jean-Michel Paris, Deputy General Manager
 Pierre Arbour, Senior Corporate Investment Advisor
 Marcel Camu, Secretary
 Colette Boutin, Assistant Secretary

Bond Department

Jean Laflamme, Assistant Manager
 Serge Leclerc, Chief of Research
 Jules A. Huot, Portfolio Manager
 Robert Lacroix, Portfolio Manager

Stock Department

Raymond Lacourse, Manager
 Étienne J. de Kosko, Portfolio Manager
 Jean-Marc Pilon, Portfolio Manager
 André Bineau, Chief of Research
 Pierre Dufresne, Senior Investment Analyst
 Reynald N. Harpin, Senior Investment Analyst
 Claude L. Langevin, Senior Investment Analyst

Private Placement Department

Jean C. Lavoie, Manager
 Jacques Doiron, Assistant Manager
 Jean Longpré, Senior Investment Officer

Mortgage Department

Gilles Doré, Manager
 Dominique Colard, Assistant Manager
 (Eastern Region)
 Pierre Galarneau, Assistant Manager
 (Western Region)
 Bernard Ranger, Legal Counsel

Depositors' Services Department

Gérard J. Blondeau, Manager
 Jacques Roy, Assistant Manager

Economic Research Department

Pierre Mayer, Manager

Administrative Services Department

Pierre E. Langlois, Manager
 Guy Rhéaume, Assistant Manager
 Gody Lienhard, Chief – Securities
 Louise M. Zakaib, Chief – Personnel Administration

Internal Audit

Serge Desjardins, Chief

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 Municipalité de la Baie James
- 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

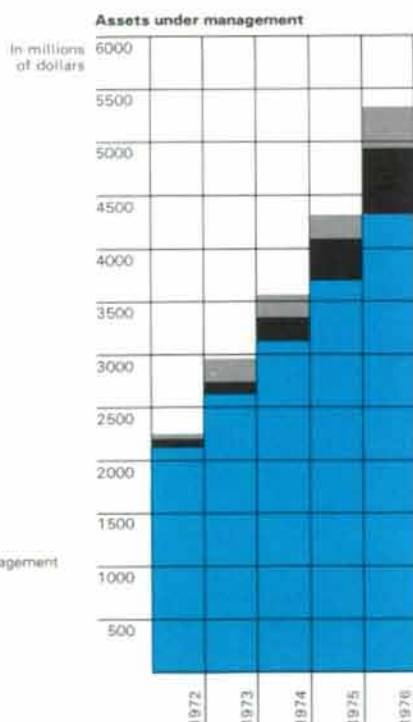
(in millions of dollars)

	1976	1975	Increase %
General Fund			
Assets	\$ 4 318.5	\$ 3 699.0	16.8
Investments	\$ 4 238.8	\$ 3 633.1	16.7
Other assets	\$ 79.7	\$ 65.9	21.0
Depositors' account	\$ 4 312.8	\$ 3 690.3	16.9
Total income	\$ 348.2	\$ 276.0	26.2
Net income	\$ 327.0	\$ 262.6	24.5
Interest paid or due to depositors	\$ 337.5	\$ 272.7	23.7
Yield on deposits	8.62%	8.11%	—
Administrative expenditures	0.093%	0.101%	—
Total funds			
Assets under management			
General Fund	\$ 4 318.5	\$ 3 699.0	16.8
Segregated funds	620.5	370.1	67.7
Funds under separate management	401.2	246.4	62.8
	<u>\$ 5 340.2</u>	<u>\$ 4 315.5</u>	23.7
Net income			
General Fund	\$ 327.0	\$ 262.6	24.5
Segregated funds	48.8	24.9	96.0
Funds under separate management	27.7	17.3	60.1
	<u>\$ 403.5</u>	<u>\$ 304.8</u>	32.4
Net deposits*			
General Fund	\$ 249.1	\$ 265.4	(6.1)
Segregated funds	227.5	170.4	33.5
Funds under separate management	116.2	11.0	956.4
	<u>\$ 592.8</u>	<u>\$ 446.8</u>	32.7
Number of employees	113	102	—

* Moneys deposited in addition to income reinvested.

Report of the General Manager

During its eleventh fiscal year ended December 31st, 1976, the Caisse de dépôt et placement du Québec reached a number of new heights. For the first time, total assets entrusted to its management increased by more than one billion dollars during the year, totalling \$5.3 billion, an increase of 23.7% over the previous year. Net deposits of various bodies and supplemental pension plans exceeded half a billion dollars, reaching \$592.8 million, while net income of overall funds achieved the unprecedented level of \$403.5 million, an increment of 32.4% over 1975. Net yield on average deposits increased from 8.11% in 1975 to 8.62% in 1976.



Development in recent years

It was difficult to foresee a few years ago that moneys entrusted to management of the Caisse would increase so significantly and rapidly. In point of fact, total assets under management nearly tripled over the last five years. Such growth is attributable mainly to measures adopted by the Gouvernement du Québec following establishment of the Caisse de dépôt in 1965, especially since 1970. As a result, the proportion of Régie des rentes du Québec net deposits accounted for 50.4% of new cash receipts in 1976, compared with 80.3% five years ago.

In its 1974 report, the Caisse anticipated that the rate of growth of funds from sources other than the Régime de rentes du Québec would be such that these funds eventually could constitute a

greater monetary aggregate than that managed for the Régie des rentes, which then totalled \$2.9 billion. Such expectations already have started to materialize due to the participation of three major depositors since 1973.

First, the Caisse undertook management of the portfolio of securities and funds which the Commission des accidents du travail de Québec must deposit with the Caisse; assets of the Commission appreciated significantly in the wake of increased participation and of higher assessments related, among other factors, to the indexing of benefits paid to victims of work accidents. Net deposits of \$72.5 million during the year brought Commission assets managed by the Caisse to \$414.9 million at December 31st, 1976.

Secondly, the Commission administrative du régime de retraite, which manages the Government and public employees retirement plan (GPERP), became a Caisse depositor. In 1976, its net deposits amounted to \$139.9 million; in addition, it entrusted the Caisse with management of over \$14 million worth of pension fund portfolios. These assets stemmed from seven supplemental pension plans of agencies related to the departments of Social Affairs and of Education, whose members had voted in favor of the GPERP, in accordance with provisions of various collective labor agreements. The Commission and the Caisse expect to complete transfer of assets of other similar plans in 1977. Consolidated GPERP assets totalled \$312.1 million at December 31st, 1976.

Finally, the Construction Industry Complementary Social Benefits Plans Act, adopted in 1975, provided that the Caisse retain administration of construction industry investments as it had been doing since 1970. The Office de la construction du Québec, new administrator of the Supplemental pension plan for employees of the Québec construction industry, deposited \$84.2 million during the year, bringing Plan assets to \$394.8 million at December 31st, 1976.

At year-end, overall assets of the three depositors represented 21% of total assets under Caisse management. Five years ago, 90.4% of all such assets belonged to the Régie des rentes. This illustrates the broad diversification of funds which has occurred during this period, thereby contributing, through an additional working margin, to extension of the role of the Caisse on financial markets. Indeed, given the long-term nature of deposits of the Commission des accidents du travail de Québec, the Commission administrative du régime de retraite, and the Office de la construction du Québec, the Caisse so far has been able to pursue its policy of investing in long-term securities; actuarial requirements of its main depositor, the Régie des rentes

du Québec, would have precluded such action.

In this respect, it should be recalled that the Caisse, in its 1975 Annual Report, stressed the pressing need for the Gouvernement du Québec to act on recommendations set forth by the Régie des rentes in its actuarial analysis of the pension plan at December 31st, 1974. Through an Order-in-Council dated February 25th, 1976, the Gouvernement du Québec created a committee to study the financing of the pension plan and the supplemental pension plans, also known as COFIRENTES+. The committee, under the chairmanship of Mr. Hervé Hébert, actuary, includes six other members, one of whom is a senior officer of the Caisse appointed by its Board of Directors. Deadline for presentation of the committee's report is August 31st, 1977.

The Caisse maintains close relations with its depositors, particularly those whose assets must be invested in segregated funds or managed separately. Such matters as deposit projections, the nature and scope of their financial commitments, investment and return objectives, as well as reporting requirements are discussed with them.

Regulation changes

In order to meet new requirements, the Caisse amended regulations pertaining to its segregated funds, funds or portfolios under separate management, and portfolios under management, previously known as segregated portfolios, administered funds, and portfolios under management, respectively. The amendments, adopted by the Board of Directors at its regular meeting November 16th, subsequently were ratified by Order-in-Council.

By virtue of these amendments, the Caisse specifically is authorized to establish a new segregated bond fund, solely comprising government bonds and known as Fund "G". Its establishment follows the wish expressed by a depositor responsible for administration of an increasing number of public service employees' supplemental pension plans whose different assets are particularly suited for group administration through a pooled fund. All agencies or plans empowered to deposit in the segregated funds may invest in Fund "G", if they so wish, in the same way they now invest in Funds "O", "A" and "H", made up of bonds, stocks and mortgages, respectively.

Amendments to Caisse regulations concerning funds or portfolios under separate management authorize it to manage assets in such a way that specific needs may be met when the depositor's constituent Act and the Caisse charter allow it.

The Caisse charges management fees to agencies and plans whose assets are handled in its segregated funds or as portfolios under separate

management. The rate, set by the Board of Directors, has been in effect since 1970; it is calculated on the investment value and mainly takes into account the nature of the securities as well as the degree of monitoring required. In 1976, fees collected by the General Fund for the administration of segregated funds and portfolios under separate management amounted to \$980 057, or 21.3% of total Caisse administrative expenditures. At December 31st, 1976, overall assets of these funds and portfolios were equal to 19.1% of total assets under management. Taking into consideration the greater diversification in investment of these assets and the additional service fees involved, the Caisse endeavors to distribute its administrative expenditures equitably among its various categories of depositors.

Internal management

The Caisse made a number of changes in its operating method and administrative setup in 1976. It redefined the role of four investment committees which corresponds to each of the major areas of activity in the investment field, namely, bonds, stocks, private placements, and mortgages. The main responsibilities of each departmental committee include fulfilment of the investment program mapped for it, authorization of investments coming under its jurisdiction, and recommendations to the Investment Steering Committee concerning investments or general investment policies.

Through delegation of authority by the General Manager, the Investment Steering Committee is the supreme operating authority in investment matters. It is made up of the General Manager, the Deputy General Manager, who acts as its chairman, the four departmental managers concerned with investments, and the Senior Corporate Investment Advisor. It ratifies all investments made under its authority by virtue of the powers delegated to it, makes recommendations to the Caisse Board of Directors regarding investments which come under the latter's jurisdiction and, generally, approves and reconciles investment policies and strategies of the various departments.

In the administrative area, a Management Committee, composed of departmental managers, interprets stipulations of the charter and regulations in matters other than investments and formulates recommendations concerning general management policies of the Caisse.

Staff and appointments

Following approval of the staff plan and organization chart submitted to the authorities in 1976, the Caisse changed the names of its organizational structures and the corresponding titles of some

officers and managerial personnel. The purposes of these modifications, on the one hand, was to introduce the departmental concept and to delineate the service function. On the other hand, the changes were designed to adopt titles more representative of the work of some incumbents, such as portfolio managers, chiefs of research, senior investments analysts, etc., in order to make them increasingly compatible with the terminology common to financial circles. In addition, the Caisse created the position of Senior Corporate Investment Advisor, reporting to general management.

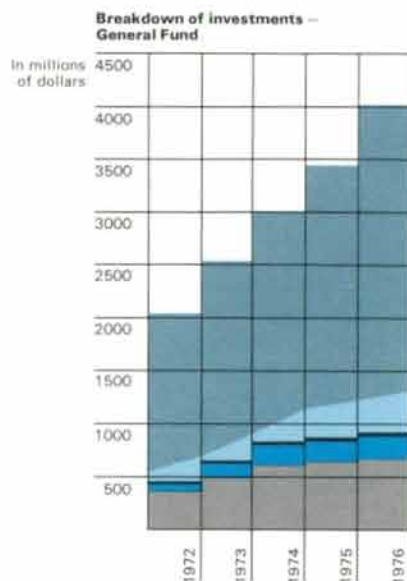
Finally, the Caisse consolidated accounting, personnel, securities, computer, and auxiliary services operations under the Administrative Services Department. It also acquired a highly flexible computer which can meet all its accounting, auditing, management, and financial analysis systems needs. These measures will ensure greater efficiency on the part of all support services in view of anticipated business expansion.

Management Report

During the fiscal year ended December 31st, 1976, assets of the General Fund of Caisse de dépôt et placement du Québec topped the \$4 billion mark to total \$4.3 billion, an increase of 16.8% over the previous year. For the tenth consecutive year, the net yield on average deposits increased, rising by 0.51% over 1975 to a high of 8.62%.

A total of \$327 million, representing net income for the year, was apportioned, on a prorata basis, among the holders of General Fund notice deposits units. Total deposits were \$249.1 million in 1976, compared with \$265.4 million in 1975.

Investments totalled \$4 238.8 million and their distribution, based on the book value of each category, was as follows: 73.2% in bonds, 15.6% in shares and convertible securities, 5.9% in real estate and mortgages and, finally, 5.3% in short-term investments. Compared with last year, the relative bond position increased by slightly more than 2% while the stock level decreased in the same proportion; other securities in the portfolio remained virtually unchanged.



The economy

The rather disappointing growth rate of the Canadian economy in 1976 stemmed from the pursuit of austerity policies arising from the need to eliminate persistent imbalance in prevailing prices, costs, and balance of payments as recovery began. However, these tensions subsided during the year though the economic situation evolved throughout 1976 in the shadow of restrictive policies.

The Bank of Canada maintained the monetarist approach adopted at the start of 1975, whereby control of monetary aggregates took priority over

general credit terms, interest rate structures, and rates of exchange of Canadian currency. In this spirit, credit continued despite a still overvalued Canadian dollar and marked spreads between rates of interest on Canadian and American money markets.

In an effort to control inflation, the federal government effected a series of budgetary cuts aimed at aligning the growth of its expenditures with that of the Gross National Product. Because of expected difficulties in financing their deficits and their desire not to increase unduly the already heavy burden on taxpayers, other government levels also adopted austerity measures.

Finally, these traditional steps were strengthened by an overall price and income control policy which considerably reduced income expectations while a climate of general uncertainty persisted.

These policies, as a whole, influenced the development of the Canadian economic cycle in 1976. Like most developed countries, Canada experienced an accelerated rate of growth during the first quarter, due mainly to brisk consumer spending and an accumulation of inventories which later proved excessive. This trend was halted abruptly during the second quarter and only a moderate recovery was experienced in the second semester.

The reduced rate of inventory accumulations, the moderation of governmental expenditures, and the drop in capital expenditures for production purposes played a major role in this economic slowdown, though consumer spending, residential construction, and exports diminished the impact to some extent. All in all, the real growth rate of the Gross National Product should be in the neighborhood of 4.7% for 1976 in comparison with 0.6% for 1975. At the same time, inflation at the consumer price level dropped appreciably from an average of 10.8% in 1975 to 7.5% in 1976.

Because of unsatisfactory profit margins for the second consecutive year, uncertainty as to the application of controls, and increasing production overcapacity, companies were reluctant to undertake new capital expenditures and rapidly reduced excess inventories. On the other hand, consumer spending continued to increase rapidly despite the depressive effect of controls on income expectations and a sustained rate of high unemployment. A marked drop in inflation in relation to salary increases improved consumer purchasing power, thereby stimulating consumer spending. Furthermore, government grants sparked a higher level of residential construction activity.

Finally, a strengthened external demand, linked mainly to economic recovery in the United States, and a reduced volume of imports triggered a significant improvement in the Canadian balance of

trade, which advanced from a \$600 million deficit in 1975 to a surplus of about \$1.3 billion in 1976. However, because of the increasing deficit in the service account balance, the current account deficit should improve only slightly in relation to last year, amounting to about \$4.5 billion. The need to finance such a deficit and the appeal of much lower interest rates on external money markets largely contributed to the increased portion of overall financing obtained on foreign markets by Canadian organizations in 1976.

Investment policy

The general investment policy adopted by the Caisse at its founding in 1966 always has remained consistent with four primary objectives: protection of capital, attainment of a return compatible with the risks taken, sound diversity in investments, and promotion of the economic growth of Québec.

During its eleven years of activity, the Caisse has achieved a state of independence which ensures its unchallenged credibility in Canadian financial, industrial and business circles. In so doing, it has earned the respect of all the governments which have held office since its establishment. It also has become a full-fledged member of the complex network of Canadian financial institutions.

Relatively unknown by the general public because of the specialized nature of its operations, the Caisse nevertheless achieved notice in 1976. The financial press reported its intervention on the secondary market in order to regulate the Gouvernement du Québec bond market when unusual tensions became evident. This was not the first time the Caisse took action to prevent an inordinate spread in yield between these bonds and other similar securities. It will be recalled that when the same situation occurred at various times in the past, the Caisse intervened in a similar way. In point of fact, recent operations differ from earlier ones only in that they aroused greater public interest.

The interventions of the Caisse in 1976 stemmed initially from the fact that it had been recognized for some time as one of the main stabilizing factors of Québec and Hydro-Québec securities on the Canadian market. Secondly, these securities represented a large proportion of overall funds under Caisse management and also had a strong impact on their total market value. At December 31st, 1976, the Caisse held or managed for depositors nearly \$2.5 billion in bonds issued or guaranteed by the Gouvernement du Québec and \$644 million in securities issued by Québec public bodies, including municipalities, school boards, CEGEPS, universities, and hospitals.

Moreover, it was important that the yield required for Gouvernement du Québec bonds on the second-

ary market, which more or less sets the rate level for new issues, not increase unduly because of the influence it bears on borrowing costs which various Québec public bodies must pay.

It also should be emphasized that this type of operation falls within the framework of the general investment policy of the Caisse advocated in the address delivered before the National Assembly by the leader of the Gouvernement du Québec June 9th, 1965, when the Caisse de dépôt et placement du Québec constituent Act came up for second reading. The address, which specifies that the Caisse must not isolate itself from financial markets, points out that "once its resources have reached a sufficiently high level, it ultimately will be able to constitute a partial or total alternative to temporarily unfavorable or overcrowded markets". In this respect, the following table shows the amount of new bonds issued or guaranteed by the Gouvernement du Québec and acquired by the Caisse following private or public issues on the Canadian market since 1966.

Bonds issued or guaranteed by the Gouvernement du Québec, acquired by Caisse de dépôt on the Canadian primary market, 1966-1976

Type of issue	Nominal value (in millions of dollars)	Percentage of total issued
Public	1 257.6	52.9
Private	1 120.0	47.1
Total	2 377.6	100.0

The address goes on to make two points which are indeed timely today:

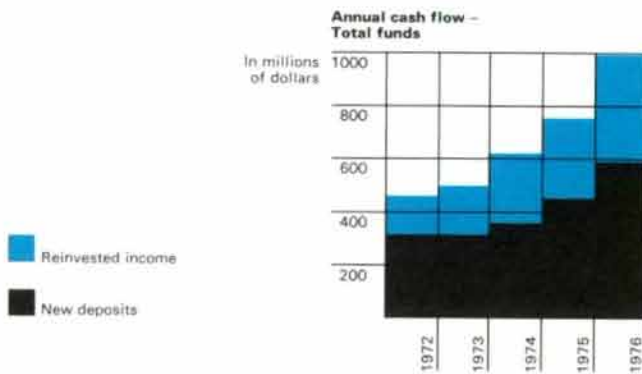
"Once it has gained experience, the Caisse will be able to participate in an extremely effective manner in the management of the entire Québec public debt. It should normally be able to expand the market for such securities, intensify the volume of transactions, and prevent the occurrence of abnormal yield spreads in securities of various maturities. All in all, it will be called upon in future to play a role which will not be unlike that of the Bank of Canada with respect to Canadian Government bonds during the past thirty years, but especially during the last fifteen years, to develop, stabilize, and strengthen the market."

"It is perfectly obvious that the Caisse de dépôt does not have the slightest monetary function and would be absolutely unable to assume such a role, even on a partial basis. To view the Caisse, as sometimes has been done, as the start of a central bank, indicates a surprising lack of knowledge regarding basic monetary and banking mechanisms."

In conclusion, it is appropriate to recall that such Caisse intervention on the secondary market of Québec and Hydro-Québec bonds must not bring available funds below the minimum required to ensure the efficient support essential to the success of new issues, particularly when financial markets are subject to special tension.

Short-term investments

In a financial organization with an annual cash flow of roughly \$1 billion, cash management is a vitally important operation. In 1976, net deposits of depositors as a whole totalled \$592.8 million and net income generated by all funds under Caisse management totalled \$403.5 million.



Substantial deposits are funnelled into the Caisse by various agencies and pension funds. For greater security but mainly to ensure efficiency, these funds are directed to it through bank transfers and are invested the very same day. Initially, most of the moneys thus transferred are placed in the General Fund as demand deposits and, as such, represent an indebtedness of the Caisse toward the depositors. These deposits, which may be withdrawn on three days' notice, immediately bear interest at a rate, set on a daily basis, which fluctuates according to the yield of capital on the money market. Demand deposits at year-end amounted to \$103.2 million.

Because of the relatively long-term financial requirements of its depositors and in keeping with its general investment policy, the Caisse each year invests substantial sums in long-term bonds. The schedule of new issues of Québec public sector bonds determines its degree of activity on the Canadian primary bond market. In addition to its activities on financial and money markets, the Caisse also deals on the Canadian stock market. Given the amounts involved, all these transactions require considerable strategy and planning.

Net increase in bond investments - Total funds (in millions of dollars)

Categories	1976	1975	1974	1973	1972
Gouvernement du Québec and guaranteed	545.3	296.8	220.2	312.4	206.0
Guaranteed by provincial grants	56.0	27.0	24.6	47.1	27.4
Municipal and school	73.2	68.0	48.3	107.4	16.2
Subtotal	674.5	391.8	293.1	466.9	249.6
Government of Canada	(4.6)	42.7	(21.1)	7.3	(2.8)
Corporate	105.2	68.8	70.9	26.7	58.6
Total	775.1	503.3	342.9	500.9	305.4

Furthermore, the Caisse undertakes large financial commitments in long-term investments which cannot materialize as rapidly as transactions on financial or stock markets. This is particularly true of private placements in the form of mortgage bonds, debentures, real estate transactions, or mortgage loans. The outlays required by such investments cannot always be foreseen accurately since they generally are related to completion of large projects; they therefore often are spread over a relatively protracted period. The Caisse nevertheless must reflect this consideration in its cash position and investments on the money market must be of a nature enabling it to meet its obligations; at year-end, commitments related to mortgages and private financings alone totalled \$114 million.

The Caisse also accepts term deposits maturing on a specific date, generally not exceeding a two-year period. They bear interest at a fixed rate, set at the time of deposit in relation to the money market. At December 31st, 1976, such deposits amounted to \$2.5 million. This type of deposit may vary considerably from one year to the next.

In order to reconcile all the aforementioned requirements, the Caisse of necessity must exercise on-going and extensive activity on the money market, of which it is an important component. Short-term securities acquired on this market are negotiable instruments of varying maturities depending on depositors' requirements, the interest rate outlook, and commitments. They mainly include Treasury bills, banker's acceptances, bearer deposit notes, swap deposits, and corporate commercial paper. The current yields in effect on some of these securities serve as a basis for the mathematical formula used by the Caisse to set the daily rate of interest paid on moneys placed in the General Fund as demand deposits pending conversion into long-term deposits or investments in the General Fund, the segregated funds, or in portfolios under separate management. This rate fluctuated between 8.18% and 9.76% to achieve an average of 8.98% in 1976.

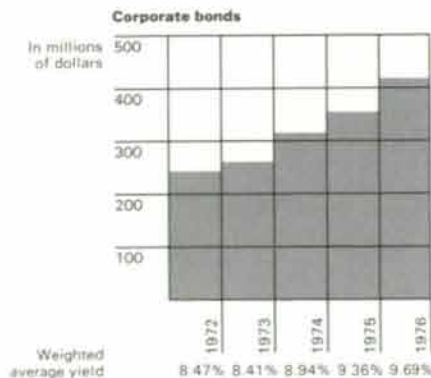
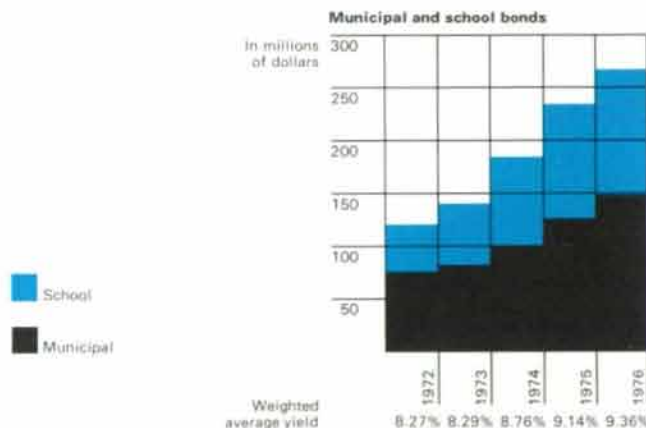
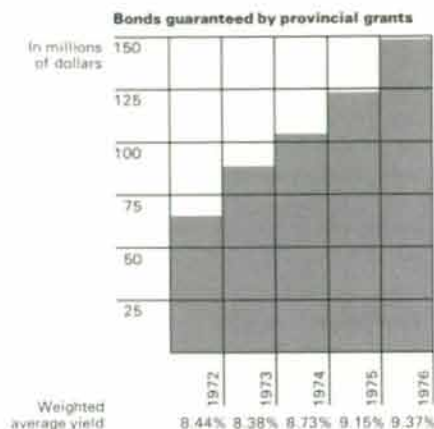
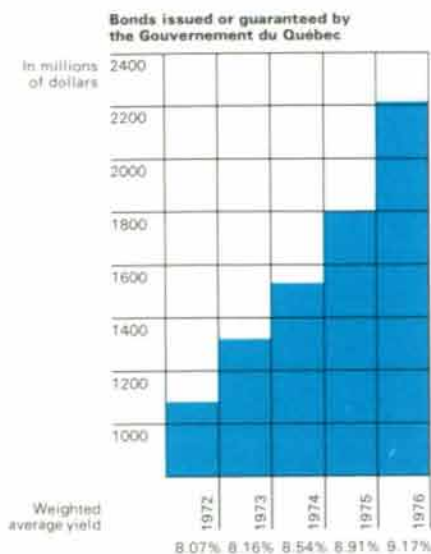
A high volume of transactions takes place on the money market; the transactions are concluded rapidly and precisely and their settlement is made according to a strict schedule. A perfect synchronization of cash input, output, and investment forecasts is therefore necessary in order to optimize yield on capital. In 1976, overall transactions totalled some \$3.8 billion. The average monthly value of short-term securities amounted to \$274.2 million during the year and, at year-end, \$226.4 million.

Actually, the "Short-term investments" account shown on the General Fund balance sheet represents investments made by the Caisse to meet all its contractual obligations; at times, it may contain a certain liquid assets cushion corresponding to investment policies and strategies arising out of market conditions.

Bonds

During the year, the book value of the bond portfolio increased by \$523.3 million and, at December 31st, 1976, amounted to \$3.1 billion, or 73.2% of total General Fund assets at the same date. The accompanying charts show variations in investments and yields of the four main bond categories held in this portfolio from 1972 to 1976. During this period, overall book value of the portfolio nearly doubled while its proportion in the overall General Fund remained essentially unchanged. Total bonds issued or guaranteed by the Gouvernement du Québec, which made up 51.5% of investments in 1972, now total 52.1%.

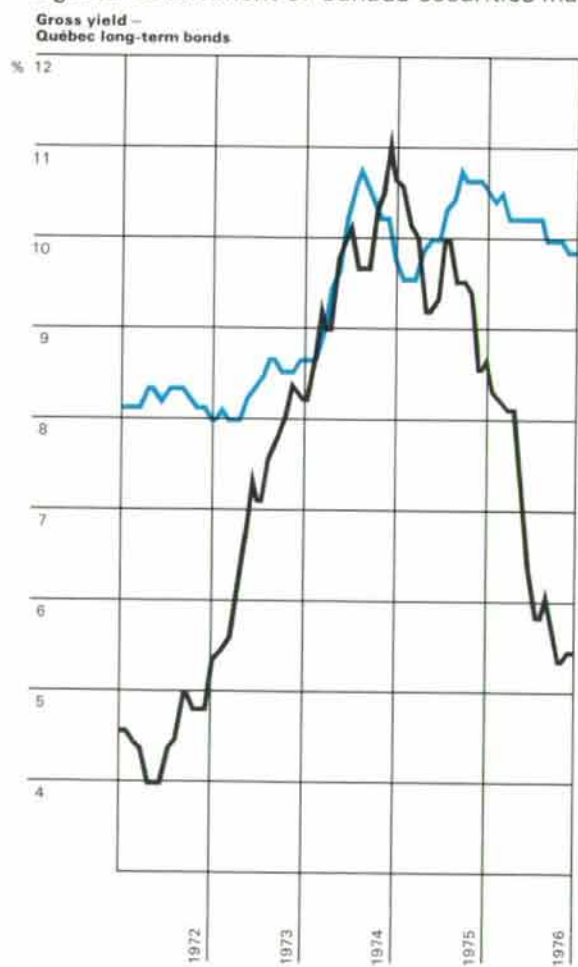
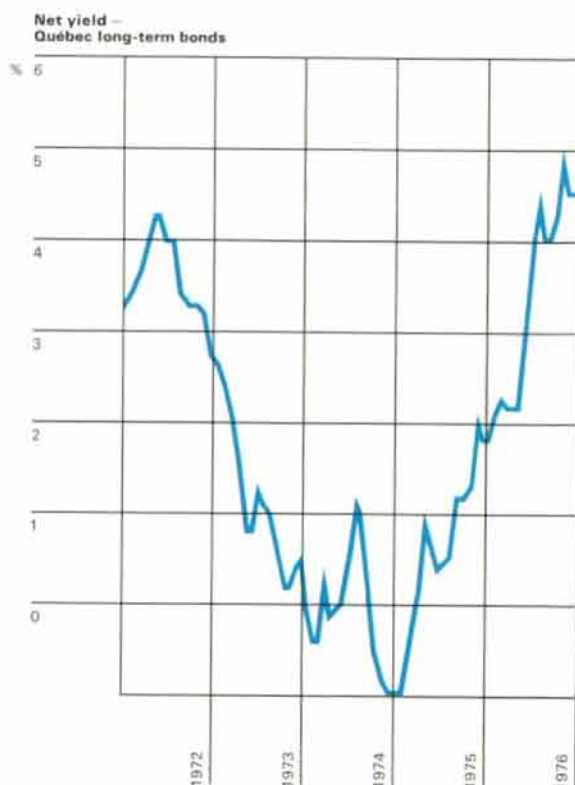
Bonds held by the General Fund



During the past five years, the weighted average yield of the portfolio increased from 8.10% in 1972 to 8.99% in 1975 and to 9.26% in 1976. However, this 0.27% increase is only a minor indication of the actual advance in the true yield of these securities.

Indeed, the encouraging results of the anti-inflation drive in 1976 enabled investors to obtain positive real returns on their bond investments. The real yield corresponds to the gross yield rate less the rate of inflation; the two following charts indicate changes in the gross yield on long-term Gouvernement du Québec bonds in relation to the Consumer Price Index, as well as their real yield. It follows that when the rate of inflation is higher, the gross yield becomes deceptive. Thus, when interest rates were at their peak in 1974 and 1975, the net yield was, in effect, negative since it was lower than the rate of inflation. However, during 1976, a net positive yield was recorded and as inflation abated, it grew stronger despite a gradual drop in interest rates.

During 1976, demand was higher for public sector than for private sector funds in Canada with the result that the yield spread between Federal Government and corporate bonds continued to narrow. By way of example, the spread between long-term industrial bonds favored with the highest rating and Government of Canada securities maturing



Québec long-term bonds
Consumer Price Index

at the same date, which had diminished from 145 basis points to 78 points in 1975, was reduced further to 47 points at December 31st, 1976.

At the start of 1976, one conceivably could anticipate a decrease in interest rates during the year. In view of the yields and securities available, the Caisse deemed it advisable to increase on a temporary basis the proportion of its investments in Government of Canada bonds and later diminished this level as the reduction in interest rates materialized.

Furthermore, it purchased corporate securities of lesser negotiability but offering a higher yield and covered by various forms of governmental guarantees.

Keeping in mind the main economic trends which may prompt it at times to opt for an extension or curtailment of the average term of bond portfolios under its management, the Caisse nevertheless must take into account the restrictions imposed upon it by the actuarial requirements of its various depositors.

As in prior years, the Caisse continued to give priority to the distribution of new bonds, either issued or guaranteed by the Gouvernement du Québec, guaranteed by provincial grants, or issued by municipalities and school boards. The chart entitled "New long-term bonds issued or guaranteed by the Gouvernement du Québec on the Canadian market in 1976" shows that the Caisse acquired

a total of \$475 million (nominal value) of such bonds on the primary market, of which \$395 million were issued by the Gouvernement du Québec, \$50 million by Hydro-Québec, and \$30 million by Sidbec. Moreover, Caisse acquisitions on the occasion of new public issues represent less than 40% of the total of such issues.

The "Net increase in bond investments - General Fund" chart illustrates the scope of Caisse activities in the field of bonds, particularly as concerns Québec public sector issues. In this respect, the net increase in the General Fund amounted to \$468 million in 1976, or 89.4% of the total.

In addition to its participation on the primary market, the Caisse intervened on the secondary market of Gouvernement du Québec and Hydro-Québec bonds, when undue pressures developed.

The overall operations of the Bond Department include the management of short-term investments, the General Fund bond portfolio, the Segregated Bond Fund (Fund "O"), and the bonds of portfolios under separate management. At December 31st, 1976, these securities totalled \$4 billion.

New long-term bonds issued or guaranteed by the Gouvernement du Québec on the Canadian market in 1976
(in millions of dollars)

Issues		Nominal value	Amount acquired by Caisse de dépôt on the primary market	Percentage of total
Type	Number			
Public	5	555	220	39.6
Private	4	255	255	100.0
Total	9	810	475	58.6

Net increase in bond investments - General Fund
(in millions of dollars)

Categories	1976		1975		1974		1973		1972	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Gouvernement du Québec and guaranteed	409.3	78.2	265.0	66.0	216.8	69.7	229.0	78.8	205.6	68.0
Guaranteed by provincial grants	24.5	4.7	20.4	5.1	15.5	5.0	22.8	7.9	26.3	8.7
Municipal and school	34.2	6.5	49.7	12.4	42.4	13.7	19.7	6.8	14.8	4.9
Subtotal	468.0	89.4	335.1	83.5	274.7	88.4	271.5	93.5	246.7	81.6
Government of Canada	(7.8)	(1.5)	27.5	6.8	(20.4)	(6.6)	1.4	0.5	(2.2)	(0.7)
Corporate	63.1	12.1	38.8	9.7	56.6	18.2	17.6	6.0	58.0	19.1
Total	523.3	100.0	401.4	100.0	310.9	100.0	290.5	100.0	302.5	100.0

Stocks

The year 1976 began on an optimistic note, thus stimulating intense activity on the New York, Montréal, and Toronto stock exchanges. In little more than a month, the Dow Jones Index rose from 839 December 22nd, 1975, to 977 February 4th, 1976, a 16.5% increase. During the same period, the daily

volume of transactions on the New York Stock Exchange was extremely high and, at times, exceeded 30 million shares. On January 15th, 1976, a record number of 38.5 million shares changed hands. Renewed confidence in the recovery of the American economy and the decline in the rate of inflation and in short-term interest rates were the source of this behavior on the part of investors.

Even though the Canadian economic outlook was less encouraging during the same period, the enthusiasm of New York investors affected their Canadian counterparts. The Toronto Stock Exchange Industrial Index recorded an increase of 12.4%, rising from 169 to 190 during the same period. The volume of transactions also was unusually high. Market prices on the Montréal and Toronto stock exchanges maintained their upward trend until the end of February when indexes reached their peak of the year.

Following this euphoric period, investors adopted a more reserved position in view of the financial and economic situation prevalent in Canada. During the rest of the year, they became lethargic and even concerned because of the slowness of economic recovery; they were fearful of a deterioration in the competitive position of the Canadian economy because of higher production costs and the apprehension of financial and business circles regarding government intervention in the economic process, particularly in the fight against inflation. In this regard, they felt the measures adopted might be but the first step towards a planned economy. Some political statements even gave rise to some distress

in various circles; a few companies and public bodies reacted strongly.

Two situations of a political nature also influenced, in varying degrees, North American stock markets; first of all, the uncertainty which characterized the pre-electoral period in the U.S. as to the outcome of the presidential election and, secondly,

the coming to power of a new government in Québec. The latter event took a number of investors by surprise and reaction on Canadian stock exchanges was sharp but orderly. During the two days following the election, the Toronto Stock Exchange Industrial Index and the Montréal Stock Exchange General Index dropped by 4.46% and 4.27%, respectively. However, the situation stabilized and by closing time the third day, stock markets had rallied. During the fortnight after the elections, the most marked fluctuations were experienced in shares of companies deemed to have a high Québec "content". November ended on a pessimistic note, with both stock exchange indexes dropping to their lowest levels in 1976.

The year nevertheless ended on a more optimistic note and the Montréal and Toronto indexes reached higher levels than those of early 1976. The Montréal General Index closed at 180 in comparison with 173 at the end of 1975. Two consecutive reductions of 1/2% in bank rates in November and December contributed to improvement of the climate on the Canadian stock market. Moreover, brisk trading on U.S. bond and stock markets at year-end greatly helped to firm Canadian market prices.

During the past year, a net amount of \$22.6 million in shares and convertible securities was added to the portfolio; almost 50% of these acquisitions were made in November. This increment is by far the lowest recorded by the stock portfolio since the Caisse started to deal on stock markets in 1967. At December 31st, 1976, the net book value of stocks totalled \$661.3 million, or 15.6% of overall General Fund investments, in comparison with 17.6% last year. The largest net purchases were made in the "Consumer Goods and Services", "Banks and Finance" and "Mines and Metals" sectors in amounts of \$14.4 million, \$11.2 million and \$11.1 million, respectively.

Following the issue of rights by certain banks, the Caisse exercised its prerogative as a shareholder and increased its investments in this sector, particularly during the first half-year. The decision was prompted by the high return in dividends on bank securities in relation to their traditional level and the relative weakness of market prices at the time.

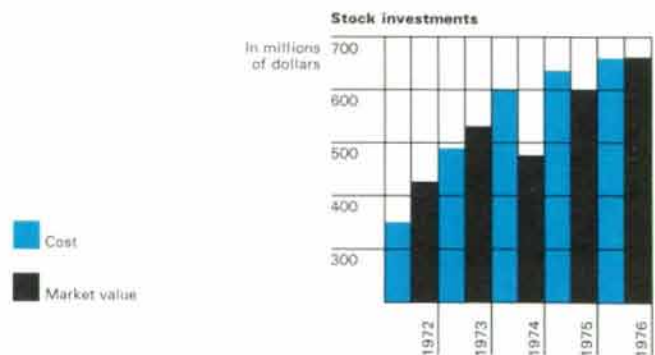
The expected recovery in the "Mines and Metals" sector, due to anticipated increases in shipments, price adjustments, and the prospect of a reduction of inventories to a normal level, led the Caisse to increase its investments in this sector, mainly during the last quarter, notwithstanding a record of poor profitability at the time.

In the "Consumer Goods and Services" sector, the Caisse mainly took advantage of the decline in the market prices of blue chip stocks to add to its holdings in breweries and to restore its position in

distilleries. Increases under other portfolio headings were not significant.

However, a substantial contraction took place in the "Oil and Gas" and "Forest Products" sectors, whose book value dropped by \$8 million and \$13 million, respectively. Firm Western oil market prices allowed profit-taking on some securities and reduction of investments in integrated oil securities. Moderate demand, surplus refining capacity, and prospects of increases in this respect in 1978 motivated the action. The greatly reduced profitability of "Forest Products" companies in 1975 and the possibility that the situation might worsen for some of them prompted the Caisse to reduce its investments in this industry.

The stock portfolio, which recorded a deficit of \$36.6 million in market over book value at the end of 1975, showed a profit of \$712 647 at the end of December, 1976, an overall improvement of \$43.3 million, including a profit of about \$6 million on the sale of securities. This recovery in the market value of stocks in this portfolio represents 6.64% of its average book value during the year. For comparison purposes, the new TSE 300 Index recorded an increase of 6.08% while the Dow Jones Index advanced by 17.9%. Dividend income and interest on convertible securities rose to \$38.2 million during the year; the weighted average yield of 5.02%, added to the profit position mentioned earlier, increased the overall portfolio yield to 11.66%.



The Stock Department also is responsible for administration of the stocks and convertible securities of the portfolios under separate management of the Office de la construction du Québec, the Commission administrative du régime de retraite, as well as the Caisse Segregated Stock Fund. At December 31st, 1976, the book value of stocks in these funds and portfolios amounted to \$161.2 million, thus bringing overall value of securities managed by the department to \$822.5 million. A detailed report on Fund "A" operations appears in the section devoted to segregated funds.

Private placements

The objective of the Private Placement Department is to accommodate Québec-based firms seeking long-term financing exceeding \$500 000. While it strives to optimize the long-term return on such investments, the Caisse also endeavors to promote the establishment and expansion of businesses in Québec.

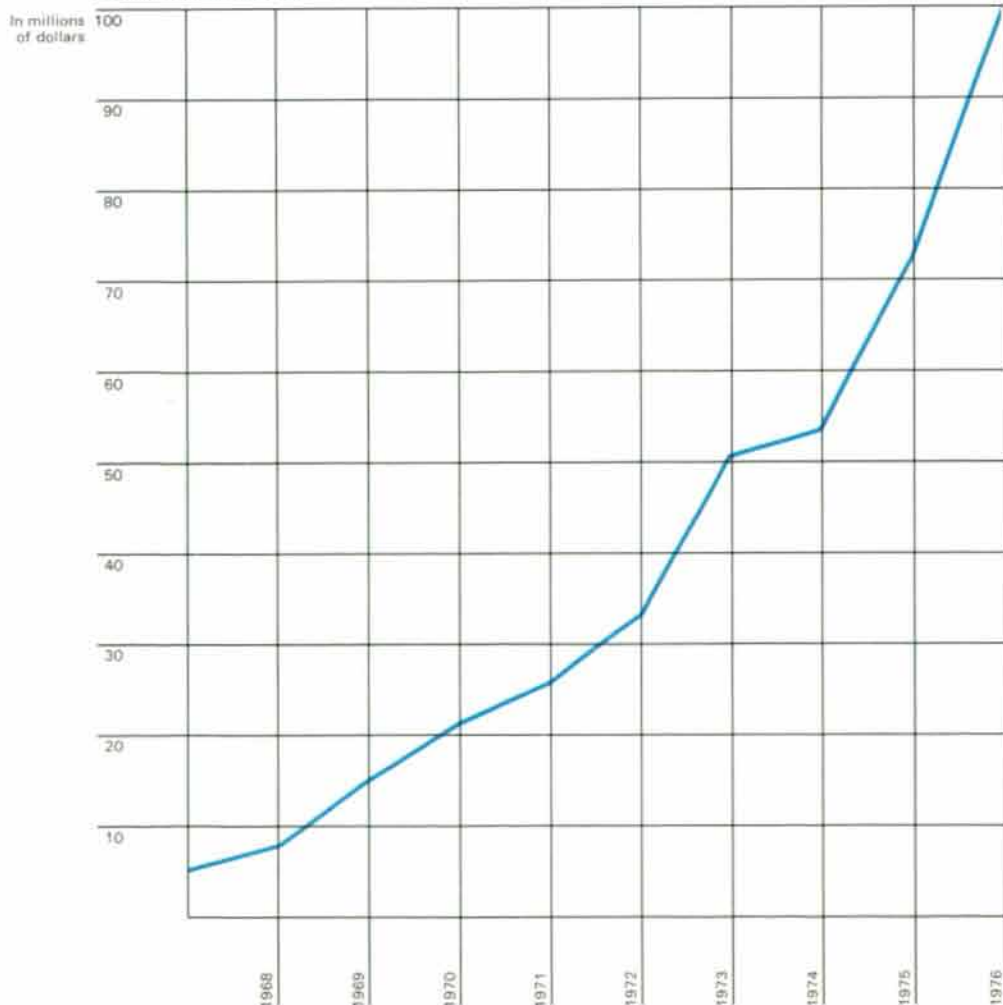
During 1976, through financial transactions of \$12.2 million carried out by this department, the Caisse participated in the establishment of three new companies. In addition, it concluded financing agreements with 10 companies for an amount of \$15.2 million. Of these commitments of \$27.4 million, compared with \$18.6 million in 1975, \$22.2 million were directed to manufacturing operations while \$5.2 million were allocated to service companies. The average weighted yield on these investments totalled 12.24% in comparison with 11.50% the previous year. Disbursements of \$15.6

million were made during 1976 in comparison with \$8.6 million in 1975. At year-end, outstanding commitments totalled \$23.6 million in comparison with \$11.9 million in 1975.

An increased level of activity prevailed during the year despite an economic situation which showed little improvement over 1975; at the time, the Caisse had noted a slowdown in the growth of expansion projects undertaken by Québec-based companies. The trend persisted in 1976 and even became more pronounced during the latter half of the year. In point of fact, the mid-year review of public and private investments in Canada, published by Statistics Canada, did not anticipate any increase in investments in the Québec manufacturing industry as a whole in 1976.

Since its creation, the Private Placement Department has entered into 76 financing agreements, including outstanding transactions at December 31st, 1976. The commitments underwritten since

Cumulative commitments –
Private Placement Department



1967 represented a cumulative amount of nearly \$100 million at year-end, as shown on the preceding chart. All in all, progress has been significant and nearly uninterrupted since 1972. Most of these transactions involve bond issues and, once completed, are integrated into the General Fund portfolio.

Mortgage investments

There were approximately 273 000 housing starts in Canada in 1976, with the result that residential construction reached a new peak. There is no doubt that federal government grants to purchasers and builders proved effective, in Québec as elsewhere.

However, the level of activity was not the same in commercial and industrial construction. High construction and operating costs significantly dampened the enthusiasm of a number of owners and promoters, particularly since the saturation point has been reached in some real estate sectors, particularly hotels and shopping centres. In Montréal, for example, a few large real estate complexes remain uncompleted because spiralling costs have jeopardized their long-term profitability.

Mortgage interest rates remained at a high level in 1976 and declined only slightly at year-end. Thus, whether they were conventional or insured mortgage loans and depending on the quality of the guarantee, rates fluctuated between 12% and 11½% and dropped to 11¼% and 10¾%, respectively, in December, 1976. The 1977 outlook for construction and, consequently, mortgage financing, does not appear too promising in Québec. According to some architectural and engineering firms, few large projects are on the drawing boards at present and this is a source of concern for the people involved.

The Mortgage Department is responsible for management of two portfolios: General Fund real estate and mortgages and Segregated Mortgage Fund (Fund "H"). It therefore must apportion its investments according to the scope and objectives of each. On a real estate market somewhat different from that to which it was accustomed, it has had to go to the secondary market during the last two years to supplement the volume of its mortgage investments and, in so doing, meet the requirements of supplemental pension plan administrators who show a clear preference for this type of investment. It also called upon trust companies to act as its mandatary for the implementation of specific home mortgage investment programs.

During the year, the department undertook commitments of \$66.5 million for the General Fund portfolio: \$43 million for commercial buildings, \$13.4 million in the housing sector, and \$10.1 million for industrial facilities. Disbursements totalled \$30.5 million and, at year-end, outstanding commit-

ments amounted to \$98.6 million.

At December 31st, 1976, the overall portfolio amounted to \$249.8 million, including \$224.4 million in mortgage loans and \$25.4 million in real estate. The breakdown was as follows: 24.5% in housing, 64.8% in commercial buildings, and 10.7% in industrial facilities. The weighted average yield on mortgage investments increased from 9.45% the previous year to 9.54% at December 31st, 1976, while the weighted average yield on real estate investments rose from 11.20% to 12.32%. The average overall return at year-end was 9.80% compared to 9.65% in 1975.

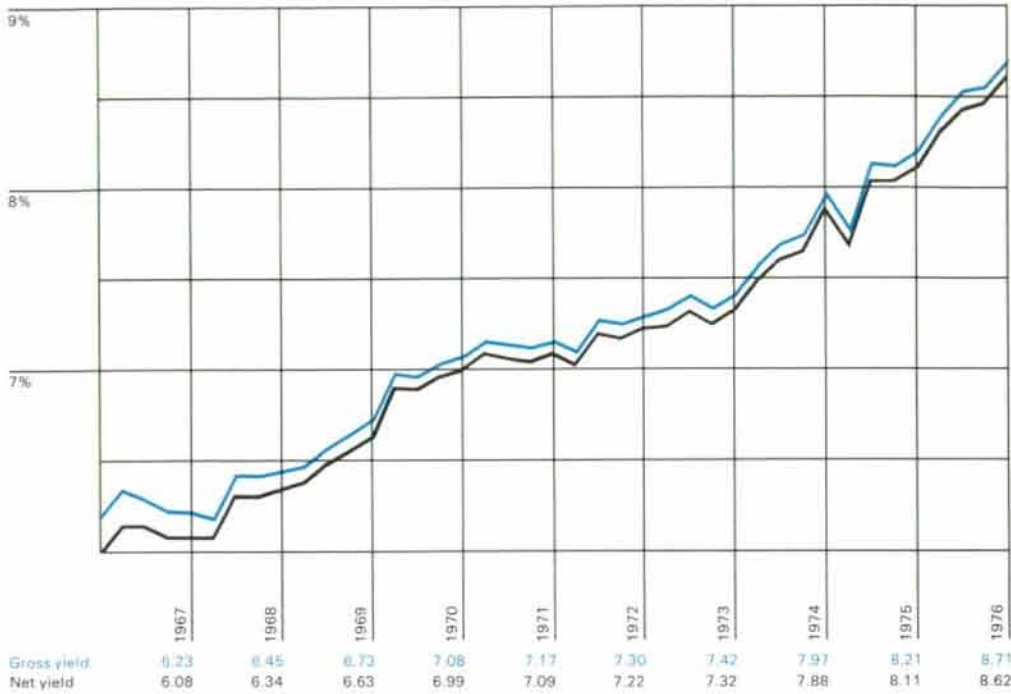
Financial statements and statistics

The General Fund balance sheet of the Caisse at December 31st, 1976, differs somewhat from that of last year. In the liabilities section, the "Notice Deposits" heading now includes two items: actual deposits and accumulated capital gains. The last account is more descriptive than what was known as the "General Reserve" for several years. It is placed next to the notice deposits because Caisse regulations stipulate that the proceeds of profit and loss on sale of investments must be held in a special account on behalf of "notice" depositors. As for the depositors' account, it also is made up of term and demand deposits and accrued interests on same, most of which were used to purchase notice deposit units January 1st, 1977.

The disclosure of significant accounting policies and the notes to financial statements simplify their understanding. The Statement of Income and Expenditure now includes more headings under administrative expenditures. Last year's "Legal, professional and bank charges" account has been broken down. The \$230 000 increase in the new "Professional fees" account is attributable almost entirely to the increase in service fees for mortgage loans administered by third parties on behalf of Fund "H", in accordance with service agreements entered into at the time these loans were acquired. The "Premises and office equipment" account comprises mainly rental costs for our Québec and Montréal offices, including leasehold improvements undertaken in 1975 and completed in 1976 when additional space was leased in the Stock Exchange Tower. Since 1973, the Caisse has made a practice of directly charging such expenses to administrative expenditures.

Overall General Fund income for the year ended December 31st, 1976, totalled \$348.2 million, an increase of 26.2% over the previous year. In 1976, the Caisse recorded a net profit of \$6.2 million on the sale of investments in comparison with a loss of \$679 637 in 1975. This profit was transferred to the Statement of Accumulated Capital Gains,

Yield on average deposits



bringing its balance to \$55.7 million at December 31st.

Statistical data indicate that average deposits for the year amounted to \$3 915.3 million and that, taking into account a total of \$337.4 million in interest paid or due on various types of deposits, the average yield was 8.98% on demand deposits, 9.46% on term deposits, 8.60% on notice deposits, and 8.62% on overall deposits.

Finally, after deduction of expenses directly charged to the segregated funds and portfolios under separate management, net General Fund administrative expenditures totalled \$3.6 million, or 0.093% of average deposits during the year.

Staff

At year-end, the Caisse had 113 regular employees. The excellent results of the year bear witness to the efforts of management to instil in its personnel a sense of tradition and continuity – a guarantee of future success. The Board of Directors therefore wishes to express to all its employees its sincere appreciation for the loyalty and sense of initiative with which they served during 1976.

On behalf of the Board of Directors,

Chairman

Montréal, March 11th, 1977



Financial statements and statistics

Balance sheet

as at December 31st, 1976

Assets	1976	1975
Investments (Note 2)		
Bonds	\$ 3 101 190 100	\$ 2 577 900 135
Shares and convertible securities	661 338 109	638 680 512
Mortgages	224 406 914	198 973 067
Real estate	25 401 779	26 052 783
Short-term investments	226 439 806	191 517 330
	<u>\$ 4 238 776 708</u>	<u>\$ 3 633 123 827</u>
Cash	344 515	1 289 506
Investment income receivable (Note 3)	78 204 007	64 203 734
Other assets	1 202 550	412 968
	<u>\$ 4 318 527 780</u>	<u>\$ 3 699 030 035</u>
Liabilities		
Deposits (Note 4)		
Notice deposits		
Deposits	\$ 4 058 807 618	\$ 3 457 071 728
Accumulated capital gains	55 658 137	49 504 042
	<u>\$ 4 114 465 755</u>	<u>\$ 3 506 575 770</u>
Term deposits	2 500 000	58 097 367
Demand deposits	103 202 195	51 740 749
Interest on deposits	92 610 808	73 862 566
Depositors' account	\$ 4 312 778 758	\$ 3 690 276 452
Transactions under settlement	3 042 252	5 545 879
Other liabilities	2 706 770	3 207 704
	<u>\$ 4 318 527 780</u>	<u>\$ 3 699 030 035</u>

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

On behalf of the Board of Directors of
Caisse de dépôt et placement du Québec,

Marcel Cazavan
Gill Fortier

Statement of income and expenditure

for the year ended December 31st, 1976

Income	1976	1975 (Note 6)
Investment income		
Interest on bonds	\$ 254 575 937	\$ 204 626 086
Dividends, interest on convertible securities (Note 3)	38 236 933	30 516 342
Interest on mortgages	19 066 611	17 586 544
Real estate revenue	2 696 528	3 356 316
Interest on short-term investments	26 465 040	19 628 241
Profit and loss on sale of investments (Note 4)	6 154 095	(679 637)
	<u>\$ 347 195 144</u>	<u>\$ 275 033 892</u>
Administration fees	980 057	491 547
Other income	54 998	437 320
Total income	<u>\$ 348 230 199</u>	<u>\$ 275 962 759</u>
Administrative expenditures		
Directors' fees and expenses	\$ 6 519	\$ 5 721
Salaries and fringe benefits	2 413 888	2 017 195
Travel expenses	116 464	89 705
Professional fees	476 490	245 663
Bank and safekeeping charges	126 928	117 613
Fidelity and other insurance	95 912	82 535
Premises and office equipment	1 124 872	1 148 465
Documentation and stationery	132 027	91 315
Other	131 832	96 885
	<u>\$ 4 624 932</u>	<u>\$ 3 895 097</u>
Balance of income before transfer	<u>\$ 343 605 267</u>	<u>\$ 272 067 662</u>
Transferred to accumulated capital gains (Note 4)	(6 154 095)	679 637
Balance of income	<u>\$ 337 451 172</u>	<u>\$ 272 747 299</u>
Interest on demand and term deposits	10 471 472	10 189 620
Net income	<u>\$ 326 979 700</u>	<u>\$ 262 557 679</u>

Statement of accumulated capital gains (Note 4)

for the year ended December 31st, 1976

	1976	1975
Balance at beginning of year	\$ 49 504 042	\$ 50 183 679
Transferred from Statement of income and expenditure	6 154 095	(679 637)
Balance at year-end	<u>\$ 55 658 137</u>	<u>\$ 49 504 042</u>

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

Statement of allocation of balance of income

for the year ended December 31st, 1976

	Interest on deposits		
	Demand and term deposits	Notice deposits	Total
Balance at beginning of year	\$ 1 421 428	\$ 72 441 138	\$ 73 862 566
Balance of income	10 471 472	326 979 700	337 451 172
	\$ 11 892 900	\$ 399 420 838	\$ 411 313 738
Transfers to deposit accounts	11 530 189	307 172 741	318 702 930
Balance at year-end	\$ 362 711	\$ 92 248 097	\$ 92 610 808

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 the financial statements.

Investments

Shares, land, mortgages, 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.

Transactions under settlement

Caisse de dépôt records purchases and sales of investments according to the date of settlement.

Dividend income

Dividends are taken into income on record date (see Note 3).

Fixed assets

Furniture and equipment purchases and disbursements for leasehold improvements are charged directly to administrative expenditures.

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. Separate financial statements are submitted for the segregated funds and the portfolios under separate management.

Note 2

At December 31st, 1976, the market value of investments was \$4 124 402 970 (1975, \$3 289 910 157).

Note 3

Dividends now are taken into income on record date; formerly, this income was recorded when dividends were paid. This change in the method of recording dividend income has resulted in an increase of \$4 472 728 in net income for the year. Figures for the year ended December 31st, 1975, were not restated to reflect this change.

Note 4

Moneys entrusted to the General Fund are deposited with Caisse de dépôt on a demand, term, or notice basis, at the option of the depositor.

At December 31st, 1976, notice deposits consisted of 4 767 240 units of participation (1975, 4 024 799).

At the end of each quarter, the net income of Caisse de dépôt is established and apportioned, in the form of interest, among "notice" depositors.

At the opening of the following quarter, these interests are credited to the demand deposits account of the depositors involved, thus adding to the closing balance of the preceding quarter. The new balance in the demand deposits account may then, at the depositor's option, be allocated, in whole or

in part, to the acquisition of units of notice deposits, be converted into term deposits, remain as demand deposits, or be withdrawn.

The accumulated capital gains are made up of profit and loss on sale of investments since the establishment of Caisse de dépôt. In accordance with regulations, these profits and losses are held in a special account on behalf of "notice" depositors.

Deposits of the segregated funds at December 31st, 1976, all on demand, were as follows:

Segregated funds

Bonds (Fund "O")	\$ 8 820 844
Stocks (Fund "A")	4 747 376
Mortgages (Fund "H")	5 847 293
	<u>\$ 19 415 513</u>

Note 5

The Act governing the Commission des accidents du travail de Québec prescribes that moneys the Commission does not expect to need immediately for its administrative expenditures and for payment of indemnities or compensation must be deposited without delay with Caisse de dépôt.

Pursuant to the same Act, Caisse de dépôt administers, in accordance with the Act governing it, on behalf of the Commission, the securities the latter owns, and the Lieutenant-Governor in Council determines the terms of application of this provision.

Under terms of the agreement entered into between the Commission and Caisse de dépôt October 19, 1973 and duly approved by the Lieutenant-Governor in Council, Caisse de dépôt must gradually liquidate the securities entrusted to its management and credit to the demand deposits account of the Commission the revenue and proceeds of the sale of such securities.

During the year 1975, Caisse de dépôt acceded to the request of the Commission that its assets be administered separately, and bonds for a sum of about \$175 million thus were acquired in 1975 and 1976 on behalf of the Commission through its demand deposits. Caisse de dépôt based its decision on an interpretation of its regulations to the effect that such investments could be made in accordance with provisions of Title XI of the same regulations concerning administered funds.

Notwithstanding the advantages of this particular method of management for the Commission, it later became evident, in auditing the accounts, that the terms of the Act and of Title XI of the regulations governing operations of administered funds and the agreement could not allow such separate management. Caisse de dépôt and the Commission now are studying possible amendments to the Act, the regulations, as well as to the present agreement with a view to regularizing the situation.

The financial statements of the General Fund at December 31st, 1976 thus do not reflect the funds which were transferred to the separate management portfolio of the Commission and the revenue deriving from such funds.

Note 6

Certain figures of the Statement of income and expenditure for 1975 have been reclassified to enable comparison with the presentation adopted in 1976.

Auditor's Report

In accordance with Section 43 of its charter, I have examined the balance sheet of the General Fund of Caisse de dépôt et placement du Québec as at December 31st, 1976 and the statement of income and expenditure, the statement of accumulated capital gains and the statement of allocation of balance of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As mentioned in Note 5, Caisse de dépôt acceded to the request of the Commission des accidents du travail de Québec that its assets be managed separately; it later became evident, in auditing the accounts, that the terms of the Act, of Title XI of the regulations governing the operations of administered funds, and of the agreement did not allow such separate management. The financial statements of the General Fund at December 31st, 1976 do not reflect funds totalling about \$175 million which were transferred to the separate management portfolio of the Commission and the revenue deriving from such funds.

In my opinion, with the exception of the separate management of funds of the Commission des accidents du travail de Québec mentioned in the preceding paragraph, the investments and the financial transactions of Caisse de dépôt were made in compliance with its charter and these financial statements present fairly the financial position of the General Fund of Caisse de dépôt as at December 31st, 1976 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements. Further, in my opinion, except for the change in the method of recording dividend income referred to in Note 3 to the financial statements, these accounting principles and policies have been applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 4th, 1977

Statistical information – 1976

Deposit accounts – Summary of transactions

	Deposits		
	Demand and term deposits	Notice deposits	Total
Balance at beginning of year	\$ 109 838 116	\$3 457 071 728	\$3 566 909 844
Deposits	291 986 391	—	291 986 391
Transfers	(307 652 501)	307 652 501	—
Interest	11 530 189	294 083 389	305 613 578
Balance at year-end	\$ 105 702 195	\$4 058 807 618	\$4 164 509 813

Average interest rate paid on deposits

	Average deposits	Interest paid or due	Average yield
Demand deposits	\$ 88 099 819	\$ 7 912 390	8.981%
Term deposits	27 061 486	2 559 082	9.456%
Notice deposits	3 800 152 673	326 979 700	8.604%
Total	\$3 915 313 978	\$ 337 451 172	8.619%

Yield on deposits – General Fund

	Amount	Yield equivalence on average deposits of the General Fund
Total income*	\$ 342 076 104	8.737%
Administration fees		
Segregated funds	(837 661)	(0.021%)
Funds under separate management	(142 396)	(0.004%)
	\$ 341 096 047	8.712%
Administrative expenditures		
General Fund	3 644 875	0.093%
Balance of income	\$ 337 451 172	8.619%

* Excluding net profit on sale of investments

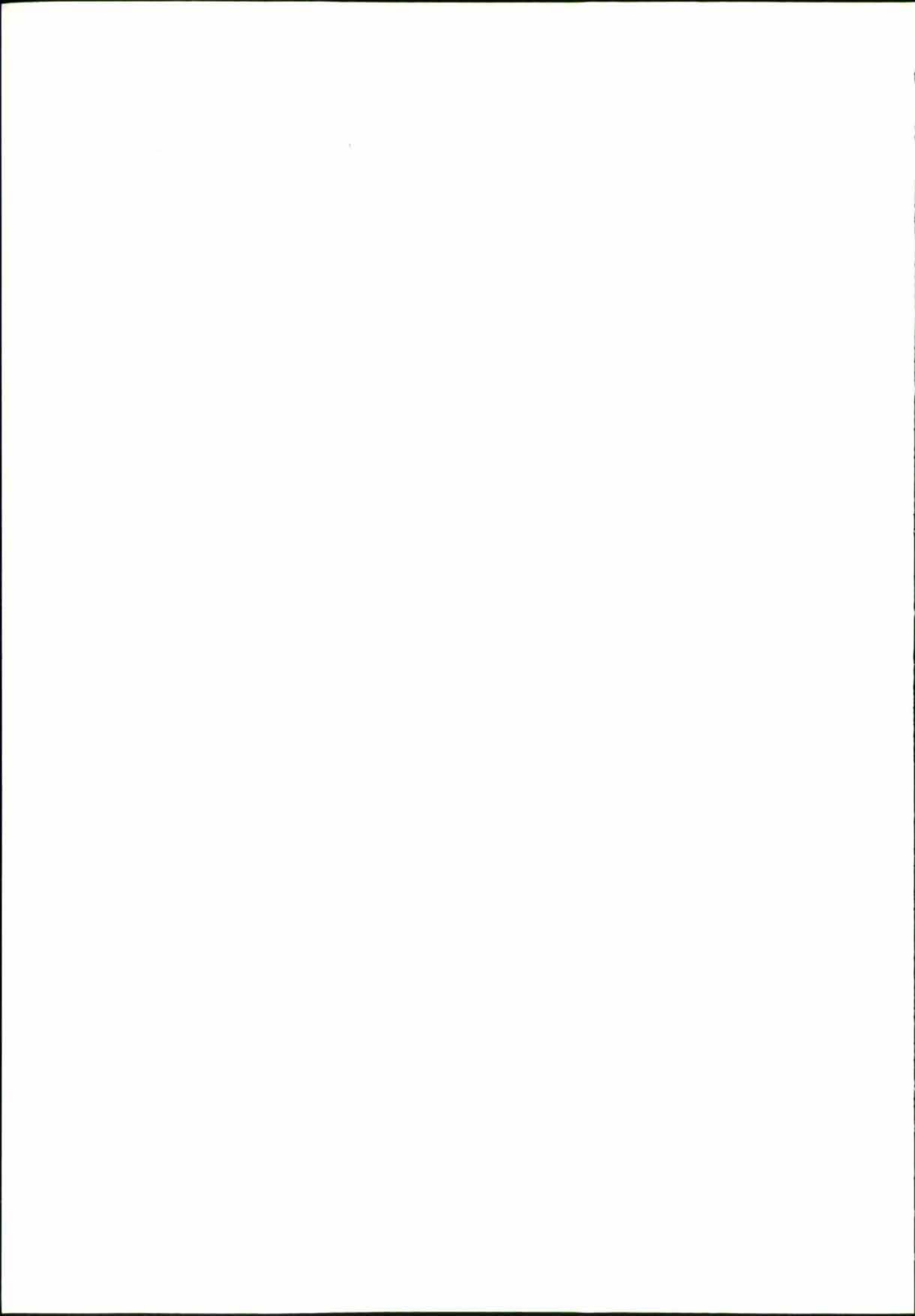
Summary of investments

as at December 31st, 1976

% Book value		Nominal value
	Bonds	
1.33%	Government of Canada	\$ 58 575 000
52.10%	Gouvernement du Québec and guaranteed	2 249 697 500
3.50%	Guaranteed by provincial grants	151 743 000
6.31%	Municipal and school	277 820 500
9.92%	Corporate	425 378 779
73.16%		\$ 3 163 214 779
	Shares and convertible securities	
3.03%	Public utilities	
2.48%	Banks and finance	
1.70%	Consumer goods and services	
2.24%	Heavy and secondary industries	
2.15%	Oil and gas	
2.07%	Mines and metals	
0.51%	Forest products	
1.43%	Holding and real estate companies	
15.61%		
5.29%	Mortgages	
0.60%	Real estate	
5.89%		
5.34%	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
\$ 56 378 657	1.82%	8.96%	\$ 58 590 943
2 208 574 130	71.22%	9.17%	2 123 337 882
148 176 878	4.78%	9.37%	139 706 228
267 625 751	8.63%	9.36%	249 412 825
420 434 684	13.55%	9.69%	415 055 837
<u>\$ 3 101 190 100</u>	<u>100.00%</u>	9.26%	<u>\$ 2 986 103 715</u>
\$ 128 517 511	19.43%	7.53%	\$ 136 178 555
104 974 281	15.87%	6.13%	116 173 152
71 913 281	10.88%	3.22%	58 242 108
94 758 070	14.33%	4.82%	96 948 634
91 151 317	13.78%	3.71%	98 265 620
87 912 601	13.29%	3.10%	81 421 237
21 459 045	3.25%	4.64%	21 320 070
60 652 003	9.17%	5.12%	53 501 380
<u>\$ 661 338 109</u>	<u>100.00%</u>	5.02%	<u>\$ 662 050 756</u>
\$ 224 406 914	89.83%	9.54%	\$ 224 406 914
25 401 779	10.17%	12.32%	25 401 779
<u>\$ 249 808 693</u>	<u>100.00%</u>	9.80%	<u>\$ 249 808 693</u>
\$ 226 439 806		9.18%	\$ 226 439 806
<u>\$ 4 238 776 708</u>			<u>\$ 4 124 402 970</u>



Segregated funds

Starting in 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 holds the investments of these plans separate from its own and manages them pursuant to the Act governing supplemental pension plans. These investments in bonds, stocks and mortgages constitute funds "O", "A" and "H", respectively, of Caisse de dépôt et placement du Québec.

As at December 31st, 1976, the following supplemental pension plans were the registered owners of all issued and outstanding units of participation in the above three segregated funds:

- Government and public employees retirement plan
- Retirement plans for mayors and councillors of cities and towns
- Supplemental pension plan for employees of the construction industry of Québec.
- Supplemental pension plan of l'Université du Québec
- Supplemental pension plan of the Municipalité de la Baie James
- 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

	1976		1975	
Assets				
Bond fund	\$ 281 533 854	45.4%	\$ 161 061 814	43.5%
Stock fund	166 092 596	26.7%	99 310 246	26.8%
Mortgage fund	172 907 757	27.9%	109 741 751	29.7%
	<u>\$ 620 534 207</u>	<u>100.0%</u>	<u>\$ 370 113 811</u>	<u>100.0%</u>
Breakdown of investments				
Bonds	\$ 255 680 327	41.8%	\$ 145 311 201	39.8%
Shares and convertible securities	150 285 873	24.6%	75 562 752	20.7%
Mortgages	145 066 101	23.7%	100 624 781	27.5%
	<u>\$ 551 032 301</u>	<u>90.1%</u>	<u>\$ 321 498 734</u>	<u>88.0%</u>
Deposits and short-term investments	60 643 962	9.9%	43 836 243	12.0%
	<u>\$ 611 676 263</u>	<u>100.0%</u>	<u>\$ 365 334 977</u>	<u>100.0%</u>
Breakdown of long-term investments				
Public sector	\$ 190 404 511	34.6%	\$ 96 111 019	29.9%
Private sector	360 627 790	65.4%	225 387 715	70.1%
	<u>\$ 551 032 301</u>	<u>100.0%</u>	<u>\$ 321 498 734</u>	<u>100.0%</u>
Fixed income securities	\$ 403 420 874	73.2%	\$ 245 935 982	76.5%
Variable income securities	147 611 427	26.8%	75 562 752	23.5%
	<u>\$ 551 032 301</u>	<u>100.0%</u>	<u>\$ 321 498 734</u>	<u>100.0%</u>
Income for the year				
Bond fund	\$ 23 990 469	49.1%	\$ 10 322 189	41.5%
Stock fund	10 150 240	20.8%	6 337 674	25.5%
Mortgage fund	14 672 637	30.1%	8 215 867	33.0%
	<u>\$ 48 813 346</u>	<u>100.0%</u>	<u>\$ 24 875 730</u>	<u>100.0%</u>
Deposits received during the year	\$ 227 514 447		\$ 170 368 662	
Unit market value				
Bond fund	\$ 1 782.77		\$ 1 515.81	
Stock fund	\$ 1 283.45		\$ 1 137.58	
Mortgage fund	\$ 1 647.48		\$ 1 490.96	
Percentage of increase in unit market value				
Bond fund	17.6%		9.1%	
Stock fund	12.8%		21.0%	
Mortgage fund	10.5%		9.9%	

Management Report

The following section of the Management Report deals exclusively with activities of the segregated bond, stock, and mortgage funds for the year ended December 31st, 1976. Following amendments to Caisse de dépôt et placement du Québec regulations, subsequently ratified by Order-in-Council, these funds henceforth will be known as Funds "O", "A" and "H", respectively, and will continue to be reserved for Québec public, parapublic, and peripublic employees' pension funds. Investments of the segregated funds are governed by provisions of the Supplemental Pension Plans Act.

During their seventh fiscal year, the three segregated funds individually and collectively grew considerably. The accompanying chart shows consolidated assets of the funds topped the \$600 million mark to total \$620.5 million at December 31st, 1976, compared with \$370.1 million in 1975. Six different plans made net deposits of \$227.5 million, an increase of \$57.1 million over the previous year.

Breakdown of overall investments at year-end was as follows: 41.8% in bonds, 24.6% in stocks and convertible securities, 23.7% in mortgages, and 9.9% in deposits and short-term investments. It is appropriate to explain here why composition of overall segregated fund investments differs, on a consolidated basis, from that of the General Fund. First of all, agreements entered into with the different supplemental pension plans stipulate the Caisse must invest their funds in its three segregated funds based on the proportion set by the administrator of each plan. The administrator is commissioned to act on behalf of the pension fund committee, generally made up of management and union representatives. Caisse portfolio managers at times are invited to attend meetings of these committees to help formulate a decision as to an appropriate investment mix, keeping the economic situation in mind.

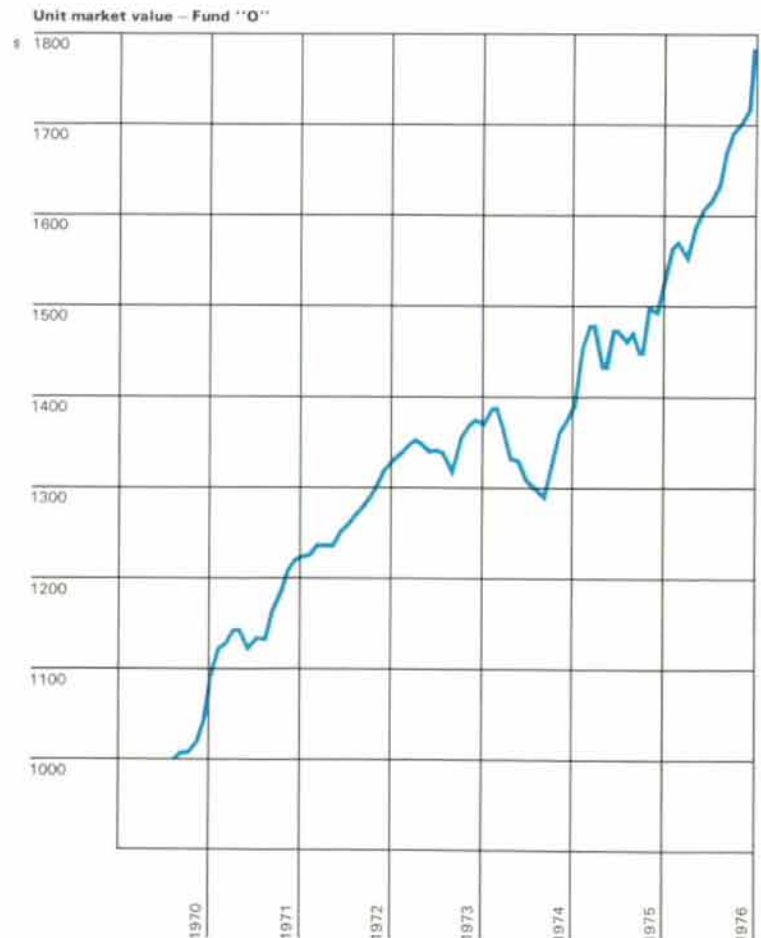
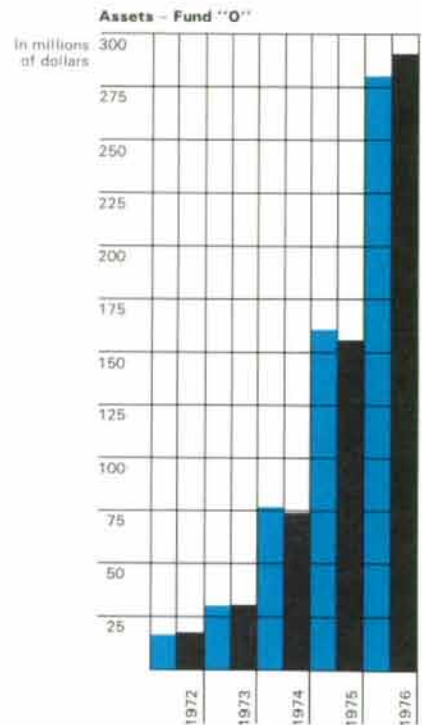


Furthermore, the preponderance of deposits by some participants, coupled with the investment mix adopted, exert a determining influence on the growth of one or all of the segregated funds, on the distribution of investments between public and private sectors, as well as on the proportion of fixed income securities versus variable income securities. Thus, assets of the three funds increased at different paces during 1976. Fund "O" advanced by \$120.4 million, Fund "A" by \$66.8 million, and Fund "H" by \$63.2 million.

Fund "O"

Fund "O" assets totalled \$281.5 million at December 31st, 1976, and featured \$255.7 million in long-term bonds, \$10.8 million in short-term investments, and \$8.8 million in demand deposits to the General Fund.

The weighted average yield on long-term securities rose from 10.20% to 10.38% during the year. The net increase of \$110.4 million in long-term investments was concentrated mainly in public sector securities. The "Gouvernement du Québec and guaranteed" and "Guaranteed by provincial grants"



bond categories recorded increases of \$70 million and \$11.9 million, respectively, while "Municipal and school" bonds rose by \$15.4 million.

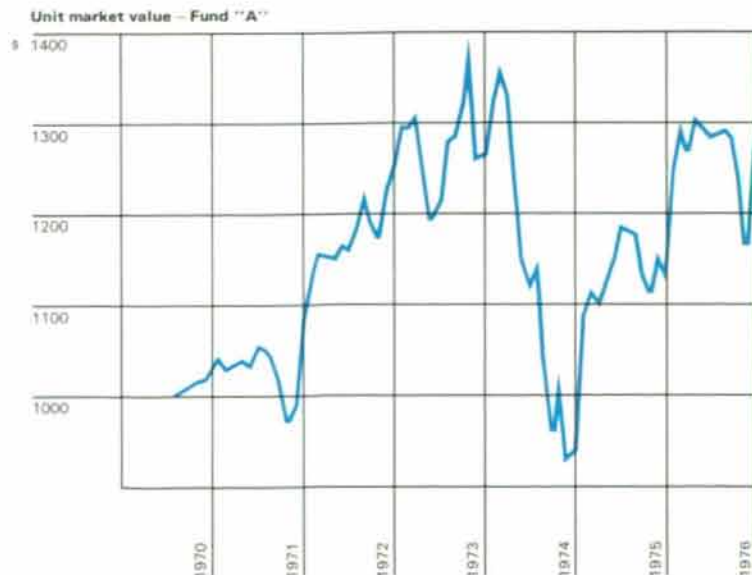
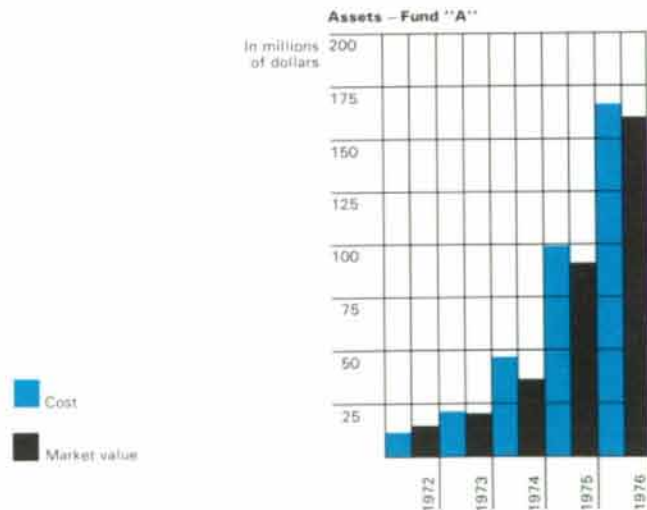
Fund "O" income reached \$24 million during the year, including \$1.1 million in profits on sale of investments. Accumulated income in this Fund, fully reinvested since the start of operations, totalled \$42.5 million at December 31st, 1976.

During the year, 59 902 units of participation were issued for a consideration of \$96.5 million. The preceding chart shows the fluctuation in the market value of Fund "O" units since its establishment in 1970. It was worth \$1 782.77 at December 31st, 1976, compared with \$1 515.81 the previous year, a 17.6% increase.

Fund "A"

Fund "A" assets totalled \$166.1 million at December 31st, 1976. It consisted mainly of stocks and convertible securities for an amount of \$150.3 million and short-term investments and demand deposits totalling \$14.7 million. At year-end, Fund "A" liquidity stood at 8.9% of assets.

Substantial cash receipts enabled the acquisition in 1976 of Canadian blue chip stocks offered at prices which were low compared to their historical level. Net increase in stocks and convertible securities amounted to \$74.7 million and all sectors recorded growth. The most important increases were in "Banks and Finance", "Mines and Metals", and "Heavy and Secondary Industries" in amounts



of \$15.4 million, \$14.2 million, and \$10.9 million, respectively. At year-end, the Fund held investments in 94 Canadian companies, all of them listed on the stock exchange. The weighted average yield on stocks totalled 4.37%, excluding net profit of \$2.2 million on sale of investments in 1976.

Fund "A" income reached \$10.2 million in 1976, thus bringing accumulated income to \$21.9 million at December 31st. During the year, 44 326 units of participation were issued for a total price of \$55.9 million. The market value of each of the 124 379 units of participation amounted to \$1 283.45 at year-end, an increase of 12.8% in relation to \$1 137.58 at the end of 1975. The preceding chart shows progression since 1970.

Fund "H"

During the year ended December 31st, 1976, Fund "H" assets reached \$172.9 million. Mortgage investments amounted to \$145.1 million, a \$44.4 million increase over 1975. Their yield increased to 10.44% from 9.96% the previous year.

This total included \$110.1 million representing 3 432 insured loans and \$35 million made up of 304 conventional mortgages. These mortgage loans, averaging approximately \$38 800, were spread over a majority of Québec's administrative regions.

In 1976, an amount in excess of \$48 million was invested in 1 290 mortgage loans, including \$42.3 million in the residential field and \$5.7 million in the business and industrial sector. Since the Fund was established, investments in the housing field have represented over 82% of all loan approvals. At year-end, outstanding commitments totalled \$13.4 million.

During the year, 31 348 units of participation were issued for a total price of \$48.5 million and, at December 31st, 1976, each of the 104 953 units in Fund "H" was valued at \$1 647.48, an increase of 10.5% over 1975.

Demand deposits

The daily rate of interest paid to segregated funds on deposits temporarily invested with the Caisse General Fund fluctuated between 8.18% and 9.76% during the year and averaged 8.98%. Such deposits totalled \$19.4 million at December 31st, 1976.

New depositor

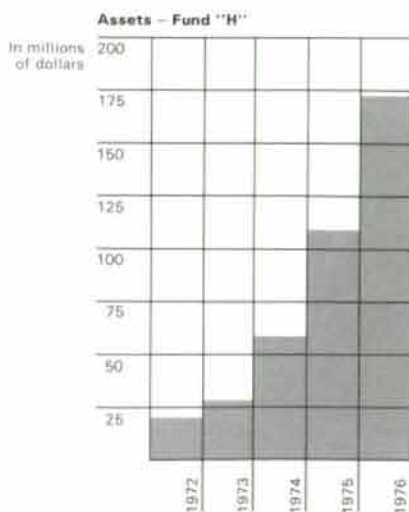
On July 13th, 1976, the Board of Directors of the Société de développement de la Baie James, substituting for the municipal council of the Municipalité de la Baie James, authorized the Municipalité by Order No. 166 to proceed with adoption of an autonomous pension fund for its employees, retroactive to December 31st, 1975. These employees until then had been members of the Supplemental Pension Plan of the Société de développement de la Baie James, managed by the Caisse since 1972. The latter apportioned the funds on the basis of data submitted by the consulting actuaries of the Municipalité and in accordance with provisions of the Order, which was ratified by Order-in-Council No. 3228, dated September 22nd, 1976. The Supplemental Pension Plan of the Municipalité de la Baie James thus became the seventh participant in the segregated funds of the Caisse.

On behalf of the Board of Directors,



Chairman

Montréal, March 11th, 1977



Financial statements

Balance sheet

as at December 31st, 1976

Assets	1976	1975
Investments (Note 1)		
Bonds	\$ 255 680 327	\$ 145 311 201
Short-term investments	10 808 700	9 974 139
Deposits to the General Fund		
Demand	8 820 844	(7 674 677)
Term	—	10 000 000
	\$ 275 309 871	\$ 157 610 663
Accrued interest	6 223 983	3 451 151
	<u>\$ 281 533 854</u>	<u>\$ 161 061 814</u>
Participants' equity		
162 947 units of participation (Note 2)	\$ 239 051 646	\$ 142 570 075
Accumulated income	42 482 208	18 491 739
	<u>\$ 281 533 854</u>	<u>\$ 161 061 814</u>

On behalf of the Board of Directors of
Caisse de dépôt et placement du Québec,

Marcel Cazavan
Gill Fortier

Statement of income and accumulated income

for the year ended December 31st, 1976

	1976	1975
Investment income		
Interest on bonds	\$ 21 308 882	\$ 9 865 003
Interest on short-term investments	801 534	648 370
Interest on deposits to the General Fund		
Demand	382 137	248 625
Term	359 370	157 097
Profit and loss on sale of investments	1 138 546	(596 906)
Income for the year	\$ 23 990 469	\$ 10 322 189
Accumulated income at beginning of year	18 491 739	8 169 550
Accumulated income at year-end	<u>\$ 42 482 208</u>	<u>\$ 18 491 739</u>

Bonds (Fund "O")**Disclosure of accounting policy**

Investments in bonds are accounted at amortized cost; short-term investments and deposits to the General Fund are at cost.

Notes to financial statements**Note 1**

At December 31st, 1976, the market value of investments was \$284 273 621 (1975, \$152 745 715).

Note 2

During the year, 59 902 units of participation were issued for an amount of \$96 481 571 and there was no withdrawal.

Note 3

The administration fees of this Fund are charged directly to the participants and amounted to \$228 164 for the year ended December 31st, 1976 (1975, \$111 303).

Auditor's Report

In accordance with Section 43 of its charter, I have examined the balance sheet of the Segregated Fund-Bonds (Fund "O") of Caisse de dépôt et placement du Québec as at December 31st, 1976 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1976 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policy mentioned in the financial statements. Further, in my opinion, these accounting principles and policy have been applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 4th, 1977

Balance sheet

as at December 31st, 1976

Assets	1976	1975
Investments (Note 1)		
Shares and convertible securities	\$ 150 285 873	\$ 75 562 752
Short-term investments	10 002 692	18 900 454
Demand deposits to the General Fund	4 747 376	4 554 539
	<u>\$ 165 035 941</u>	<u>\$ 99 017 745</u>
Investment income receivable (Note 2)	1 056 655	292 501
	<u>\$ 166 092 596</u>	<u>\$ 99 310 246</u>
Liabilities		
Participants' equity		
124 379 units of participation (Note 3)	\$ 143 441 138	\$ 87 536 117
Accumulated income	21 924 369	11 774 129
	<u>\$ 165 365 507</u>	<u>\$ 99 310 246</u>
Transactions under settlement (Note 4)	727 089	—
	<u>\$ 166 092 596</u>	<u>\$ 99 310 246</u>

On behalf of the Board of Directors of
Caisse de dépôt et placement du Québec,

Marcel Cazavan
Gill Fortier

Statement of income and accumulated income

for the year ended December 31st, 1976

	1976	1975
Investment income		
Dividends, interest on convertible securities (Note 2)	\$ 5 854 748	\$ 2 534 770
Interest on short-term investments	845 608	990 729
Interest on deposits to the General Fund		
Demand	925 598	552 490
Term	296 339	25 423
Profit and loss on sale of investments	2 227 947	2 234 262
Income for the year	<u>\$ 10 150 240</u>	<u>\$ 6 337 674</u>
Accumulated income at beginning of year	11 774 129	5 436 455
Accumulated income at year-end	<u>\$ 21 924 369</u>	<u>\$ 11 774 129</u>

Stocks (Fund "A")**Disclosure of significant accounting policies****Investments**

Investments in shares, convertible securities, short-term investments and deposits to the General Fund are accounted at cost.

Dividend income

Dividends are taken into income on record date (see Note 2).

Transactions under settlement

Caisse de dépôt records purchases and sales of investments according to the date of settlement (see Note 4).

Auditor's Report

In accordance with Section 43 of its charter, I have examined the balance sheet of the Segregated Fund-Stocks (Fund "A") of Caisse de dépôt et placement du Québec as at December 31st, 1976 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1976 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements. Further, in my opinion, except for the changes in the accounting method referred to in Notes 2 and 4 to the financial statements of this Fund, these accounting principles and policies have been applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 4th, 1977

Notes to financial statements**Note 1**

At December 31st, 1976, the market value of investments was \$159 305 269 (1975, \$90 773 975).

Note 2

Dividends now are taken into income on record date; formerly, this income was recorded on payment date of dividends. This change in the method of recording dividend income has resulted in an increase of \$829 433 in income for the year. Figures for the year ended December 31st, 1975, were not restated to reflect this change.

Note 3

During the year, 44 326 units of participation were issued for an amount of \$55 905 021 and there was no withdrawal.

Note 4

Purchases and sales of investments now are recorded according to the date of settlement; formerly, these transactions were accounted for on a cash basis of accounting. This change in the accounting method has had no effect on income for the year. The financial statements for the year ended December 31st, 1975, were not restated to reflect this change.

Note 5

The administration fees of this Fund are charged directly to the participants and amounted to \$202 696 for the year ended December 31st, 1976 (1975, \$109 910).

Mortgages (Fund "H")**Balance sheet**

as at December 31st, 1976

Assets	1976	1975
Investments		
Mortgages	\$ 145 066 101	\$ 100 624 781
Short-term investments	20 417 057	4 886 087
Demand deposits to the General Fund	5 847 293	3 195 701
	<u>\$ 171 330 451</u>	<u>\$ 108 706 569</u>
Accrued interest	1 577 306	1 035 182
	<u>\$ 172 907 757</u>	<u>\$ 109 741 751</u>
Participants' equity		
104 953 units of participation (Note 1)	\$ 141 709 767	\$ 93 216 398
Accumulated income	31 197 990	16 525 353
	<u>\$ 172 907 757</u>	<u>\$ 109 741 751</u>

On behalf of the Board of Directors of
Caisse de dépôt et placement du Québec,

Marcel Cazavan
Gill Fortier

Statement of income and accumulated income

for the year ended December 31st, 1976

	1976	1975
Investment income		
Interest on mortgages — net (Note 2)	\$ 12 528 534	\$ 6 765 165
Interest on short-term investments	1 056 332	314 172
Interest on deposits to the General Fund		
Demand	612 135	1 129 140
Term	475 636	7 390
Income for the year	<u>\$ 14 672 637</u>	<u>\$ 8 215 867</u>
Accumulated income at beginning of year	16 525 353	8 309 486
Accumulated income at year-end	<u>\$ 31 197 990</u>	<u>\$ 16 525 353</u>

Mortgages (Fund "H")**Notes to financial statements****Note 1**

During the year, 31 348 units of participation were issued for an amount of \$48 493 369 and there was no withdrawal.

Note 2

An amount of \$175 671 for the servicing of mortgages by third parties is deducted from interest on mortgages.

Note 3

The administration fees of this Fund are charged directly to the participants and amounted to \$231 130 for the year ended December 31st, 1976 (1975, \$182 108).

Auditor's Report

In accordance with Section 43 of its charter, I have examined the balance sheet of the Segregated Fund-Mortgages (Fund "H") of Caisse de dépôt et placement du Québec as at December 31st, 1976 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1976 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 4th, 1977

Summary of investments

as at December 31st, 1976

% Book value		Nominal value
	Bonds	
1.28%	Government of Canada	\$ 7 850 000
18.65%	Gouvernement du Québec and guaranteed	114 535 000
5.22%	Guaranteed by provincial grants	32 744 000
5.98%	Municipal and school	37 611 000
10.67%	Corporate	66 088 000
<u>41.80%</u>		<u>\$ 258 828 000</u>
	Shares and convertible securities	
3.72%	Public utilities	
3.04%	Banks and finance	
3.03%	Consumer goods and services	
3.70%	Heavy and secondary industries	
2.56%	Oil and gas	
4.35%	Mines and metals	
2.89%	Forest products	
0.85%	Holding and real estate companies	
<u>24.14%</u>		
0.44%	Convertible securities	
<u>24.58%</u>		
23.71%	Mortgages	
9.91%	Deposits and short-term investments	
<u>100.00%</u>	Total investments	

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

Book value	Yield*	Market value
\$ 7 824 762	9.14%	\$ 8 292 663
114 107 793	10.38%	119 357 395
31 906 894	10.59%	32 193 160
36 565 062	10.50%	36 741 059
65 275 816	10.36%	68 059 800
<u>\$ 255 680 327</u>	10.38%	<u>\$ 264 644 077</u>
\$ 22 744 466	7.97%	\$ 24 847 205
18 614 989	4.92%	18 302 890
18 519 102	3.99%	15 960 998
22 654 451	5.21%	22 533 568
15 646 283	2.58%	13 499 000
26 574 890	2.69%	24 376 753
17 671 188	1.89%	17 797 075
5 186 058	4.62%	4 711 362
<u>\$ 147 611 427</u>	4.30%	<u>\$ 142 028 851</u>
2 674 446	8.54%	2 526 350
<u>\$ 150 285 873</u>	4.37%	<u>\$ 144 555 201</u>
\$ 145 066 101	10.44%	\$ 145 066 101
\$ 60 643 962		\$ 60 643 962
<u>\$ 611 676 263</u>		<u>\$ 614 909 341</u>

Ten-year Financial Retrospective

(in millions of dollars)

	1976	1975	1974	1973
General Fund				
Assets	4 318.5	3 699.0	3 163.5	2 641.8
Investments				
Bonds				
Government of Canada	56.4	64.2	36.7	57.1
Gouvernement du Québec and guaranteed	2 208.6	1 799.3	1 534.3	1 317.5
Guaranteed by provincial grants	148.2	123.7	103.3	87.8
Municipal and school	267.6	233.4	183.7	141.3
Corporate	420.4	357.3	318.5	261.9
	3 101.2	2 577.9	2 176.5	1 865.6
Shares and convertible securities	661.4	638.7	601.9	491.7
Mortgages	224.4	199.0	197.9	128.9
Real estate	25.4	26.0	25.7	23.9
	249.8	225.0	223.6	152.8
Short-term investments	226.4	191.5	105.0	85.9
Total investments	4 238.8	3 633.1	3 107.0	2 596.0
Breakdown of long-term investments				
Public sector	66.8%	64.1%	61.9%	63.9%
Private sector	33.2%	35.9%	38.1%	36.1%
Fixed income securities	82.9%	80.7%	79.1%	79.5%
Variable income securities	17.1%	19.3%	20.9%	20.5%
Net income	327.0	262.6	213.4	165.8
Yield on deposits	8.62%	8.11%	7.88%	7.32%
Total funds				
Assets under management				
General Fund	4 318.5	3 699.0	3 163.5	2 641.8
Segregated funds	620.5	370.1	182.7	85.8
Funds under separate management	401.2	246.4	219.4	234.8
	5 340.2	4 315.5	3 565.6	2 962.4
Net income				
General Fund	327.0	262.6	213.4	165.8
Segregated funds	48.8	24.9	11.0	6.3
Funds under separate management	27.7	17.3	15.7	9.0
	403.5	304.8	240.1	181.1
Net deposits*				
General Fund	249.1	265.4	280.9	293.5
Segregated funds	227.5	170.4	86.8	21.3
Funds under separate management	116.2	11.0	—	—
	592.8	446.8	367.7	314.8
Administrative expenditures	4.6	3.9	2.6	2.3

*Moneys deposited in addition to income reinvested.

1972	1971	1970	1969	1968	1967
2 147.6	1 697.8	1 325.9	990.4	683.9	418.6
55.7	57.9	73.3	46.7	51.4	13.1
1 088.5	882.9	711.8	538.4	394.7	236.7
65.0	38.7	28.1	21.0	10.6	9.5
121.6	106.8	98.6	83.6	56.5	36.9
244.3	186.3	93.1	45.6	36.8	21.1
<u>1 575.1</u>	<u>1 272.6</u>	<u>1 004.9</u>	<u>735.3</u>	<u>550.0</u>	<u>317.3</u>
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	—
<u>94.8</u>	<u>88.1</u>	<u>59.6</u>	<u>29.9</u>	<u>3.8</u>	<u>—</u>
90.9	29.4	28.7	54.2	20.5	48.0
<u>2 113.4</u>	<u>1 671.0</u>	<u>1 305.6</u>	<u>976.0</u>	<u>673.6</u>	<u>412.9</u>
65.8%	66.2%	71.4%	74.8%	78.6%	81.2%
34.2%	33.8%	28.6%	25.2%	21.4%	18.8%
81.6%	81.6%	82.2%	82.5%	84.6%	87.0%
18.4%	18.4%	17.8%	17.5%	15.4%	13.0%
133.3	103.8	77.9	52.9	32.8	17.0
7.22%	7.09%	6.99%	6.63%	6.34%	6.08%
2 147.6	1 697.8	1 325.9	990.4	683.9	418.6
51.7	27.9	8.6	—	—	—
46.1	50.2	54.1	—	—	—
<u>2 245.4</u>	<u>1 775.9</u>	<u>1 388.6</u>	<u>990.4</u>	<u>683.9</u>	<u>418.6</u>
133.3	103.8	77.9	52.9	32.8	17.0
3.2	1.2	0.1	—	—	—
3.2	3.4	3.1	—	—	—
<u>139.7</u>	<u>108.4</u>	<u>81.1</u>	<u>52.9</u>	<u>32.8</u>	<u>17.0</u>
302.5	246.6	246.3	246.9	229.0	216.9
13.3	10.8	4.2	—	—	—
—	—	—	—	—	—
<u>315.8</u>	<u>257.4</u>	<u>250.5</u>	<u>246.9</u>	<u>229.0</u>	<u>216.9</u>
1.5	1.2	1.0	0.8	0.6	0.5

