

Mission

The mission of the Caisse de dépôt et placement du Québec is to achieve optimal financial returns and contribute through its activities to the vitality of the economy while safeguarding the capital under management.

1998 OPERATIONS REPORT

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PROFILE

THE CAISSE DE DÉPÔ T ET PLACEMENT DU QUÉBEC, A MAJOR FUND MANAGER

The Caisse de dépôt et placement du Québec is one of the foremost fund managers in Canada and one of the largest portfolio managers in North America. The Caisse invests with a view to obtaining an optimum financial return while ensuring preservation of the capital entrusted to it and contributing to economic growth. Its many depositors and clients include pension and insurance plans, public and private organizations, and mutual funds.

The Caisse is very active on the world's main stock markets and is the leading investor in Québec and Canadian equities and the largest holder of Québec government bonds. It holds the largest real estate portfolio in Canada. Its diversified holdings in the commercial, residential and office building sectors are managed actively by the companies in the Caisse Real Estate Group. The Caisse also has the largest portfolio of private investments in Canada, managed by the Caisse Private Investments Group, its subsidiaries and their satellite companies. In addition to its main place of business in Montréal, the Caisse has operations in more than 40 countries on five continents. Its Québec-wide network, Accès Capital, comprises 11 business offices. The Caisse also maintains representative and business offices in Hong Kong, Bangkok, Hanoi, Milan, Warsaw and Mexico City.

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

At the end of 1998, the assets managed by the teams at the Caisse de dépôt et placement du Québec totalled more than \$83 billion. With net assets exceeding \$68 billion and an overall return in 1998 of 10.2%, the Caisse ranks among the leading diversified institutional fund managers in Canada.

A REMARKABLE RETURN

This return is remarkable given the many events that took place on the global financial markets during the past year : economic turmoil engulfed several regions of the world, major international corporations underwent restructuring, and sectors ranging from commodities to knowledge-based industries saw profound changes.

Still, to fully appreciate this return, other factors besides the world economic context must be taken into consideration. Last year for the first time, an amendment to the Caisse's enabling legislation allowed it to increase the percentage of equities in its portfolio to more than 40%, a daunting challenge given the market conditions. One must be mindful that an annual return is but a snapshot in the life of a portfolio. If the return is based on a very high level of risk, it may also entail the probability of a poor return over the short term. For that reason, we believe only a fairly long-term horizon is suitable for assessing a fund's manager.

The results achieved in 1998 complete a five-year period that illustrates the excellence of the Caisse's returns in each asset class. These results prove the soundness of the institution's management policy, which is based on fundamental analysis and a cautious yet at times bold approach, as well as diversification according to financial product, geographical area, and management units and methods.

EFFECTIVE BUSINESS PARTNERSHIPS

The Caisse also stands out for the scope of its private investments, whether negotiated directly by its teams or made through its specialized investment funds. This approach calls for not only in-depth analysis but also the forging of partnerships through sustained relationships with business executives. The superior returns achieved with these investments clearly justify our teams' efforts.

In 1998, these investments totalled \$6.9 billion and represented 10% of the Caisse's net assets. The overall return generated by its private investment subsidiaries was 27.8%, confirming that the decision made in 1995 to increase this type of investment was well founded. We will pursue this objective in the coming years with a view to enlarging our private investment portfolio in the domestic market and substantially increasing our position in the international market.

At the end of 1998, private real estate investments, including debt and equity, accounted for 7.5% of the overall portfolio. Not only do such investments provide substantial current income, but overall active management of them also promises worthwhile long-term returns.

Today, through the private investment expertise it has developed, the Caisse and its partners can offer a full range of technical services and financing tools for the start-up, growth and consolidation of enterprises of all sizes. In fact, the industry views the Caisse and its subsidiaries as Canadian leaders ranking among the best in the industrialized world in this field.

MANAGING FUNDS IN A RAPIDLY CHANGING ENVIRONMENT

Recent innovations in information technology and telecommunications have had a major impact on fund management, making it easier and faster for investors to conduct their transactions around the world. This trend has been accompanied by instant access to a steady stream of sophisticated information, allowing for ever more detailed analysis within an increasingly short timeframe. In such a context, it is imperative that the Caisse be able to count on qualified specialists and highly efficient technological tools.

The various investment and administrative teams at the Caisse and its subsidiaries boast 47 employees with the Certified Financial Analyst (C.F.A.) designation, the largest concentration in Canada. Furthermore, the Caisse places great emphasis on training to ensure continuous skills enhancement as well as preparation of a new leadership corps.

Similarly, with respect to technology, several years ago the Caisse initiated a major shift to a new generation of advanced management software and communications tools. Critical phases of this program were completed in 1998, including measures designed to ensure a smooth year-2000 transition. These changes were implemented to achieve optimal global fund management, since the portfolios managed by the Caisse include assets from all continents, denominated in most major currencies. In addition, the changes have kept operating costs at a competitive level.

MEETING GLOBAL MARKET NEEDS THROUGH EXCELLENCE

With its skilled teams and a sound technological foundation, the Caisse can offer its depositors and clients dynamic investment policies customized to their needs. This expertise will also allow the Caisse to take on and serve new clients, in here and abroad. As the new millennium approaches, the Caisse de dépôt et placement du Québec is poised to meet this challenge with enthusiasm.

But excellence is not acquired by chance. It is the result of policies and decisions, actions and efforts to which Caisse employees all contribute in their own way, according to their specialties and responsibilities. This concerted effort of course includes the Caisse's Board of Directors and its subsidiaries' boards, whose members contribute a clear understanding of the issues and provide support and insight to our teams for their key decisions. Special thanks are due to Claude Legault, Jacques O'Bready and Clément Godbout, who were members of the Board of Directors for 18, seven and four years respectively. I am pleased to welcome two new members, Guy Morneau, President of the Régie des rentes du Québec and Henri Massé, President of the Fédération des travailleurs et travailleuses du Québec.

In addition, I should like to draw particular attention to the work done in 1998 by our administrative and technical support teams, especially those assigned to computer-related challenges and the rollout of new accounting systems. Lastly, on behalf of the Board of Directors, I should like to thank our investment teams and to congratulate them on an outstanding performance.



Jean-Claude Scraire

FINANCIAL REVIEW AND RETURNS

	1998	1997	1996	1995	1994
	(in millions of dollars)				
NET ASSETS					
Investments at cost					
Bonds	29,330	28,653	23,653	22,661	21,948
Shares and convertible securities	27,304	22,653	19,742	16,127	15,504
Mortgages	1,706	1,444	1,487	1,642	1,874
Real estate holdings	7,402	4,874	4,375	3,424	2,412
Short-term investments	4,649	1,578	2,075	3,067	1,796
Securities acquired under reverse repurchase agreements	2,583	1,673	1,324	62	-
Total investments	72,974	60,875	52,656	46,983	43,534
Other assets and liabilities	(12,434)	(5,508)	(2,905)	(657)	333
Total net assets at cost	60,540	55,367	49,751	46,326	43,867
Excess fair value over cost of investments	8,028	8,244	7,463	4,859	993
Total net assets at fair value	68,568	63,611	57,214	51,185	44,860
DEPOSITORS' HOLDINGS					
Government and Public Employees Retirement Plan (unionized level)	25,555	22,781	19,828	16,690	13,706
Régie des rentes du Québec	15,831	15,838	15,660	15,361	14,409
Commission de la santé et de la sécurité du travail	7,644	6,883	5,705	4,962	4,219
Commission de la construction du Québec	6,637	6,128	5,568	4,943	4,264
Société de l'assurance automobile du Québec	6,436	6,027	5,543	4,974	4,692
Government and Public Employees Retirement Plan (non-unionized level)	4,057	3,722	3,309	2,812	2,340
Fonds d'amortissement des régimes de retraite gouvernementaux	1,359	1,232	1,088	939	803
Other depositors	1,049	1,000	513	504	427
Total depositors' holdings	68,568	63,611	57,214	51,185	44,860
NET DEPOSITORS' INCOME					
Net income from investments	2,902	2,757	2,819	2,867	2,717
Accumulated gains and losses on the sale of investments	3,694	3,726	2,213	1,212	166
Accumulated net income	6,596	6,483	5,032	4,079	2,883
Accumulated unrealized increase (decrease) in value	(230)	778	2,604	3,863	(3,975)
Total net depositors' income	6,366	7,261	7,636	7,942	(1,092)
Net depositors' withdrawals	1,409	864	1,607	1,617	1,165
Total assets under management	83,327	70,524	61,333	52,699	45,940
	1998	1995-1998 (4 years)	1994-1998 (5 years)	1989-1998 (10 years)	
Total return	10.2	14.2	10.7	11.1	

Fair value - in percentage.

Figures prior to 1995 have not been restated to conform with the presentation of 1998.

Total return is calculated using the time-weighted method.

ASSET ALLOCATION AND RETURNS

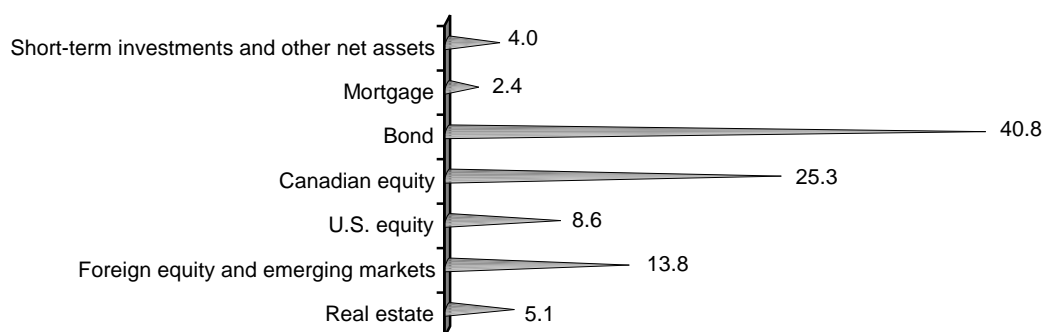
The Caisse began increasing the weighting of equities in its overall portfolio in 1998 as a result of an amendment to its Incorporation Act, passed in 1997 by the National Assembly, which raised to more than 40% the limit on the assets it may hold in the form of equities. This portfolio-weighting strategy paid off, since it was implemented when the markets were down and was combined with geographical diversification.

The total assets managed by the teams at the Caisse de dépôt et placement du Québec increased to more than \$83 billion.

BREAKDOWN OF INVESTMENTS BY SPECIALIZED PORTFOLIO

as at December 31, 1998

fair value - in percentage



SHORT-TERM SECURITIES

Fluctuations in the value of the Canadian dollar had a major impact on the Bank of Canada's monetary policy and the return on short-term securities. In 1998, monetary policy was used to defend the Canadian dollar and prevent it from dropping below U.S. \$0.65. In other words, the Bank of Canada increased short-term interest rates to support the dollar. Three-month interest rates rose from 4% to more than 4.5% during the year. The return on the SCM - short-term securities index was 4.7%. As for the Caisse's portfolio of short-term securities, it returned 5.4%, a result that compares very favourably to the index, exceeding it by 0.7%.

SPECIALIZED BOND PORTFOLIO

For several years the bond market has been taking advantage of improved public finances and the low rate of inflation. The major managers were partial to this market in 1998, since they wanted to reduce their exposure to the world stock markets in favour of the more stable bond markets. This demand for bonds pushed prices and yields up. The return on Québec-government securities, which account for a substantial proportion of the portfolio, did not reflect this trend, however. The spread between interest rates on Québec and Canadian bonds widened in 1998. In this context, although Québec public-sector securities produced a high yield in 1998, they did not raise the overall yield of the Caisse's bond portfolio.

Still, active management combined with interest rate fluctuations enabled the Caisse to obtain a 9.3% return on the bond portfolio in 1998. This is an outstanding result considering the fact that long-term interest rates remained below 6%.

SPECIALIZED CANADIAN EQUITY PORTFOLIO

The Canadian and Québec stock markets began the year positively, returning almost 15% in the first half. But the correction of more than 20% recorded in August pointed up the vulnerability of these markets, owing to the state of the world economy and the price of raw materials. The last months of the year were

favourable, but were not enough to enable the TSE 300 to recoup all its losses and end the year in positive territory.

As for the Caisse's portfolio, it was quite another story. Careful stock picking enabled the portfolio to return 7.6%, outperforming by more than 9.2% the TSE 300, which returned -1.6%. All the Caisse teams that invest in the Canadian and Québec stock markets contributed to this result. The special contribution to this exceptional result by the managers in the Caisse Private Investments Group is worthy of note. The Group's return on these markets was 36% in 1998, a performance that shows the concrete results of active management.

SPECIALIZED U.S., FOREIGN AND EMERGING MARKETS EQUITY PORTFOLIOS

The U.S. equity portfolio, which returned 25.4% in 1998, is still the leader among the Caisse's major asset categories. Over a period of five years, this portfolio has outperformed all the major bond and stock markets by more than 10%. During that period, falling prices for raw materials have been associated with the spread between the returns on the Canadian and U.S. stock markets. Lower prices for raw materials reduced the profitability of Canadian exporting companies. In the United States, on the other hand, the situation was quite the opposite, since its companies are mainly consumers of raw materials, and falling prices for these products enhanced their profitability. A portion of this portfolio is indexed and a portion is managed actively by external and internal managers.

The results on the Asian markets were again disappointing in 1998. Japan failed to stimulate its sluggish economy, and the rest of Asia, like the emerging markets, experienced major economic and political problems. The MSCI-Pacific and MSCI-EMF indexes fell 5.6% and 27.8% respectively during the year. The returns on the European stock markets, such as Germany at 20% and France at 31.7%, offset the difficulties on the Asian and emerging markets, however. The MSCI-EAFE + EMF returned 8%. The Caisse's portfolio of foreign equities, excluding U.S., and emerging markets compares favourably with the index, with a return of 8.5%.

SPECIALIZED MORTGAGE AND REAL ESTATE PORTFOLIOS

In real estate, the diversification and financing strategies put in place in recent year bore fruit. The return on the Caisse's real estate portfolio, at 9.7%, surpassed that of the bond markets and most of the major stock markets in 1998. Directly-owned properties yielded 19.7%, while the AON sub-index for directly-owned properties posted a 17% return. These results, which are closely linked to the strategies of the Caisse Real Estate Group, are very encouraging since the North American business climate is hardly favourable to the real estate market. Indeed, the index of Canadian real estate securities fell 13.2% in 1998. The return on the specialized mortgage portfolio was 7.1%, an attractive return in relation to Canadian and Québec bonds with the same maturities.

OVERALL PORTFOLIO

The Caisse also aims to enhance its returns through active asset allocation. Its strategic, tactical and geographical decisions achieved positive results, generating profits of more than \$180 million in 1998.

In terms of returns, the Caisse aims to outperform the indices for the various markets, in each asset category. For the Caisse portfolios, the main benchmarks are the SCM Canadian treasury bills (91 days) index, the SCM Universe bond index, the TSE 300 Canadian stock index, the hedged S&P 500, the hedged MSCI - EAFE and MSCI - EMF, and finally the AON real estate index.

As already stated, the year was characterized by strong fluctuations on all the world's main markets. Despite this difficult context, the managers at the Caisse achieved an overall return of 10.2%, result that significantly surpassed the recognized benchmarks. This result places the Caisse among the leading Canadian portfolio managers. It was the fourth consecutive year of high returns, taking into account the low rate of inflation. Investment operations generated income of \$6.4 billion in 1998 and, after net withdrawals of \$1.4 billion by depositors, net assets rose from \$63.6 billion in 1997 to \$68.6 billion.

SPECIALIZED PORTFOLIOS RETURNS

in percentage

	1998	1995-1998 (4 years)	1994-1998 (5 years)	1989-1998 (10 years)
Short-term investments	5.4	5.5	5.5	7.6
Mortgage	7.1	9.7	8.0	10.3
Bond	9.3	13.5	9.7	11.9
Canadian equity	7.6	16.6	13.4	11.1
U.S. equity	25.4	28.4	-	-
Foreign equity and emerging markets ¹	8.5	11.0	8.4	8.3
Real estate	9.7	10.9	6.2	2.5
Total return²	10.2	14.2	10.7	11.1

¹ Data prior to April 1994 includes U.S. shares.

² The total return includes results of asset allocation transactions, tactical and strategic investments, which are largely made using derivatives.

The overall return achieved by the Caisse over the medium and long terms is also high. The return for the past four years is 14.2%, the past five years, 10.7%, and the past 10 years, 11.1%. In short, during all these periods the Caisse achieved an overall return of more than 10% and outperformed the benchmarks. This result represents a high real return of 9.2% for the overall portfolio, which is an important objective for the Caisse and its depositors.

CAISSE RETURNS 1966-1998

	Global Return¹	Consumer price index¹	Real return
1998	10.2	1.0	9.2
1997	13.0	0.7	12.3
1996	15.6	2.0	13.6
1995	18.2	1.7	16.5
1994	(2.1)	0.2	(2.3)
1993	19.7	1.7	18.0
1992	4.5	2.1	2.4
1991	17.2	3.8	13.4
1990	0.5	5.0	(4.5)
1989	16.9	5.2	11.7
1988	10.5	4.0	6.5
1987	4.7	4.1	0.6
1986	13.5	4.2	9.3
1985	24.0	4.4	19.6
1984	10.1	3.8	6.3
1983	17.0	4.5	12.5
1982	32.8	9.2	23.6
1981	(1.9)	12.2	(14.1)
1980	9.9	11.2	(1.3)
1979	7.2	9.7	(2.5)
1978	9.9	8.4	1.5
1977	10.9	9.4	1.5
1976	18.3	5.9	12.4
1975	12.5	9.5	3.0
1974	(5.6)	12.3	(17.9)
1973	3.4	9.4	(6.0)
1972	10.8	4.9	5.9
1971	14.1	5.2	8.9
1970	12.8	1.3	11.5
1969	(4.4)	4.8	(9.2)
1968	4.4	3.9	0.5
1967	(1.2)	4.1	(5.3)
1966	6.4	3.5	2.9

¹ Return is calculated using the time-weighted method - in percentage.

FINANCIAL INDICES*in percentage*

	1998	1995-1998 (4 years)	1994-1998 (5 years)	1989-1998 (10 years)
SHORT-TERM INVESTMENTS				
SMC - Canadian Treasury bills (91 days)	4.7	5.1	5.1	7.3
BONDS				
SCM - Universe	9.2	12.8	9.2	11.5
SCM - Medium-Term	9.1	13.2	9.3	11.8
Salomon Brothers Canada ¹	9.4	12.7	9.0	11.2
CANADIAN EQUITIES				
TSE 35	(0.1)	14.8	12.8	10.1
TSE 100	(0.4)	13.9	11.3	9.9
TSE 200	(6.5)	11.9	7.9	8.5
TSE 300	(1.6)	13.6	10.7	9.7
XXM - Montréal ⁵	(2.1)	13.0	10.1	-
MSCI - Canada ²	1.2	15.9	13.2	10.3
LBG Québec small caps	14.2	22.6	11.2	-
U.S. EQUITIES				
S & P 500 ²				
Hedged ³	26.7	29.2	23.2	20.2
Unhedged	38.0	33.5	27.7	22.2
MSCI - US ^{2, 4}	30.7	31.7	25.1	19.9
Dow Jones ^{2, 4}	18.1	27.0	22.3	18.8
NYSE ^{2, 4, 5}	16.6	24.1	18.1	14.3
Wilshire 5000 ^{2, 4, 5}	23.5	27.9	21.8	18.1
OTHER FOREIGN EQUITIES				
MSCI - EAFE + EMF ⁶	8.0	10.5	7.9	7.9
MSCI - EAFE				
Hedged ³	12.6	12.5	9.7	7.4
Unhedged	28.8	12.1	12.5	8.3
Financial Times World, excluding U.S. ^{2, 4}	9.8	10.7	8.3	5.5
CAC 40 - France ^{2, 4, 5, 7}	31.5	20.3	11.7	9.6
DAX - Germany ^{2, 4, 5}	17.7	24.1	17.2	14.2
FT-SE 100 - United Kingdom ^{2, 4, 5}	14.5	17.7	11.5	12.6
NIKKEI 225 - Japan ^{2, 4, 5}	(9.3)	(8.5)	(4.5)	(7.5)
REAL ESTATE SECTOR				
Mortgages				
SCM - residential mortgages (3 years) ⁸	8.4	10.1	7.8	10.3
Real estate investments				
AON ⁹	13.9	9.9	5.1	2.8

¹ Remaining maturities of at least one year.² Without withholding taxes for foreigners not benefiting from any double taxation treaty.³ Hedged against foreign currency risk.⁴ Local currencies.⁵ Price index.⁶ Data prior to January 1991 does not include hedging against foreign exchange risk. The MSCI-World index is used for periods prior to April 1994, and the MSCI-EAFE is used for the period from April 1994 to December 1995.⁷ Includes the MSCI - France index return for the first six months of 1987.⁸ Does not account for non-performing loans or foreclosures.⁹ Prior to 1998, the reference index was the MLH+A and prior to 1993, the reference was the Frank Russell Canada.

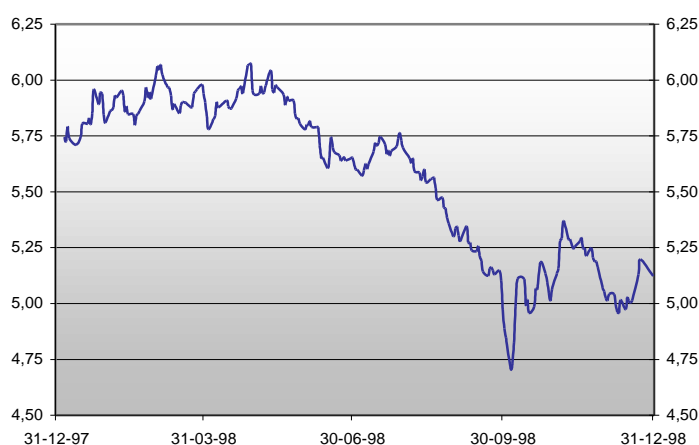
OPERATIONS – CORE PORTFOLIOS

BOND MARKET

International markets

The international markets saw considerable turmoil in 1998. In the uncertainty prevailing on these markets, investors turned to the relatively safe haven of bonds issued by the G7 countries, especially U.S. bonds. Their enthusiasm for U.S.-government securities was justified, since the much-feared outbreak of inflation did not occur.

U.S. – CHANGES IN RATES ON 30-YEAR BONDS in percentage



Source : Caisse de dépôt et placement du Québec

In the United States, the yield on 30-year bonds rarely exceeded 6% in 1998. When it became clear that inflation was not a threat, at least over the short term, yields fell.

During the year, various events conspired to make investors nervous: political problems flared up in Indonesia, Russia defaulted on its foreign debt, Malaysia imposed capital controls and, in the United States, the hedge fund run by Long Term Capital Management almost collapsed. These situations raised fears that other hedge funds could be facing technical bankruptcy, with adverse

impacts on the counterparts to their operations. Monetary easing by most central banks succeeded in calming the markets.

Investors then feared that the crisis would spread, and their worries only increased when Moody's put Japan on credit watch and downgraded Hong Kong, Venezuela and Brazil. Investors then flocked to U.S. bonds, pushing the 30-year bond yield below 5%. Yields then edged upward, to 5.12% at year-end.

In Europe, the pending introduction of the euro caused interest rates on the 11 countries' bonds to converge as monetary union approached.

In these circumstances, the Caisse applied a two-pronged strategy in the United States and Europe: it sold options to take advantage of the minor fluctuations in interest rates on the bond markets, and it maintained a longer term than the index to take advantage of falling rates.

Canadian market

Canada did not escape the turmoil. At the beginning of the year, 10-year Canada bonds were yielding nine basis points less than their U.S. counterparts. In the second quarter, the price of raw materials plummeted, and since Canada is perceived as a producer of raw materials, the Canadian dollar became vulnerable. The foreseeable drop in the Canadian currency combined with lower interest rates than in the U.S. prompted investors to sell securities denominated in Canadian dollars, especially Government of Canada bonds. The result was yield spreads on 10-year bonds which were increasingly favourable to Government of Canada securities in relation to U.S. securities. After the situation reversed itself, the yield to maturity on Government of Canada bonds was 74 basis points higher than that of U.S. securities.

During that period, the Canadian dollar fell to a record low. A rapid increase in the Bank of Canada's key rate on August 27 restored a degree of stability. The Federal Reserve then lowered its key rate three times, followed by identical cuts by the Bank of Canada. This monetary easing restored investor confidence as well as the demand for Government of Canada bonds. The yield spread on 10-year bonds ended the year at 23 basis points.

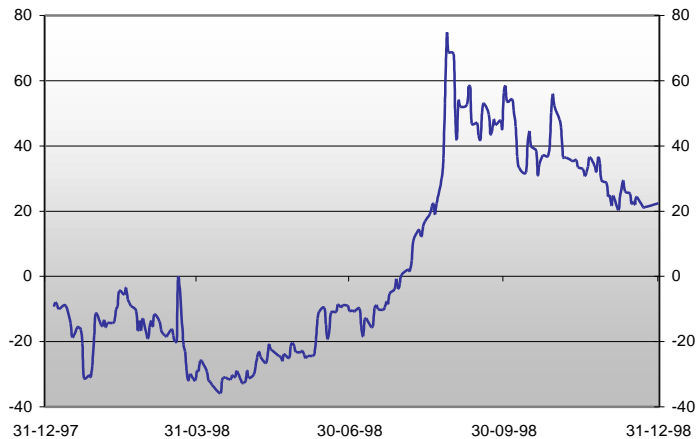
On this market, too, the strategy adopted by the Caisse had two components: selling Canadian government bonds and buying U.S. government 30-year bonds while moving along the Canadian yield curve toward longer maturities.

Québec market

Like Canada bonds, Québec government bonds also came under pressure. The yield spreads between 10-year Québec and Canada bonds began the year at 42 basis points, reached a high of 88 basis points and ended the year at 53.

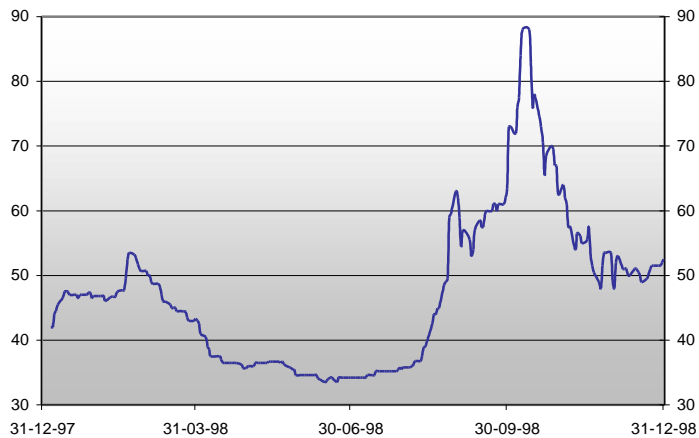
In this context, the Caisse purchased Québec bonds when the yield spreads were rising. During the year, it acquired some \$2.5 billion in Québec bonds on the primary and secondary markets.

CANADA-U.S CHANGES IN SPREADS ON 10-YEAR BONDS in basis points



Source : Caisse de dépôt et placement du Québec

QUÉBEC-CANADA CHANGES IN SPREADS ON 10-YEAR BONDS in basis points



Source : Caisse de dépôt et placement du Québec

ACQUISITIONS OF NEW BONDS ISSUED BY THE GOUVERNEMENT DU QUÉBEC AND THE QUÉBEC PUBLIC SECTOR IN 1998 par value - in millions of dollars

	Gouvernement du Québec			Hydro-Québec			Total		
	Issued	Acquisitions		Issued	Acquisitions		Issued	Acquisitions	
	\$	\$	%	\$	\$	%	\$	\$	%
Canadian market	3,811.2	1,052.0	27.6	1,764.0	-	-	5,575.2	1,052.0	18.9
Other markets ¹	2,724.5	-	-	677.8	-	-	3,402.3	-	-
Total	6,535.7	1,052.0	16.1	2,441.8	-	-	8,977.5	1,052.0	11.7

¹ Issues in various currencies or in Canadian Eurodollars.

Highlights

The portion of the Caisse's portfolio consisting of bonds issued by publicly traded companies increased substantially to a total of \$2 billion, up from \$1.2 billion in 1997. Bonds purchased on the open market have a minimum BBB credit rating.

The Caisse also continued developing its financial engineering portfolio. This portfolio consists mainly of unique new financial products traded throughout the world. The management of this portfolio requires expertise in financial analysis and in the development of new products.

SUMMARY OF BOND PORTFOLIO

as at December 31, 1998
in millions of dollars

Securities	Fair value		Average nominal rate ¹ %	Average maturity ¹ (years)	Modified duration ² (volatility)
	\$	%			
Domestic					
Government issued					
Gouvernement du Québec	11,352.4	35.87	8.03	10.87	6.61
Government of Canada	4,453.9	14.08	6.78	5.18	3.88
Other governments	565.3	1.79	7.15	26.93	12.68
Government guaranteed					
Gouvernement du Québec	5,236.2	16.55	7.20	12.18	7.55
Government of Canada	114.7	0.36	10.75	9.81	6.58
Other governments	211.4	0.67	8.36	4.60	3.75
Guaranteed by grants, municipalities and school boards	1,974.5	6.24	10.46	5.05	3.87
Corporate ³	2,013.9	6.36	6.93	6.65	4.13
	25,922.3	81.92	7.64	9.57	6.01
Foreign					
U.S. Government	3,947.7	12.48	4.81	3.37	2.61
Other	1,771.1	5.60	6.25	12.76	6.11
	31,641.1	100.00	6.50	8.45	5.26

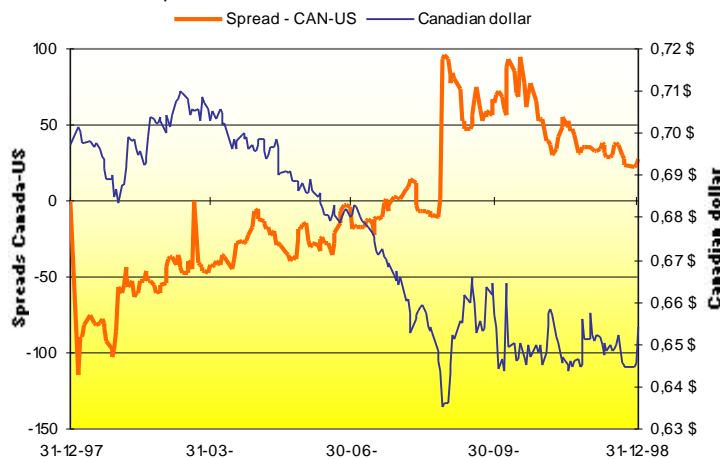
¹ Weighted as per nominal value.

² Weighted as per fair value.

³ Including bonds managed by the Caisse Private Investments Group.

CANADA-U.S. – CHANGES IN SPREADS ON 3-MONTH TREASURY BILLS AND IN RATE OF EXCHANGE

in basis points and in U.S. dollars



Source: Caisse de dépôt et placement du Québec

MONEY MARKET

The behaviour of short-term interest rates in 1998 was dictated by the value of the Canadian dollar against the U.S. dollar, as the chart opposite clearly shows.

At the beginning of the year, 91-day Canadian treasury bills were trading at 3.95%, compared with U.S. treasury bills at 5.09%. This spread of 114 basis points was unfavourable for Canadian securities, since at that point the Canadian dollar was worth U.S.\$0.70. But the Asian crisis, which had begun in 1997, continued to spread

in 1998 amid a climate of extreme uncertainty and prompted investors to sell securities denominated in Canadian dollars and concentrate their investments in U.S.-denominated securities. As a result, the Canadian dollar began to fall.

The Bank of Canada had to intervene for the first time on January 30, raising its key rate 50 basis points. That was not enough, however, and investors continued to reduce the interest rate spreads, which deteriorated in relation to Canadian treasury bills.

In the summer, when Russia announced that it was suspending payments on its foreign debt, investors feared that the Asian crisis repercussion would spread from Russia to South America. The difficulties of the hedge fund run by Long Term Capital Management in the United States aggravated this situation, and investors began to fear the worst. With the Canadian dollar falling more quickly, the Bank of Canada intervened a second time, raising its key rate by 100 basis points on August 27. Canadian treasury bill rates then became favourable to Canadian securities. From that point on, the Canadian dollar and the rate spreads stabilized. The Canadian dollar ended the year at U.S. \$0.65, and the rate spreads on treasury bills settled at 27 basis points in favour of Canada.

Strategy

The unfavourable rate spreads for Canadian treasury bills at the beginning of the year looked as if they would not last. The Caisse therefore sold Canadian securities and bought securities issued by the U.S. government, a strategy that it continued until August. Expecting the Bank of Canada to tighten, the Caisse then substantially scaled back its portfolio of short-term securities.

Highlights

Money market activities give rise to the daily settlement of large volumes. Despite the disruptions caused by the January ice storm in southern Québec, all daily financial undertakings amounting to about \$3 billion were met.

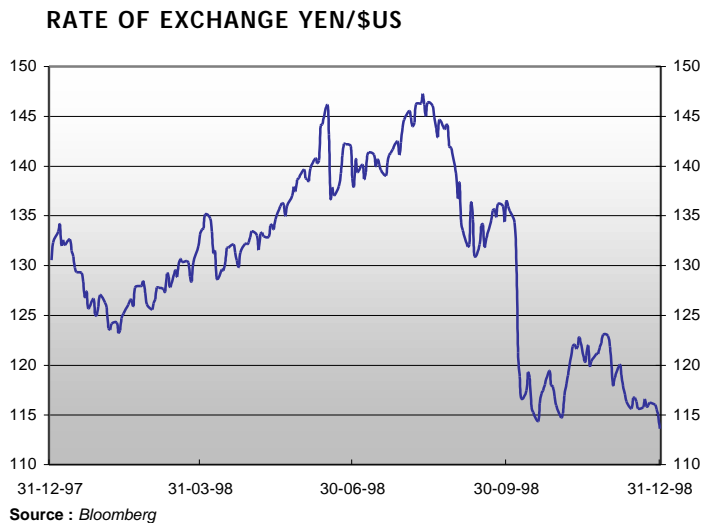
In addition, the Caisse created a specialized portfolio of short-term securities, which enables each depositor to hold units of a common fund managed in an integrated manner. The Caisse also separated its treasury activities from its money market investment operations and assigned them to different teams of managers. This new structure permits more effective management of the daily debit and credit accounts of depositors and managers.

FOREIGN EXCHANGE MARKET

The U.S. dollar remained the preferred safe haven for investors in 1998. The situation on the financial scene, notably the Asian crisis and Russia's default in August, fuelled concerns that the crisis would spread to South America, and prompted investors to purchase securities denominated in U.S. dollars.

Once again, the Canadian dollar defied forecasts and experienced its share of difficulties during the year. When the financial markets were expecting the dollar to rise, a sharp drop in the price of raw materials and rate spreads unfavourable to Canadian securities made the loony less attractive, and investors sold their Canadian dollars and bought U.S. dollars.

In Europe, the slow but irreversible move toward the euro dominated the scene, and volatility between the various currencies was especially low. The exchange rate of each currency converged toward the expected rate when the euro was launched on January 1, 1999.



The environment in Asia was quite different. After the Asian currencies fell sharply in 1997, some of them recovered a good portion of their lost ground. Notable among these was South Korea's won, rising 28% as a result of the country's improved current account, a lower-than-expected inflation rate and IMF approval of its proposed reform measures.

Highlights

As part of its tactical currency management, the Caisse has for several years had a policy of completely hedging its foreign exchange risk. Thus, in 1998, owing to the unforeseeable drop in the dollar, the

Caisse was not able to take full advantage of the strength of the currencies of its international investments.

In addition, the Caisse gave an initial mandate to Windham, a Boston firm with special expertise in active currency management. This agreement is based on cooperation and the transfer of expertise.

The arrival of the euro

The European currency market was dominated by the shift to the euro in 1998. The objective of the 11 countries taking part in the creation of the initial euro zone, Germany, France, Spain, Italy, Portugal, Belgium, Luxembourg, the Netherlands, Ireland, Austria and Finland, was to begin carrying out their institutional operations, especially interbank operations, in euros on January 1, 1999. Since that date, the national currencies of the 11 countries have existed only as currencies derived from the euro, and they will be withdrawn from circulation for good between January 1 and June 1, 2002.

A change of such scope affects more than just currencies. The stock markets, bond markets, derivatives and long-term contracts such as mortgages are all affected, although on different levels. The Caisse has had to adapt to this new reality, and all its systems have been modified to reflect the changes.

The Caisse launched the euro project in June 1998, with the objective of continuing its usual operations in the new zone, which accounts for some 5% of the Caisse's overall investments. It thus chose to replace the 11 currencies with the euro in January 1999 except for private investments and a certain number of other particular investments.

CANADIAN STOCK MARKETS

It was a turbulent year on the stock markets as a result of several factors: weak prices for raw materials accentuated by the falling price of oil, merger proposals in the banking industry, and corrections on the international stock markets during the traditionally quiet months of July and August. In this context, the TSE 300-stock index returned -1.6% including dividends.

And yet the year had begun auspiciously. The economy was not slowing; in fact it was accelerating, but without any signs of inflation. In the third quarter, however, the Asian crisis spread to Russia and its already shaky economy. The crisis also threatened to engulf South America. Many international banks had loan exposure in

South America, and the U.S. economy, the last bastion of growth, seemed on the verge of slowing. The world's stock markets, including the Canadian market, registered this shock wave and plummeted almost 20%.

To maintain confidence, the U.S. Federal Reserve lowered its key rate three times in the fourth quarter, followed closely by the Bank of Canada. In the wake of this easing, the stock markets rebounded strongly.

In a context of lower profits, the returns on the various sectors of the TSE 300 showed considerable divergence in 1998.

Certain securities produced enviable returns. For instance, the telecommunications sector significantly outperformed the TSE 300, notably BCE, with its substantial interest in Nortel, Teleglobe with its excellent financial results, and the cellular telephone companies, whose financial situation improved considerably.

The consumer products sector also outperformed the market, as a result of Imasco, which saw strong profit growth, and Seagram, which sold Tropicana and acquired Polygram.

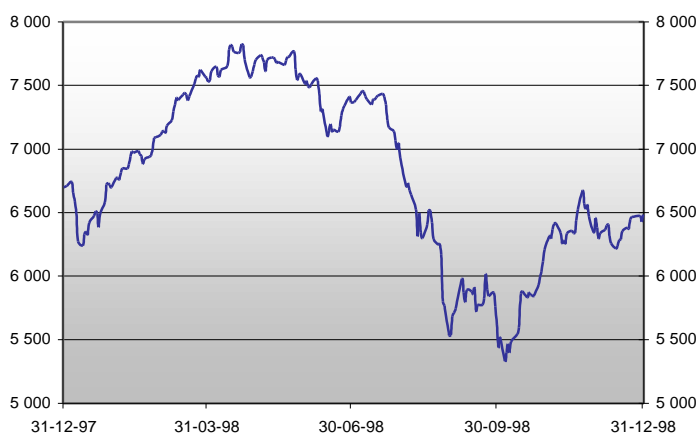
The market was partial to the cable sector, recognizing its increased growth potential on the Internet and telephone markets.

The results for the resources sector, however, especially paper, mines and metals, precious metals, and oil and gas, slipped sharply compared with 1997, as a result of excess capacity caused by the slowing Asian economies.

Strategy

In this context of widespread uncertainty, the Caisse favoured non-cyclical securities and reduced its natural resource-related positions. The high value added it achieved is due mainly to careful stock selection.

CHANGES IN THE TSE 300 INDEX



Source : Reuters

TSE 300 - SECTORIAL RETURNS

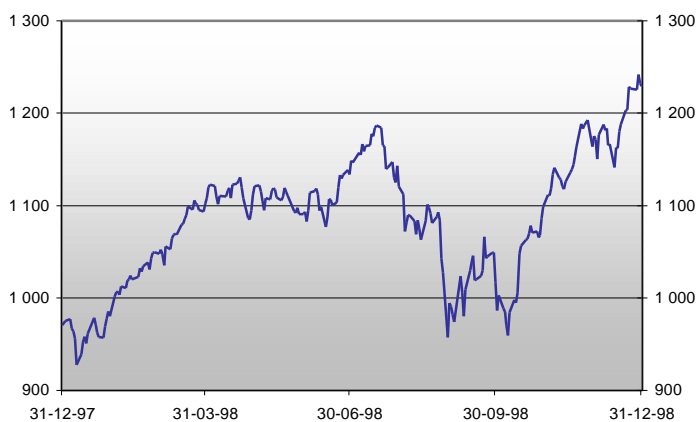
	1998	1995-1998 (4 years)	1994-1998 (5 years)	1989-1998 (10 years)
Metals and minerals	(17.62)	(5.66)	(0.97)	2.13
Gold and silver	(6.54)	(10.75)	(10.55)	1.80
Oil and gas	(29.85)	3.94	1.82	3.95
Paper and forest products	(10.34)	(4.16)	(2.80)	1.45
Consumer products	21.09	19.03	14.76	13.76
Industrial products	2.56	16.27	14.45	11.54
Real estate and construction	(13.16)	4.58	(5.23)	(14.52)
Transportation and environmental services	(24.50)	7.12	10.46	(0.68)
Pipelines	(5.04)	19.54	14.16	13.91
Utilities	21.49	26.42	21.06	16.71
Communications	18.35	18.64	14.88	9.24
Distribution and services	(2.75)	13.94	6.92	6.34
Financial services	3.69	31.80	24.52	18.11
Conglomerates	(8.98)	16.63	12.24	8.04
Total return	(1.58)	13.57	10.67	9.65

INTERNATIONAL STOCK MARKETS

U.S. market

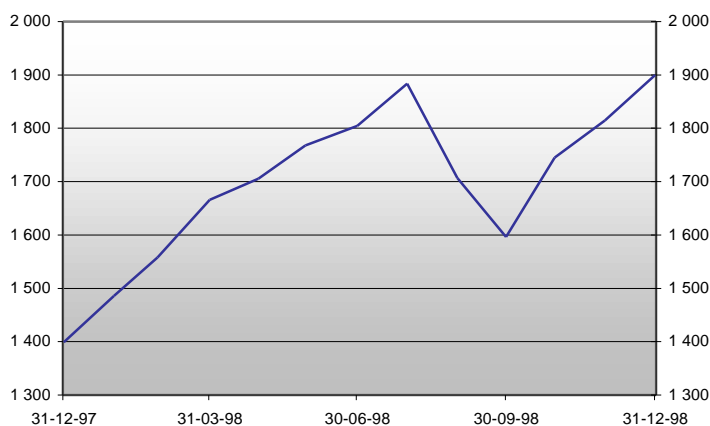
Investors were concerned with two major questions at the beginning of the year: would the Asian crisis spread to the United States, and would the sustained growth the U.S. economy had been enjoying for several years set off another wave of inflation? During the first half of the year, the situation seemed to prove the naysayers wrong. But in the third quarter the impact of the Asian crisis and then the Russian crisis struck, roiling the stock market.

CHANGES IN THE S&P 500 INDEX



Source : Reuters

MSCI-EUROPE CHANGE IN THE EUROPE INDEX in Canadian dollars



Source : Fame Investors

The Federal Reserve promptly responded by lowering interest rates, restoring investor confidence that there would be no severe recession. As a result of this easing, the stock market bounced back, and the hedged S&500-stock index returned 26.7% for the year.

In an extremely volatile market on which it was very difficult to match the indexes, managers adopted a strategy of increasing the financial services, equipment and energy sectors, as well opting for indexing.

European market

The European stock markets were especially affected by the Asian crisis and the convergence of interest rates and exchange rates owing to the euro's imminent arrival. In fact, the impact of the Asian crisis struck Europe earlier and harder than it did North America. Still, the economies of the European countries remained fundamentally sound in 1998. The MSCI-Europe index, expressed in Canadian dollars, rose from 1399 on December 31, 1997, to 1900 on December 31, 1998, returning 36% for the year.

The Caisse's investment strategy on this market involved temporarily overweighting the securities of certain countries on an alternating basis.

Asian market

As for Asia, the economic situation in Japan continued to deteriorate throughout the year. The government introduced stimulative measures, but the results were unfortunately negligible. Elsewhere in Asia, political problems in Indonesia and government intervention in Hong Kong and Malaysia put investors off. Only after widespread monetary easing at the end of the year did the stock markets recover slightly. The MSCI-Pacific index, ex Japan, expressed in Canadian dollars, was off 22 basis points for the year. The Asian stock markets retreated 3% on the

year. The Caisse adopted a strategy of underweighting Japanese securities for more than half of the year in favour of more promising securities in the other Asian countries.

South American market

The South American economies remained fragile amid fears that the Asian crisis that had already struck Russia would spread to them. If Brazil fell, all of South America could be swept up in the turmoil. The Caisse adopted an investment strategy of favouring certain stable sectors, such as electricity, in various countries including Brazil.

Investment management

During the year, the Caisse awarded various foreign equity portfolio management mandates to Montréal firms. It added U.S.\$105 million to Capital Guardian's mandate to manage U.S. securities. That firm posted positive results and, moreover, now has a Montréal office. The Caisse also gave a U.S.\$65-million mandate to the Montréal office of Standard Life and U.S.\$50 million to Holdun Investment Management Inc.

TACTICAL INVESTMENTS

The world financial context created imbalances on the markets, entailing opportunities for the Caisse to make attractive investments.

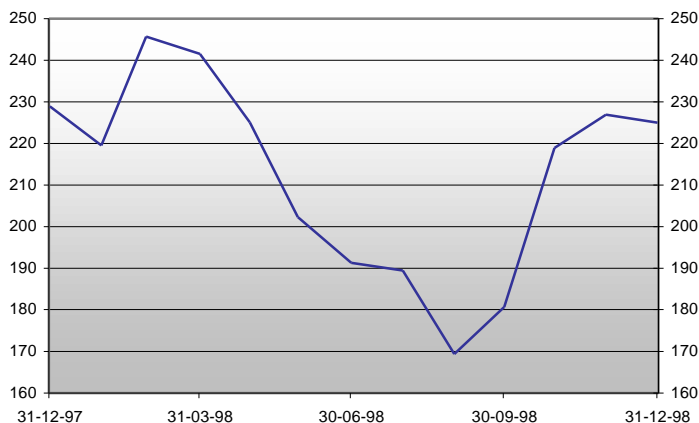
The tactical operations management team used investment vehicles such as futures and options to take short-term positions on the equity, bond and currency markets of the major industrialized countries.

Strategy

As a result of the difficult context in Japan, Russia and South America, the weighting of Japanese equities was reduced, and a larger portion of the fund was invested in the European and U.S. stock markets during the first half. When the Asian crisis spread, the Caisse first turned to U.S. government bonds, and finally adopted a neutral position.

In 1998, a year characterized by extreme volatility, the team's expertise enabled it to end the year, with a profit of \$63 million.

MSCI-PACIFIC
CHANGES IN THE PACIFIC INDEX, EXCLUDING JAPAN
in Canadian dollars



Source : Fame Investors

Created under the aegis of an external management partnership with Northern Trust Global Advisors and combined with other funds managed in Europe, Asia and South America, the Varan tactical fund, which is managed by a team of Caisse specialists, ranked in the first quartile worldwide for all similar hedge funds. Relying on the expertise of management teams close to the targeted markets, this partnership allocates risk over four continents.

STRATEGIC MANAGEMENT - ASSET ALLOCATION

Equities continued to be the world's most profitable investment vehicle in 1998, despite the stock market corrections in July and August.

The U.S. stock market ranked a clear first, followed by Europe. In North America, record productivity, major technological advances and access to low-cost imports kept inflation at bay.

The European market was dominated by deregulation in preparation for the euro, which contributed to mergers and acquisitions. Another factor was that fund managers had underweighted equities.

As for Asia, although the situation remained precarious in Japan, various other countries saw a wave of market liberalization and deregulation as well as corporate rationalizing, all factors that contribute to an economic upturn and positive returns on the markets over the longer term.

Strategy

The Caisse adopted a two-pronged strategy to take advantage of the summer stock market corrections. It increased its weighting of variable-income securities, shifting 6% of its assets in fixed-income securities to variable-income securities, especially in the U.S. and Europe. It also reduced the weighting of Japanese equities in favour of U.S. equities.

Investments made during the year returned a profit of \$74 million.

RISK MANAGEMENT

In light of the rapid and sustained changes taking place on the major domestic and international markets, Caisse management has been paying special attention to risk measurement for several years.

To ensure sound allocation of the assets in the overall portfolio, it is imperative that the Caisse understand and interpret the volatility of each market in which it invests, as well as the correlations between markets.

RISK-MEASUREMENT METHODOLOGY

The risk-measurement methodology that has been adopted is that of value at risk, or VaR. This is based on a statistical study that takes into account the volatility of all market positions as well as their correlations.

MARKET PORTFOLIOS

Overall portfolio risk is calculated on a regular basis by a team of specialists independent of the teams of portfolio managers. Since the returns on the various markets are not always synchronized, the overall risk of the Caisse's portfolio is always lower than the sum of the risks related to the individual portfolios managed by each investment group. Thus a regular assessment of market risks helps determine a more effective allocation of capital among the managers and the investment groups.

DERIVATIVES

A team independent of the portfolio managers also calculates risks related to derivatives, using the mathematical evaluation and measurement tools and models adopted in 1993. These tools are used to assess each product as a function of its unique characteristics and then to integrate it into the calculation of overall market risks, in which it is important not to separate market risks created by derivatives from market risks generated by cash financial instruments. In measuring market risk, the team simulates the potential behaviours of a financial package, no matter how complex, according to different market conditions.

ABSOLUTE AND RELATIVE RISK

The market risks to which the portfolios are exposed are calculated and managed on two levels.

The first level measures the behaviour of a portfolio or group of portfolios in terms of a possible loss of capital caused by strong variations on the financial markets. This risk is defined as absolute market risk and relates solely to market fluctuations.

The second level of risk measures the behaviour of a portfolio in relation to its benchmark index. This risk, which is referred to as relative, represents the difference between the portfolio and its benchmark.

RESEARCH AND RETURN

The Research and Return team provides independent expertise to assess the risk of financial products, as well as an evaluation of certain financial products in the portfolio.

In 1998, the team focused on the behaviour of the financial markets, especially with respect to the products in the various portfolios, so as to study the impact on returns.

OPERATIONS - PRIVATE INVESTMENTS

The Caisse is an important resource for the companies in which it makes investments in the form of equities, debt securities, standard and participating debentures, bridge loans and participating loans, in all sectors from corporate financing to real estate. Investments totalled \$5.2 billion in 1998. The investment subsidiaries made investments of \$2.8 billion, and those in the mortgage and real estate sectors, almost \$2.4 billion.

CAISSE REAL ESTATE GROUP

The activities of the Caisse Real Estate Group comprise the operations of the Caisse's specialized real estate and mortgage portfolios. These are managed by a small team of specialists who develop strategies, monitor returns and oversee the activities of the companies responsible for operational management.

- **Ivanhoe** owns, manages, develops and invests in shopping centres in major urban areas, and owns its properties outright or in partnership with other investors.
- **SITQ IMMOBILIER** specializes in office buildings, industrial parks and small shopping centres, especially outside major urban areas, and owns its properties outright or in partnership with other investors.
- **Cadim** concentrates on the residential sector and short-term and less conventional vehicles, making investments in partnership with developers, builders and groups that usually manage the assets and perform day-to-day property management.
- **Cadev** manages the land belonging to the companies in the Group and also carries out real estate development, including servicing and project development, in partnership with investors.
- **Hypothèques CDPQ** specializes in investments in the form of loans, mortgage-backed securities and financial instruments derived from them.

CAISSE REAL ESTATE GROUP PORTFOLIO¹

as at December 31, 1998
fair value - in millions of dollars

Subsidiaries	Value ²	Percentage
Cadim	732.4	13.8
Ivanhoe	1,487.4	28.0
SITQ IMMOBILIER	1,442.9	27.1
Hypothèques CDPQ	1,655.6	31.1
Total	5,318.3	100.0

¹ Includes the specialized mortgage and real estate portfolios, and excludes certain assets and liabilities.

² Represents the value of the Caisse's net holdings in the subsidiaries.

The year saw many acquisitions and new investments totalling \$2.4 billion versus \$1.4 billion in 1997.

The combined net assets of the specialized real estate and mortgage portfolios are \$5.1 billion, or 7.5% of the net assets held by the Caisse, compared with \$4.8 billion and 7.5% in 1997.

SPECIALIZED REAL ESTATE PORTFOLIO

In 1998, the Caisse Real Estate Group continued its strategy of optimizing returns by taking advantage of the differing business cycles; it selected investments on the basis of products and geographical markets, and maximized arbitrage opportunities between holding buildings directly and owning real estate securities.

Stocks and bonds traded on the open market set records in terms of volume and prices in the first half of the year, but the situation deteriorated seriously in July. As at December 31, 1998, the TSE real estate and construction sub-index returned -13.2%, and the Wilshire U.S. real estate index, -17.4%. Real estate investment trusts and publicly traded real estate companies were hit hard by the stock market corrections and scaled back their acquisitions considerably.

The liquidity crisis in the United States pushed up the capitalization rates, so that investors with good liquidity had opportunities to make advantageous acquisitions in a market that was far into the business cycle.

Generally speaking, despite the turbulence that characterized the year, the conditions on Western real estate markets continued to improve. Occupancy rates and rents increased, and the slowdown in real estate activity caused by the uncertainty on the financial markets which began at mid-year had a beneficial effect on the market by curtailing many construction projects and helping maintain the market's fundamental equilibrium.

In Canada, where the cycles lagged those of the United States, many transactions were concluded. On the international scene, the industrialized countries of Europe, especially France and the Iberian Peninsula, were the areas where the best risk-return ratios were concentrated. The recovery on the French real estate market had begun in 1997, and accelerated in 1998 when many foreign investors arrived on the scene. As for the markets in Britain and the U.S., where the cycles were more advanced, they were conducive to profit taking. The real estate markets in the emerging economies, or countries whose economies behaved as such, were especially turbulent; over all, only the Polish and Japanese markets were deemed to offer favourable risk-return ratios. Several markets in Asia and Eastern Europe deserve watching, however.

The specialized real estate portfolio returned 9.7% in 1998. Directly-owned properties yielded 19.7%. Investments rose to \$8.6 billion, up \$3.4 billion from 1997. Related bank and mortgage loans, third-party minority interests, and other assets and liabilities totalled \$5.1 billion, versus \$2.0 billion in 1997. These increases are due mainly to consolidation of the Bentall portfolio held by SITQ IMMOBILIER, whose effect was more marked than that of the net investments made in 1998. The consolidated net assets in the specialized real estate portfolio totalled \$3.5 billion, or 5.1% of the net assets of the Caisse.

The specialized real estate portfolio generated \$754 million of gross income and net earnings of \$222 million, compared with \$555 million and \$149 million in 1997.

The fair value of the real estate assets in Québec and Toronto has increased since December 31, 1997.

As for foreign assets, increases in value were especially pronounced in the case of the office buildings in the La Défense area of Paris, commercial buildings in England, and malls and apartment buildings in the United States. These variations are due to a general upturn on the rental market, notably involving increases in occupancy rates and rents paid by retailers, as well as on the real estate investment market, which benefited from the lower returns expected by real estate investors.

\$221 million invested in Québec

SITQ IMMOBILIER acquired a portfolio of four office buildings totalling 32,200 square metres in Laval. It became the sole owner of Place Laval after purchasing the residual interest, and of Carrefour Alma, Place du Saguenay and Galeries Jonquière shopping centres as well as Carrefour Rimouski, when it purchased the interests of its partners, Westcliff and Les Coopérants.

SECTORIAL BREAKDOWN OF INVESTMENTS IN THE SPECIALIZED REAL ESTATE PORTFOLIO

as at December 31

fair value - in millions of dollars

	1998		1997	
	\$	%	\$	%
Real estate holdings	7,298.7	85.3	4,193.2	80.3
Shares and convertible securities	954.4	11.1	798.8	15.3
Mortgages	270.1	3.2	143.7	2.8
Short-term securities and other	33.2	0.4	87.7	1.6
Total	8,556.4	100.0	5,223.4	100.0

SITQ IMMOBILIER purchased interests in six malls, four industrial buildings and two parcels of land from its shareholders Régime de rentes du Mouvement des caisses Desjardins, Fonds commun de placement des régimes de retraite de l'Université Laval and Fiducie globale des régimes complémentaires de retraite de la STCUM.

**GEOGRAPHICAL BREAKDOWN OF INVESTMENTS
IN THE SPECIALIZED REAL ESTATE PORTFOLIO**

*as at December 31
fair value - in percentage*

	1998	1997
Québec	27.8	42.3
Canada outside Québec	14.7	15.2
Outside of Canada	57.5	42.5

Cadim and its new partner, Thibault, Messier, Savard et Associés, acquired three retirement homes totalling 482 units as well as a 25% interest in a parcel of land in Pointe-Claire.

\$175 million invested in Canada outside Québec

In 1998, Ivanhoe reinvested \$22 million in Cambridge Shopping Centres, bringing its interest to 41.7%. On March 1, 1999, after purchasing 25 million additional shares in the company, Ivanhoe became the majority shareholder. This acquisition, a \$331-million investment, is part of a strategy to achieve geographical diversification and to ensure the two companies' operations are complementary.

SITQ IMMOBILIER, through its subsidiary PenYork Properties, purchased the Burloak Tech real estate portfolio, consisting of six office buildings in Burlington, Ontario, totalling 38,600 square metres, as well as an office building with 24,200 square metres of rentable area in North York, Ontario. Moreover, SITQ IMMOBILIER consolidated its position in Bentall, a Vancouver real estate company, with a \$16-million investment that brought its interest to 47.9%.

Cadim joined Intracorp to create Hearthstone Communities, a company that develops, acquires and manages retirement homes in Canada, outside Québec.

\$1.7 billion invested on the international scene

• \$881 million of acquisitions in the United States

Ivanhoe acquired a portfolio of six malls totalling 547,400 square metres in partnership with General Growth Properties: Oglethorpe Mall (88,300 square metres) in Savannah, Georgia; Meadows Mall (87,900 square metres) in Las Vegas, Nevada; Park City Center (128,500 square metres) in Lancaster, Pennsylvania; Northgate Mall (74,800 square metres) in Chattanooga, Tennessee; Landmark Mall (89,700 square metres) in Alexandria, Virginia; and Mayfair Mall (78,200 square metres) in Milwaukee, Wisconsin.

SITQ IMMOBILIER acquired the Campus at Cherry Creek, a 33,000-square-metre office building in Denver, Colorado, and purchased the interests of its partner, New York Life, in Cherry Creek (22,200 square metres) and Republic Place (20,000 square metres), office buildings in Denver, Colorado, and Washington D.C., respectively.

SITQ IMMOBILIER also acquired a portfolio of nine office buildings totalling 127,300 square metres in Texas and Louisiana, in partnership with Canderel, a Québec real estate company.

In partnership with Boston Financial, Cadim purchased a 49.4% interest in residential complexes representing a total of 1,423 units, in Vista, California; suburban Chicago; Billerica, outside Boston; Reston, Virginia; and Columbia, Maryland.

Cadim also invested \$45 million in the Lazard Frères and \$24 million in Lone Star Opportunity Funds I and II real estate funds. The former invests mainly in U.S. real estate companies, while Lone Star acquires various discounted real estate products.

SITQ IMMOBILIER invested \$16.4 million in the Blackstone Real Estate Partners II and III funds.

• **\$783 million of acquisitions in Europe**

With its partner Pillar Properties, SITQ IMMOBILIER acquired Castle Quay shopping centre in Banbury, England, obtaining an interest in a major redevelopment project that will increase the centre's area to 37,200 square metres. As part of a new partnership including a third company, Schroder Properties, SITQ IMMOBILIER acquired two megacentres, also in England, Fosse Retail Park and Fosse South Retail Park, totalling 38,600 square metres. In Paris it acquired three office buildings totalling 46,500 square metres, which were added to the five buildings acquired in 1997 in partnership with CGIS, a subsidiary of the French company Vivendi. In partnership with Blackstone, it acquired a 10% interest in a 651-room portfolio of Savoy Group hotels in London.

Cadim joined forces with Immobilière Batibail, a real estate company that is listed on the Bourse de Paris and owns a large real estate portfolio in various major French cities, including Paris, to acquire 21 superior apartment buildings totalling 600 units. The operation, involving the acquisition of 47 buildings, was completed in 1999. Most of these buildings are in the Haussmann style and are located in prestigious areas of Paris and in Neuilly-sur-Seine.

Cadim continued its hotel-acquisition program in France in partnership with Lone Star and Astotel, purchasing the Beau Rivage and Alexander hotels and bringing to 530 the number of hotel rooms owned with these partners.

Other investments

Cadim completed the implementation of a stock market investment program and acquired securities of various publicly traded companies in Canada and the United States. In partnership with Lone Star Opportunity Fund, it also purchased two loan portfolios in Japan and invested in two real estate funds, Schroder Asian Properties and the Polish Real Estate Fund. Cadim entered into a partnership agreement with Capital d'Amérique CDPQ to invest in Cherokee Investment Partners II L.P., a fund that acquires real estate assets in the United States and Canada.

Finally, Cadim launched the Cadim-FSTQ nouveaux marchés Fund to support the Québec construction industry on promising markets in Central Europe and Latin America, with capital of \$50 million, in association with Capital International CDPQ and the Fonds de solidarité des travailleurs du Québec. Financing for a 300-unit condominium project in Piaseczno, Poland, is the fund's first investment, and partners in the project include two Québec companies, J.O. Lévesque and LSR Construction.

An active presence in Québec

SITQ IMMOBILIER:

- began building Complexe Sphèretch in Ville Saint-Laurent, an investment of more than \$100 million;
- formed a partnership with Société de développement de Montréal and the Fonds de solidarité des travailleurs du Québec to finance the Centre de développement des technologies de l'information (CDTI) in Montréal and Cité du Multimédia, investments that could reach \$70 million;
- formed a strategic alliance with Laval Technopole and launched the Centre de développement des technologies de l'information (CDTI) in Laval, a project totalling \$60 million.

Cadim:

- concluded an agreement with the Développement Germain-des-Prés regarding an interest in a project to convert an office building in downtown Montréal into Le Germain, a hotel that also includes stores;
- continued developing its Île-des-Soeurs land, in partnership with LSR Construction, for a residential project that is a resounding success, especially in terms of sales.

Cadev:

- continued developing the Blainville industrial park, in partnership with Myre, Pageau et Associés;
- continued developing the Anjou-sur-le-Lac residential complex in cooperation with the developer Groupe Montclair Boisfrancs;
- made progress on the project to develop Montréal's international district with a view to start-up of construction for the Quartier international de Montréal (QIM) corporation.

Real estate investments

The many construction, reconstruction and leasehold-improvement projects that took place in 1998 totalled more than \$108.5 million:

- completion of the project to revitalize Place Montréal Trust shopping centre with the addition of new tenants: Planet Hollywood, an Athletes World Superstore and Nike Shop, and an Indigo Books, Music & Café megastore;
- construction of an eight-story office building totalling 10,200 square metres near Pearson Airport in Toronto;
- redevelopment of Eastview, a 33,000-square-metre megacentre in Victor, a suburb of Rochester, New York;
- mall enlargement and renovation projects in Greater and Suburban Montréal: Les Promenades Saint-Bruno, Place Bourassa and Champlain Mall, where Archambault stores were added, and Pont-Viau, Les Galeries des Sources and Greenfield Park shopping centres to add Les Cinémas Guzzo;
- completion of renovations to the Tour de la Place-Victoria office building to accommodate IATA, a major new tenant;
- a renovation project involving the Paris hotel portfolio;
- renovation and enlargement of Castle Quay mall in Banbury, England;
- continued renovations at Mercat shopping centre in Kirkcaldy, Scotland.

BREAKDOWN OF REAL ESTATE HOLDINGS

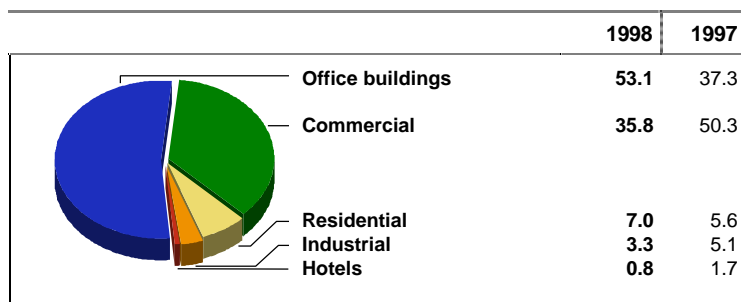
*as at December 31, 1998
fair value - in millions of dollars*

Subsidiaries	Commercial buildings	Office	Industrial	Residential and hotels	Land¹	Total
Cadim	86.4	102.8	2.2	572.7	90.1	854.2
Ivanhoé	2,099.1	-	25.2	-	40.0	2,164.3
SITQ IMMOBILIER	345.3	3,554.4	207.0	-	173.5	4,280.2
Total	2,530.8	3,657.2	234.4	572.7	303.6	7,298.7

¹ Combines subsidiaries' interests in Cadev.

Finally, the real estate subsidiaries made sales of \$538.1 million in 1998. The main operations involved a portfolio of eight malls owned in partnership with Pillar Properties in England and the transfer to a partner, Groupe Aaron, of a 5% interest in the group of buildings in La Défense, in Paris.

BREAKDOWN OF PROPERTIES



The sale of the Place Dupuis complex, the Place Dupuis and Radisson hotels, as well as the Palais du Commerce, all in Montréal, two office buildings in Metropolitan Toronto and residential buildings in New York City and Toronto, as well as houses in Poland and land in Québec, mainly on Île-des-Soeurs and in Mascouche, rounded out these operations.

SPECIALIZED MORTGAGE PORTFOLIO

The mortgage environment was quite active in 1998. During the first half of the year, the market was dominated by strong competition from the equity and bond markets. Real estate companies therefore made intensive use, as they had in 1996 and 1997, of non-mortgage financing, such as mortgage bonds, debentures, corporate financing and shares in real estate companies. Such financing was available at lower cost.

In response to the turmoil on financial markets, investors shied away from new issues of securities by real estate companies. From September to November, real estate companies made no new debt or equity issues, and the premiums on outstanding mortgage bonds rose sharply. The markets recovered in December, and a few issues were floated at high prices on the open market. Overall, demand for mortgage loans during the year was stronger than in 1997. Still, the premium on Canadian bonds barely exceeded 150 basis points in the first half, but reached 200 basis points between September and November.

Toward year end, the premiums on mortgage bonds and commercial mortgage loans had fallen enough to permit the first private placement of commercial mortgage-backed securities in Canada.

In 1998, the activities of Hypothèques CDPQ yielded a favourable spread of 194 basis points vis-à-vis Canadian bonds. But the traditional mortgage loan industry competes directly with these new products. So, to optimize its return, Hypothèques CDPQ positioned itself to specialize in new niches and to offer an array of financing products to the real estate investors and owners who make up its clientele.

As at December 31, 1998, the net assets of the specialized mortgage portfolio totalled \$1.6 billion, or 2.4% of the net assets held by the Caisse, compared with \$1.5 billion in 1997.

New loans

The investments approved in 1998 totalled \$271 million, of which more than \$140 million was allocated to new loans in Québec and more than \$130 million outside Québec. Many mortgage financings of various amounts were granted to a wide range of partners for various types of building. The main investments are the following:

- acquisition from the Royal Bank of a mortgage portfolio involving buildings located mainly in Greater Montréal;
- \$17 million in loans for a diversified portfolio of commercial, industrial and office buildings in Greater Montréal.

Hypothèques CDPQ also concluded the following main financing operations:

- two loans totalling \$45 million for office buildings in Vancouver;
- a \$30-million financing of an industrial building in Brampton, Ontario;
- a first mortgage bond on the open market, related to a regional shopping centre in Ontario, involving an investment of \$55 million.

Finally, renewal activities totalled \$364 million in 1998, versus \$112 million in 1997, an increase of \$252 million.

Non-performing loans and foreclosures

During the year, 15 loans totalling \$16.5 million became impaired and four buildings worth \$5.5 million were repossessed.

As for the real estate assets in the portfolio, Hypothèques CDPQ aims to improve the profitability of the buildings, to maximize their value and to sell them at an opportune time. With that in mind, the company concluded several sales enabling it to reduce the value of its buildings by almost 43.2% in 1998.

CAISSE PRIVATE INVESTMENTS GROUP

The subsidiaries in the Caisse Private Investments Group were especially active in 1998, with a record 229 authorized investments. The fair value of the consolidated portfolio totalled \$6.9 billion, or 10% of the Caisse's net assets, compared with \$4.6 billion, or 7.2%, in 1997.

The portfolio of 491 investments, including 355 in the form of investments in corporations 88 in mutual funds and 48 in the securities of Québec small caps, saw its fair value grow an outstanding 50%. The Group's various teams posted an overall return of 27,8% in 1998. The growth in subsidiaries' activities since their creation generated a need for rapid expansion, and the number of employees rose from 37 in 1995 to 86 at year-end.

Private investments in small and mid-sized Québec companies again represented a significant portion of the operations of the Caisse and its investment subsidiaries in 1998. At year-end, the portfolio comprised 342 investments in Québec companies, and the amount invested in 73% of them was less than \$5 million on an individual basis.

THE CAISSE PRIVATE INVESTMENTS GROUP PORTFOLIO

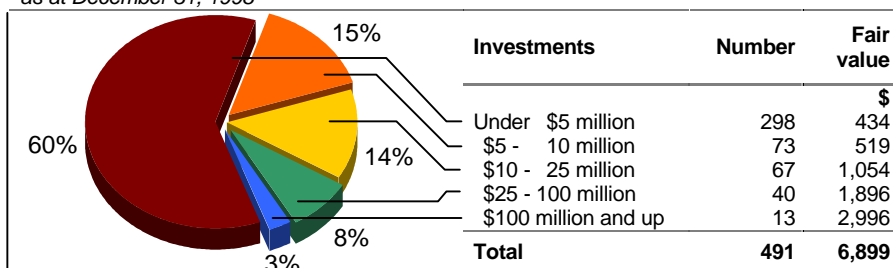
as at December 31, 1998
fair value - in millions of dollars

Subsidiaries	Investments	
	Number	\$
Capital CDPQ - Réseau Accès Capital	88	58
Capital Communications CDPQ	51	1,696
Capital d'Amérique CDPQ	210	3,733
Small capitalizations	47	227
Medium-sized businesses	89	537
Large companies	23	1,430
Debt securities	51	1,539
Capital International CDPQ	32	571
Services financiers CDPQ	19	161
Sofinov, Société financière d'innovation	105	680
Consolidated total¹	491	6,899

¹ Certain investments are managed jointly by more than one subsidiary.

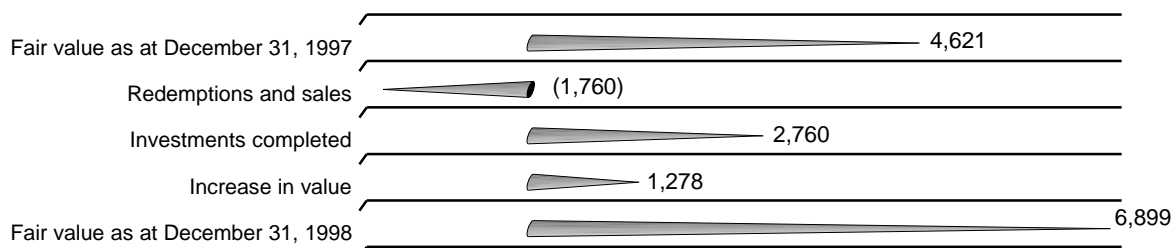
BREAKDOWN OF THE CAISSE PRIVATE INVESTMENTS GROUP

as at December 31, 1998



CHANGES IN THE CAISSE PRIVATE INVESTMENTS GROUP PORTFOLIO

in millions of dollars



The Caisse Private Investments Group is always looking for new ways of meeting the changing needs of the various sectors of the economy. With that in mind, the subsidiaries took part in the launch of innovative financial instruments and new companies in 1998:

- Montréal Mode, which promotes clothing by Québec designers;
- Corporation Alter Moneta, which finances construction equipment through leasing contracts and conditional sales agreements;
- Orléans Compagnie d'assurance générale, an insurance company that specializes in the construction industry;
- Capital Teraxis, a mutual fund company;
- SDA Panorama, a company that specializes in IMAX film production and distribution;
- Asia Equity Infrastructure Fund, which invests in Asian infrastructure projects;
- Accès Capital International, a program of joint investments in the international arena;
- Groupe Expordev, an export development company;
- CDPQ Conseil, which evaluates and acts on new business opportunities with foreign clients;
- CDPQ Gestion, which performs portfolio management for third parties.

INVESTMENTS COMPLETED BY THE CAISSE PRIVATE INVESTMENTS GROUP SUBSIDIARIES

as at December 31, 1998

in millions of dollars

	Direct	Indirect	Total
	\$	\$	\$
Capital CDPQ - Réseau Accès Capital	19.8	7.0	26.8
Capital Communications CDPQ	205.0	20.5	225.5
Capital d'Amérique CDPQ			
Equities and convertible securities	705.6	133.0	838.6
Debt securities	1,002.6	-	1,002.6
Capital International CDPQ	-	199.8	199.8
Services financiers CDPQ	141.6	27.9	169.5
Sofinov, Société financière d'innovation	240.2	57.1	297.3
Consolidated total¹	2,319.8	440.3	2,760.1

¹ Certain investments are managed jointly by more than one subsidiary.

CAPITAL CDPQ

Capital CDPQ invests, directly or through the Accès Capital network, in small and mid-sized companies in various sectors of activity. It makes equity investments of up to \$1 million and loans not exceeding \$2 million.

In line with its strategy of supporting the growth of dynamic SMBs in promising sectors, Capital CDPQ was involved in the launch of various companies, including Montréal Mode. This investment is part of an overall strategy designed to promote this industry's expansion and reflects Capital CDPQ's commitment to taking a position in the various sectors of Québec's economy.

The 40 authorized investments include:

- \$500,000 in Les Pêcheries Marinard Itée of Rivière-au-Renard;
- \$1 million in Gecko Électronique inc. of Québec City;
- \$1 million in Les Bois Feuillus de la Lièvre inc. of Sainte-Anne-du-Lac;

- \$1.25 million in Mechtronix Systems inc. of Montréal;
- \$700,000 in Generation.Net of Montréal;
- \$175,000 in Hemera Technologies inc. of Hull.

Under the program to support sponsored companies, three new business incubators were accredited, bringing to 12 the number of such organizations recognized by the Caisse. The amount allocated was raised from \$5 million to \$15 million. Notable investments made in young companies include:

- \$70,000 in GéniMédic inc., a Chicoutimi company sponsored by the Centre de haute technologie Jonquière;
- \$250,000 in Corporation Cortex Machina of Montréal, sponsored by Inno-Centre;
- \$250,000 in Aérobic Technologies inc., a Sainte-Foy company also sponsored by Inno-Centre.

Capital CDPQ has also entered into a partnership agreement with the Fondation de l'entrepreneurship to ensure that promising firms seeking financing can benefit from the Fondation's sponsorship program as well as from management support provided under the BASE (Bénévolat pour l'appui et le suivi des entrepreneurs) program.

Accès Capital and Capital CPDQ, which both serve the SMB market, have a combined portfolio of 88 direct investments representing assets of \$58 million, and 67 indirect investments made through regional investment corporations.

ACCÈS CAPITAL

The Caisse's Québec-wide business network contributes to the development of small and mid-sized companies in all regions, with investments from \$50,000 to \$750,000. This network also coordinates the program to support sponsored young firms and provides access to all the financial products and services of the Caisse and its subsidiaries.

In 1998, three new offices were opened in the Central Québec, Montérégie and Montréal regions. The network now consists of 11 companies that support SMBs in traditional sectors as well as the new economy. To provide more effective support for the start-up and expansion of such companies, the amount allocated to the Accès Capital network was increased in 1998 from \$90 million to \$100 million.

The 19 authorized investments include:

- \$550,000 in Modelx inc., of Sainte-Claire, a manufacturer of moulds and prototypes for the plastics processing and metallurgy industries;
- \$750,000 in Bois + Value inc., a Dolbeau company that manufactures and markets special studs for the construction industry;
- \$450,000 in Sérigo inc., a Drummondville firm specializing in the design and printing of silk screens on plastic for the manufacturing industry.

Capital CDPQ supports small companies that are sponsored by recognized centres and have the potential to generate a high rate of return.

RECOGNIZED SPONSORING CENTRES

Centre de haute technologie Jonquière inc. (CHTJ)
 Centre d'entrepreneurship technologique de l'ÉTS (CENTECH)
 Centre d'entreprises et d'innovation de Montréal (CEIM)
 Centre d'entreprises technologiques Montérégien (CETM)
 Centre d'incubation technologique d'entreprises 2001
 Centre québécois d'innovation en biotechnologie (CQIB)
 Centre régional de développement d'entreprises de Québec (CREDEQ)
 Centre régional d'entrepreneurship (CRE)
 Enviro-Accès
 Fondation de l'entrepreneurship (Base)
 Inno-Centre Québec inc.
 Société de développement économique de Drummondville

CAPITAL D'AMÉRIQUE

Capital d'Amérique CDPQ focuses on dynamic mid-sized and large corporations with the potential for strong growth and high returns. During the year, 46 investments were authorized. As at December 31, 1998, the fair value of the portfolio after deduction of divestitures was \$3.7 billion, and the number of companies was 210.

Capital d'Amérique is involved with companies in many sectors of activity: industrial production, natural resources, distribution, consumer products, energy, transportation and environmental services.

The main authorized investments include:

- \$4.7 million in Albums DF ltée, of Longueuil;
- \$1.9 million in Équipement Industriel GBA, of Sainte-Foy;
- \$1.5 million in Bois Oméga ltée, of Lac Supérieur, in the Laurentians;
- \$6 million in Générale de Services Santé, of Montréal;
- \$4 million in Mines Aurizon ltée, of Abitibi;
- \$2 million in Cobra International Systèmes de Fixations Cie, of Montréal.

Capital d'Amérique CDPQ also provided debt financing, notably to Bell Canada International (\$50 million); Teknor Industrial Computers Inc. Inc. (\$17 million); textile industry leader LaGran Canada inc. (\$14 million); and Leica, a German microscope manufacturer (\$138 million). It also provided \$136 million in financing to SLM International, the manufacturer of CCM sports equipment.

Its portfolio of Québec small-cap securities also saw remarkable growth, increasing from \$162 million in 1997 to \$227 million at the end of 1998. Despite the July and August stock market corrections, the return was 24.5%, compared with 14.2% for the Lévesque Beaubien Geoffrion index, confirming the vigour of Québec small caps. Since inception in 1996, this portfolio has returned 39.7% versus 25.8% for the index.

Capital d'Amérique CDPQ seeks to fill market needs with new products and services. In 1998, it was involved in the creation of two specialized companies. In partnership with the National Bank, it set up Corporation Alter Moneta, a financial company with a mandate to finance commercial firms through leasing contracts and conditional sales agreements for commercial and industrial equipment. It also took part in the start-up of Orléans Compagnie d'assurance générale, an insurance company that meets the needs of the construction industry.

Sodémex

The limited partnerships Sodémex and Sodémex II aim to achieve an optimum return over the medium term for their limited partners, Capital d'Amérique CDPQ and SOQUEM. Sodémex has a mandate to acquire interests in junior mining companies with a stock market capitalization of less than \$125 million.

The weak price of gold had a negative impact on the gold sector once again in 1998. This situation made it more difficult for exploration companies to finance their operations. Sodémex maintained a high volume of investments by purchasing initial public offers and making investments on the secondary market.

Investments by Sodémex totalled \$3.5 million, including \$810,000 in private investments ranging from \$50,000 to \$250,000 in 11 mining firms. Its portfolio, valued at \$5.5 million, comprises securities issued by 49 companies.

Investments by Sodémex II totalled \$5.4 million, including \$1.3 million in private investments in 15 companies. The value of its portfolio is \$7.2 million, for a total of 58 securities.

CAPITAL COMMUNICATIONS CDPQ

Capital Communications CDPQ invests as a partner in communications companies that want to expand into promising markets or consolidate their position in Québec, Canada or abroad. Its expertise covers the entire communication sector, including audiovisual production, wireless technology, multimedia, the Internet, publishing, radio, television, cable broadcasting and telephone. The company authorized 43 new investments representing \$1.2 billion, of which only a portion was invested in 1998. Its portfolio comprises 51 investments with a fair value of \$1.7 billion.

The main investments include:

- \$1 million in Public Technologies Multimedia (PTM);
- \$700,000 in Hybride Technologies inc.;
- \$1.5 million in Toon Boom Technologies, creator of 2D animation software recognized worldwide and used by such companies as Disney Studios;
- \$8 million in RDL Commercial Technologies Corporation, a California firm that is working to significantly increase the capacity of fibre optic systems and reduce operating costs;
- \$68 million in Spanish Telecommunications Limited SARL, a company formed to deploy and operate networks in Spain providing telephony, cable broadcasting and other telecommunication services that involve data transfer.

The subsidiary also made an additional \$1-million investment in MaxLink, a firm dedicated to deploying a local multipoint communication system (LMCS) for data transfer in certain major Canadian cities, including Montréal, Calgary and the Ottawa-Hull region.

In partnership with Groupe Coscient, Capital Communications CDPQ announced the creation of SDA Panorama, a firm specializing in IMAX film production and distribution on local and international markets. Capital Communications CDPQ also made \$6 million available to the new firm for film production.

Finally, Capital Communications CDPQ authorized investments of more than \$240 million in VS&A Communications Partners III and BG Media Investors L.P., two U.S. funds specializing in the media and entertainment sectors. These investments will enable the subsidiary to expand its network of new partners with enviable expertise in international markets.

SOFINOV, SOCIÉTÉ FINANCIÈRE D'INNOVATION

Sofinov provides strategic financing to innovative technology companies that show potential for strong growth and high returns and have already demonstrated their capabilities. Its portfolio consists of investments in companies of all sizes in the health care, biotechnology, industrial and information technologies sectors. Sofinov continued to play a leading role in 1998. It initiated 35 financial packages carried out in syndication with investors from Québec and elsewhere. The number of investments in the portfolio increased 36% compared with 1997, rising from 77 to 105, and their fair value rose from \$448 million to \$680 million.

Sofinov continued its partnership strategy involving venture capital funds. To date, it has dealt with about 20 in Canada, the U.S. and Europe in order to increase its value-added capabilities over the medium term for the professionals and companies it partners with.

Biotechnology and health care

The portfolio in this sector comprises 50 investments with a fair value of \$372 million. During the year, 24 new investments were authorized. The highlights of 1998 include:

- the excellent financial return achieved by Biochem Pharma, which maintained its position as an international biotechnology leader;
- increasingly numerous second- and third-round investments, such as those in Methylgene (\$5 million), Neurochem (\$2.0 million), Anapharm (\$500,000), RTP Pharma (\$3.5 million) and Nexia Biotechnologies inc. (\$2.7 million), Québec companies that have made remarkable progress over the past two years;
- the investment in NAVA (North American Vaccine, Inc.) (\$9.4 million), a company related to Biochem Pharma engaged in the manufacture and marketing of vaccines;
- investments in other Canadian companies, such as Life Imaging Systems (\$3 million) and Morphometrix (\$5 million) and, in the United States, Targeted Genetics (\$5.7 million), Lexicon (\$4.3 million), Cubist Pharmaceutical (\$8.3 million) and Scriptgen Pharmaceuticals (\$10.8 million);
- consolidation of the partnership with Domain (\$9 million), formed in 1995 with the acquisition of an interest in the Domain IV fund.

Information technologies

In this sector, 37 investments with a fair value of \$244 million make up the portfolio, which grew 161% in 1998. Fifteen new investments were authorized during the year, including three in venture capital companies, enabling the company to expand its network in this sector. The highlights of 1998 include:

- the excellent financial return achieved by CGI, which continued to grow in the computing outsourcing sector, becoming the sixth-largest company of its kind in North America;
- many new investments in promising young Québec companies, such as Corporation Locus Dialogue (\$3.5 million), Semantix (\$2 million), Corporation d'Investissement PlannSoft (\$3 million) and Minacom (\$3 million), as well as in well-established companies, such as Tecsys (\$7 million) and Atrion (\$15 million), which will enable them to achieve an enviable position on their market more quickly;
- investments involving second- and third-round financing in Touchtunes Digital Jukebox (\$10.4 million) and Serviceware Corp. (\$7.7 million);
- the first direct investments outside Québec: Balisoft Technologies Inc. (\$3.6 million) and Valadeo Technologies (\$1.8 million) of Toronto;
- acquisition of a significant interest in J.L. Albright II (\$30 million), a venture capital fund involved in start-ups, and an interest in NEA VIII, a California fund.

Industrial technologies

In this sector, 18 investments with a fair value of \$64 million make up the portfolio, which grew 78% in 1998. Sixteen new investments were authorized during the year, including one in a venture capital company specializing in aerospace technologies. The year's highlights include:

- financial support for development of the companies in the portfolio which achieved outstanding growth, such as ART (\$5 million), Nerotec Design inc. (\$2 million), Bondface Technologies (\$300,000) and PyroGenesis Inc. (\$400,000);
- investments in new companies, such as Camelot Technologies (\$2.5 million), Agrimage (\$2 million) and Surface Modification Technologies (\$1.5 million);
- very positive results achieved by energy sector companies, including HPower Corporation, which obtained its first commercial contracts for hydrogen batteries.

T²C²/Bio and T²C²/Info

The limited partnerships T²C²/Bio and T²C²/Info are satellite companies of Sofinov whose mission is to provide the capital required for start-ups based on technologies developed by universities and private research centres.

In 1998, T²C²Info made start-up investments in six companies, including Cescom, which has already received a second round of financing totalling \$2.5 million with other partners.

For its part, T²C²Bio has a new sponsor, Canadian Medical Discoveries Fund Inc. (CMDf), a Canadian group related to MDS Capital Corporation. CMDf committed \$5 million to bring to \$35 million the capital available for investment purposes. Moreover, a partnership agreement was signed with MedTech Partners Inc., which is interested in the transfer of health-science technologies developed by universities. This agreement gives T²C²Bio access to considerable expertise and the opportunity to make joint investments as early as in the start-up phase.

T²C²Bio invested in nine technology projects conducted by Québec universities. One of these projects, which is directed by a McGill University researcher and began in 1997, gave rise to the creation of Chronogen inc., which raised \$3.5 million in a first-round financing. Pharmacor, directed by an Institut Armand-Frappier scientist, raised \$3 million in a first-round financing. Investments by T²C²Bio and T²C²Info in 1998 totalled \$3.6 million.

SERVICES FINANCIERS CDPQ

Services financiers CDPQ acts as a partner to companies in the financial sector, including mutual fund and segregated fund managers and promoters. Its mandate is to invest in such a way as to enhance the development of fund management in Québec, favouring partnerships with financial services companies, notably through the awarding of management mandates.

Services financiers CDPQ authorized 16 investments in 1998. Its portfolio comprises 19 investments in the form of capital and debt securities for a value of \$113 million, as well as fund- management mandates totalling \$48 million.

Its main authorized investments include:

- \$2.8 million in Gestion Courvie, a company belonging to the network of Financière Courvie, a multidisciplinary brokerage firm that includes life and health insurance brokers, mutual fund representatives, financial planners and securities brokers;
- \$7 million in Addenda Capital inc., a portfolio manager specializing in fixed-income securities. Addenda concentrates on institutional clients;
- \$100,000 in Alain, Guilmette et associés, a company specializing in U.S. equity portfolio management as well as private portfolio management. In addition to this investment, Services financiers CDPQ gave the firm an initial mandate to manage \$5 million;
- \$300,000 in Holdun, a company specializing in U.S. equity portfolio management. The Caisse gave it a mandate to manage U.S.\$50 million;
- management mandates totalling \$15 million in the portfolio of mutual funds managed in Québec, notably the Monrusco Québec Growth Fund Inc., the SSQ Canadian Bond Fund, Talvest Canadian Equity Growth Fund and Talvest Small Cap Canadian Equity Fund, and Valorem Demographic Trends. These funds are managed in Québec.

In line with its objective of developing Québec's savings and investment fund-management industry, Services financiers CDPQ was also involved in the creation of Capital Teraxis (\$5 million), a new Québec City mutual fund company which acquired Plani-Gestion Quatre-Saisons, a firm that specializes in the distribution and management of financial products.

Services financiers CDPQ also contributes to the Caisse's objective of educating investors with respect to economics and finance. At regular intervals it publishes a directory of the Québec mutual funds and segregated funds offered by managers and promoters. The directory is distributed at the Savings and Investments Marketplaces in Québec City and Montréal, and is also available on the Caisse's Web site.

CAPITAL INTERNATIONAL CDPQ

Capital International CDPQ was formed to support Québec companies in their efforts to expand outside Canada by making its international network and investment experience available to them. It also has a mandate to develop the Caisse's international network and increase its portfolio diversification through investments in foreign merchant banks and investment funds. It has extended its network into strategic markets by establishing offices in Hong Kong, Bangkok, Hanoi, Milan, Warsaw and Mexico City.

At year-end, its portfolio consisted of 32 investments with a fair value of \$571 million.

The main authorized investments include:

- \$147 million in the CVC European Equity Partners II Fund;
- \$22 million in the Brazil Private Equity Fund;
- \$23 million in Compass Capital Fund, a Latin American fund;
- \$38 million in Cypress Merchant Banking Partners II in the United States.

Various other investment activities were also carried out in 1998:

- in partnership with AMP Investments Australia Limited, of the Asian Development Bank, creation of the Asia Equity Infrastructure Fund, with a commitment of U.S.\$200 million. The team of managers has offices in Hong Kong and Bangkok;
- beginning of activities by Accès Capital International, whose role is to make joint investments abroad with Québec companies;
- along with Services financiers CDPQ, creation of CDPQ Conseil, whose mandate is to evaluate potential projects and act on business opportunities that will enable the Caisse and its partner companies in Montréal and Québec City to set up, administer and manage pension funds as well as investment, savings and insurance reserves for foreign firms. An initial consulting contract has already been signed with the Moroccan Caisse de Dépôt et de Gestion, in cooperation with various Caisse groups, including the team responsible for depositor account management, and the computer consulting firm CGI.

Infradev International

Infradev International was created to provide financial package and venture capital expertise for the preparation phase of infrastructure projects on the domestic and international markets. In addition to Capital International, Infradev International counts the Royal Bank of Canada, Manufacturers Life Insurance Company and Hydro-Québec among its partners.

In 1998, some 30 projects in various sectors of activity, mainly the energy sector, were submitted and analyzed. Infradev advanced close to \$1.5 million for nine projects with Québec and Canadian partners, and negotiations are currently under way for two projects in the Philippines and Vietnam, representing a total project value of \$40 million.

Groupe Expordev

Groupe Expordev was created by Capital International CDPQ in cooperation with Telesystem Ltd. The new partners that joined the group during the year are SNC-Lavalin International, the Export Development Corporation, Bombardier and Bronterra International Corporation (a member of the Claridge group). This new export development firm aims to meet the needs of the business community, especially SMBs. Its mandate is to form partnerships and develop international networks to market value-added products on promising markets.

MANAGEMENT OF DEPOSITORS' ACCOUNTS

To constantly improve quality, the Caisse team responsible for managing depositors' accounts meets with the depositors on a regular basis to review investment policies and ensure the Caisse can obtain the best possible returns for them while respecting their risk tolerance and taking their individual financial situations into account.

In 1998, the investment policies of the Commission de la construction du Québec, the Régie de l'assurance-dépôts du Québec, the Fonds d'assurance-prêts agricoles et forestiers and the Régime complémentaire de retraite des techniciens ambulanciers œuvrant au Québec were modified, and a review of the investment policy of the Société de l'assurance automobile du Québec began and its a new asset allocation will be in effect in 1999.

As well, many meetings were held during the year with the depositors so that the members of the team could also make presentations on matters of interest. Transparency and availability are the watchwords for depositor relations. To that end, as well as with a view to constantly improving the services offered, the Caisse gave a consulting firm a mandate to survey depositors and establish their degree of satisfaction with the services they receive. The study showed a sustained increase in overall satisfaction in recent years. It also stressed out the importance of producing reports in a timely fashion.

As for general portfolio-management considerations, the meetings and discussions led to a number of changes, notably a complete review of the objectives sought by the team responsible for the mortgage portfolio and the introduction of derivative-based index management of U.S. equities. Moreover, to enable the managers to forecast cash levels more accurately, new payment conditions for monthly income were introduced.

At mid-year, the Caisse also introduced a new structure and created two account manager positions. One is responsible for a group of pension fund accounts, the other for the insurance plans of certain depositors. This arrangement permits better follow-up and ensures sustained quality of service.

Special efforts were also made to improve the presentation of the reports submitted to depositors. A new accounting system was implemented on July 1, and a new investment administration system was introduced at year-end. These will permit improved management of the investment program in 1999 and ensure better monitoring of changes in depositors' portfolios.

Finally, management created a program of seminars to introduce depositors to portfolio management. The depositors have been enthusiastic about the five seminars offered to date. The Caisse intends to continue the program in 1999.

The Caisse has a total of 20 depositors, including pension funds, insurance plans and other public bodies.

PENSION PLANS

The **Government and Public Employees Retirement Plan – RREGOP** is the largest depositor and includes the contributions made by management personnel as well as unionized permanent and casual employees of the public and parapublic sectors. This plan is administered by the Commission administrative des régimes de retraite et d'assurances – CARRA.

The **Fonds du Régime de rentes du Québec – RRQ**, the second-largest depositor, provides income security for Québécois, particularly through benefits paid to pensioners. This fund is administered by the Régie des rentes du Québec.

The **Commission de la construction du Québec – CCQ** oversees the application of collective agreements and laws and regulations governing worker placement, hiring and mobility, as well as the administration of supplemental benefits plan accounts for the construction industry.

The **Fonds d'amortissement des régimes de retraite gouvernementaux – FARRG** was established to provide the Québec government with the sums necessary to pay its employer contributions to various pension plans.

The **Pension Plan for Elected Municipal Officers** is offered to elected municipal council members, and is administered by the Commission administrative des régimes de retraite et d'assurances.

The **Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec –RRTAQ**.

Nine **other pension plans**, called individual plans and administered by the Commission administrative des régimes de retraite et d'assurances – CARRA, cover certain contributors working for municipalities, Crown corporations, hospitals and the federal government.

INSURANCE PLANS

The **Commission de la santé et de la sécurité du travail – CSST** primarily compensates workers who are victims of industrial accidents and facilitates their rehabilitation.

The **Société de l'assurance automobile du Québec – SAAQ** has a mission to reduce the risks inherent to road use by controlling access to the highway system and road transportation, promoting safety and compensating victims of traffic accidents.

The **Régime de rentes de survivants** pays a monthly pension to the spouse and children of any person eligible under the plan. The plan covers management personnel in the public and parapublic sectors.

The **Régie de l'assurance-dépôts du Québec** governs the solicitation and receiving of deposits from the public, guarantees the deposit of payments and manages the deposit-insurance fund.

The **Régie des assurances agricoles du Québec** contributes to the financial stability of agricultural enterprises by compensating them for significant losses of income.

The **Fonds d'assurance-prêts agricoles et forestiers – FAPAF** guarantees lenders repayment of losses resulting from loans provided under laws administered by the Société de financement agricole.

The **Fonds d'assurance-garantie** is administered by the Régie des marchés agricoles et alimentaires du Québec, and oversees, coordinates and improves the marketing of agricultural products. It also acts as an administrative tribunal to ensure effective marketing of Québec's agricultural, forest and food products.

The **Fédération des producteurs de bovins du Québec** is an agricultural association that oversees the study of problems associated with cattle production and marketing.

OTHER DEPOSITORS

The **Office de la protection du consommateur – OPC** manages the Fonds des cautionnements des agents de voyage and the fund of Protégez-Vous magazine, which publishes the Office's test results.

The **Centre de recherche industrielle du Québec – CRIQ** acts as a partner in the commercial, industrial and public sectors to stimulate Québec's economic development.

The **Société des alcools du Québec – SAQ** is in charge of sales of alcoholic beverages in Québec.

The **Commission des valeurs mobilières du Québec – CVMQ** oversees the securities market.

DEPOSITORS as at December 31, 1998							
	Abbreviation	First deposit	Number of contributors ¹	Depositors' holdings ²			
				1998		1997	
				\$	%	\$	%
PUBLIC PENSION PLANS							
Régie des rentes du Québec Fonds du Régime de rentes du Québec	RRQ	1966	3,249,700	15,831	23.1	15,838	24.9
Commission de la construction du Québec Supplemental Pension Plan for Employees of the Québec Construction Industry	CCQ	1970	90,441	6,637	9.7	6,128	9.6
Commission administrative des régimes de retraite et d'assurances Government and Public Employees Retirement Plan (unionized level)	CARRA						
Government and Public Employees Retirement Plan (non-unionized level)	RREGOP	1973	400,000	25,555	37.3	22,781	35.8
Retirement Plan for Mayors and Councillors of Municipalities ³	RREGOP	1973	20,000	4,057	5.9	3,722	5.9
Individual Plans		1975	-	-			
Pension Plan for Elected Municipal Officers		1977	335	169	0.3	156	0.3
		1989	2,100	169	0.2	154	0.2
Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec	RRTAQ	1990	3,180	90	0.1	76	0.1
Fonds d'amortissement des régimes de retraite gouvernementaux	FARRG	1994	1	1,359	2.0	1,232	1.9
INSURANCE PLANS							
Régie des marchés agricoles et alimentaires du Québec Fonds d'assurance-garantie	RMAAQ	1967	70	4	-	3	-
Régie des assurances agricoles du Québec		1968	57,299	51	0.1	115	0.2
Régie de l'assurance-dépôts du Québec		1969	1,271	166	0.2	141	0.2
Commission de la santé et de la sécurité du travail	CSST	1973	181,876	7,644	11.1	6,883	10.8
Société de l'assurance automobile du Québec	SAAQ	1978	4,450,765	6,436	9.4	6,028	9.5
Fonds d'assurance-prêts agricoles et forestiers du Québec	FAPAF	1978	1	59	0.1	47	0.1
La Fédération des producteurs de bovins du Québec		1989	24,916	2	-	2	-
Régime de rentes de survivants		1997	1	321	0.5	296	0.5
OTHER DEPOSITORS							
Office de la protection du consommateur	OPC	1992	1,153	8	-	9	-
Centre de recherche industrielle du Québec⁴	CRIQ	1994	-	-	-	-	-
Société des alcools du Québec⁴	SAQ	1994	-	-	-	-	-
Commission des valeurs mobilières du Québec⁴	CVMQ	1998	-	10	-	-	-
TOTAL				68,568		63,611	100

¹ Estimate.

² Fair value – in millions of dollars and in percentage.

³ In 1992, the net assets of this plan's fund were merged with that of the Pension Plan for Elected Municipal Officers.

⁴ These depositors solely use the Caisse's cash management services.

BREAKDOWN OF DEPOSITORS' HOLDINGS*as at December 31**fair value - in percentage*

	1998	1997	1996	1995	1994
CARRA - RREGOP ¹	37.3	35.8	34.6	32.6	30.6
RRQ	23.1	24.9	27.4	30.0	32.1
CSST	11.1	10.8	10.0	9.7	9.4
CCQ	9.7	9.6	9.7	9.7	9.5
SAAQ	9.4	9.5	9.7	9.7	10.5
CARRA - RREGOP ²	5.9	5.9	5.8	5.5	5.2
FARRG	2.0	1.9	1.9	1.8	1.8
OTHER	1.5	1.6	0.9	1.0	0.9
Total	100.0	100.0	100.0	100.0	100.0

¹ *Unionized level.*² *Non-unionized level.***CHANGES IN DEPOSITORS' HOLDINGS***in millions of dollars*

	Net income allocated ¹	Deposits less withdrawals	Unrealized increase (decrease) in value	Increase (decrease) in depositors' holdings
1998	4,744	(1,409)	1,622	4,957
1997	3,743	(864)	3,518	6,397
1996	5,682	(1,607)	1,954	6,029
1995	4,066	(1,617)	3,876	6,325
1994	2,983	(1,165)	(4,075)	(2,257)

¹ *As of January 1, 1997, gains and losses on the sale of investments in the specialized portfolios are reinvested.***VALUE ADDED TO DEPOSITORS' FUNDS SINCE 1966***as at December 31, 1998**in millions of dollars*

Net deposits (1966 - 1983)	8,449
Net withdrawals (1984 - 1998)	(13,233)
Net investment income allocated ¹	61,374
Excess fair value over cost ¹	11,979

¹ *As of January 1, 1997, gains and losses on the sale of investments in the specialized portfolios are reinvested.*

**THE CAISSE DE DÉPÔ T ET PLACEMENT DU QUÉBEC,
ONE OF THE FEW INSTITUTIONS TO OBTAIN EXTERNAL CERTIFICATION
OF COMPLIANCE WITH AIMR STANDARDS**

AIMR STANDARDS

The Association for Investment Management and Research (AIMR) is an international organization dedicated to the continued professional development of financial sector specialists. The AIMR devotes special attention to the training of financial analysts through its program leading to the chartered financial analyst (C.F.A.) designation, as well as ongoing training of these analysts. The AIMR places special emphasis on professional ethics. It has issued a very strict code of ethics that all its members are obliged to abide by. In light of the importance of performance results, for the industry and the general public, the AIMR has also produced the AIMR-PPS Handbook, a guide that deals exclusively with standards that the industry as a whole is strongly encouraged to adopt in reporting its performance.

THE AIMR-PPS STANDARDS HAVE TWO MAIN OBJECTIVES:

- to achieve greater uniformity and comparability of performance presentation;
- to promote full disclosure and fair representation of performance results.

These objectives are intended to allow potential clients to choose their portfolio managers in an enlightened manner. Since the returns obtained by managers play a major role in such selection, it was important for the AIMR-PPS to give this matter its full attention.

The AIMR is well aware that the AIMR-PPS standards have to be updated regularly to keep pace with the rapid changes in the financial industry. That is why it insists on professional governance and full disclosure of relevant information with respect to returns.

HERE ARE SOME OF THE STANDARDS ESTABLISHED BY THE AIMR-PPS:

1. Total return must be presented, including realized and unrealized gains, plus income.
2. Returns must be calculated according to the time-weighted method.
3. The return on any portfolio must include the return on cash and cash equivalents.
4. Returns must be presented for a minimum of 10 years.
5. The return must be presented for each year.
6. The market value of a portfolio must include accrued interest on bonds.
7. All portfolios under discretionary management must be included in the performance of a composite portfolio.
8. To determine composite-portfolio performance, each portfolio must be weighted according to its market value at the beginning of the period.
9. The return must be calculated after deduction of commissions associated with operations.
10. Real estate must be appraised by an independent firm at least once every three years.

ADMINISTRATION, HUMAN RESOURCES, INSTITUTIONAL AFFAIRS AND COMMUNICATIONS

ADMINISTRATION

Information systems

A number of projects to convert the main computer systems were completed in 1998, notably the migration of applications managed by a central computer to a client-server environment. In line with the action plan of the group responsible for finance, control and information system administration, two major computer systems were replaced: the general ledger was introduced on July 1, and the investment administration system on December 31. Also, the overall technological infrastructure was considerably modified when the Windows NT platform was adopted and the Novell network updated.

As a result of the need to process increasingly specialized information, the general ledger had to be replaced and a new accounting plan adopted. These improvements affect the new management styles and daily follow-up on cash positions, calculation of returns by management mode, control of the depositors' investment program and the multicurrency banking operations program, and the internal controls provided for in the Caisse's Incorporation Act. In short, the organization of financial information related to the new accounting plan now offers the investment teams, as well as the administrative departments, tools that are more efficient and better adapted to their daily needs.

The Caisse also equipped itself with a state-of-the-art investment administration system. This system, which replaced three others, is without doubt one of the most powerful and efficient implemented at the Caisse since its inception. This new application, which can also process multicurrency operations, will integrate investments in equities, bonds and short-term securities. As part of implementation, the business processes of the groups concerned were reviewed to optimize operating efficiency, and a new work-organization structure was put in place. This new system has not only processed euro-denominated investments on the European markets since January 1, 1999, but will also contribute significantly to a smooth year 2000 transition.

The year 2000 challenge

The Y2K computer problem stems from the practice of representing years with two figures, which creates the risk that computer systems will confuse the year 2000 with the year 1900 and cause many errors, especially in calculations. Information systems are critical for the efficient operation of an institution such as the Caisse. In 1996, the Caisse therefore gave a specialized firm the mandate to convert all systems likely to generate errors when the year 2000 arrived. It also created a steering committee to oversee the project.

The Y2K project has many facets. First, an inventory of computer systems was taken, and an impact analysis was prepared to determine the conversion priorities. Once the priorities were established, a detailed analysis of the modifications to be made to computer applications was undertaken in 1998. This will be completed early in 1999. All the priority modifications began in 1998 and will be completed by April 1999, when the final testing will begin.

To ensure that its operations will continue uninterrupted, the Caisse has had the management and control processes for its program checked by a consulting firm. The work is proceeding smoothly, and the Caisse is confident that it can meet the Y2K challenge.

Administrative and accounting services

The members of the Finance, Control and Information System Administration team were kept busy during the year with numerous projects. A specialized portfolio of short-term securities was created on July 1, 1998, as well as an independent accounting entity responsible for cash management. Moreover, the tactical and

strategic management portfolios, as well as the tactical foreign exchange management portfolios, were integrated into the specialized foreign equity portfolio from the accounting standpoint on October 1.

The implementation of a new decision-making structure within the interest rates and foreign exchange management team involved the review of the operating process, including recording and settlement of operations with securities custodians.

The volume of activities increased in tandem with the growth of the portfolio of private investments, which rose from \$4.6 billion to \$6.9 billion at year-end. As for derivatives, they alone generated 28,000 operations during the year, up 20% from the preceding year.

Optimum management of stock-loan operations involving foreign equities and effected by securities custodians resulted in a 39% increase in revenues in 1998, up \$3 million from the year-earlier figure.

The costs associated with external investment management, as well as securities processing, settlement and custody, relate mainly to investments on foreign markets. These totalled \$10.4 million in 1998 compared with \$13.1 million in 1997; the decrease is due to renegotiation of the terms of the securities administration and custody agreements in 1998.

Finally, the Caisse's management and administrative expenses stood at \$45.9 million, while those of Real Estate and Private Investments Groups totalled \$42.8 million in 1998. The increase over 1997 is due mainly to the acquisition of new computer systems to ensure the Caisse has leading-edge tools and can make a smooth Y2K transition. In 1998, the Caisse realized a gain of \$44 million on the sale of its investment in CGI Group Inc. These shares were purchased in 1996 when the Caisse decided to outsource its data processing operations. The Caisse's management and administration expenses compare favourably with those of its peers, in terms of operations involving the core portfolios as well as private investments and real estate. This sector-by-sector comparison is the main indicator used by the managers.

Meeting the highest standards

The operations of the Caisse are in conformity with the requirements of the Act respecting the Caisse and industry practices. Financial statements are prepared in accordance with generally accepted accounting principles, and the calculation of returns meets the requirements of the AIMR (Association for Investment Management and Research).

The Auditor General of Québec audits the financial statements and ensures that the institution's activities are in compliance with the Act. The AON Consulting Group has certified that the presentation of results and calculation of returns meet the high standards established by the AIMR.

The values given for publicly traded investments are those quoted on the major stock markets, whereas for private investments the values are assessed annually either by outside corporations or through a process of detailed analysis independent of management.

HUMAN RESOURCES

In 1998, the Caisse redefined the vocations and accentuated the roles of the advisers on its human resources team, so as to more effectively support its business units in the management of qualified, specialized, motivated and competitive teams on the local and international markets. Various analyses and activities involving staffing, remuneration, training and career management are used to define the most appropriate human resources management practices for the various business contexts in cooperation with the managers.

During the year, special efforts were devoted to the client approach and business development under a skills-development program that will continue in 1999, along with other human resources development activities. This program, which has a budget of almost \$100,000 and was more than 50% complete in 1998, is intended for all the subsidiaries in the Caisse Private Investments Group as well as certain subsidiaries of the Real Estate Group, such as Hypothèques CDPQ and Cadim. All professionals in the business units, from analysts to presidents, take part in the meetings. The program is customized with assistance from a consulting firm to reflect the clientele and market characteristics specific to each business unit, as well as the expertise and experience of the various teams.

The Caisse teams comprise 233 full-time employees, 121 of them women and 112 men. Of that number, 147 have a university degree, with four holding a doctorate and 63 a Master's degree. Moreover, the Caisse and its private investment subsidiaries boast the largest number of Certified Financial Analysts (CFA) in Canada, 47 of its employees having earned this recognized designation. Close links are maintained with Québec universities to ensure that the Caisse can draw on a pool of qualified graduates in finance or financial mathematics. Internships were offered in 1998 to 39 young university graduates who acquired relevant work experience at the Caisse, and 39 others did internships under the succession-development program financed by the Caisse and conducted in cooperation with Montréal brokerage firms.

INSTITUTIONAL AFFAIRS

Application of its Code of Ethics and Professional Conduct is a priority for the Caisse. To that end, in 1998 it continued its training program for all employees in the Caisse, namely the parent company, the subsidiaries and their satellite companies.

The Corporate Governance Policy was updated. Since the development of the first policy, which codified certain practices in 1994, the Caisse has reviewed certain matters to reflect the changing business environment. For example, it reiterated its opposition to any form of corporate contribution to political parties. The update also provides a frame of reference setting out the principles governing the Caisse's voting rights.

In addition, a policy on service to corporate partners and clients was adopted and posted on the Caisse's Web site. This sets out the principles for anticipating and handling complaints.

The Caisse applies a policy and directives regarding contracts. These documents set out the principles and rules to be included in any contract for the acquisition or leasing of goods and services. The policy calls for the award of contracts by tender, and also specifies limits and exceptions.

Finally, the Caisse applies its policy on air quality and the use of tobacco in the workplace.

COMMUNICATIONS

The Caisse continued to publicize its investment activities by issuing many press releases. The spinoffs of its investment activities concern all its depositors, clients and investor partners, as well as Québécois generally, and the institution therefore has a duty to publicize such information.

Substantial effort was made to disseminate information more widely, especially through specialized publications on business, real estate and corporate finance, such as the twice-yearly *Cycles et Tendances*, *ImmoCaisse* and *Accès Capital* newsletters. *Collection Recherche* was expanded with a new title, *A Performance Attribution Model for Fixed-income Securities*. All these publications are available on the institution's Web site, along with press releases and speeches, as well as many specialized reports on the economies of Québec, Canada, the United States, Europe and Asia.

The popularity of the Web site skyrocketed in 1998. The number of visitors rose from 2,309 in January to 5,692 in December, an increase of 146%. At year-end, the average hit lasted 17.32 minutes.

During the year, the Caisse took part in various promotional activities in Québec and on the international scene, including the Team Canada trade missions to South America and the Team Québec mission to the United States. It was also involved, in partnership with Hydro-Québec, the Fonds de solidarité des travailleurs du Québec, Bell Canada and Mouvement Desjardins, in organizing the Carrefour technologique, as part of the Entretiens Jacques-Cartier conference in Lyon, France, where presentations on about 20 Québec companies in the information technologies sector were made to a group of chosen French business people.

Caisse managers and executives also had the opportunity to convey their perspective on the economy and business and financial issues by taking part in various forums and events such as Le rendez-vous technologique 98, the Joint Business Valuation Conference 1998 (CICBV/ASA), the Forum annuel des produits dérivés (CIFO 98), and meetings held by the Canadian Pensions and Benefits Conference (CPBC) and the Association de l'industrie électrique du Québec.

To better inform all Québécois about the funds it manages on their behalf, the Caisse became more involved in activities geared to the general public in 1998. Along with the Régie des rentes du Québec, the Fonds de solidarité des travailleurs du Québec and the Musée de la civilisation, it produced an exhibit on retirement planning. It also undertook a series of mailings to ensure two million Québec households are familiar with the Caisse.

The Caisse stepped up its presence at the Savings and Investments Marketplace in Québec City and Montréal, promoting the mutual funds sector and Québec managers at its Carrefour des gestionnaires.

Along with Économédia, the new French-language Web site featuring a cyberdaily covering the Québec and international business scenes, the Caisse created *Info-Finance*, a column that presents market charts and lists Québec mutual funds. A number of economic analyses, especially on the G7 countries, are also featured on the Économédia site in the InfoPlacement section.

Given the importance of ensuring a new generation of leadership, the institution also maintained its commitment to education, notably by participating in the 5th edition of the Journée relève financière and the 11th Jeux du Commerce.

Finally, the Caisse collaborates with various organizations and associations, such as the Fondation de l'Entrepreneurship, the Cercle des chefs maîtres du Québec, the Association des économistes québécois and the Canadian Pensions and Benefits Conference (CPBC), as well as organizations in the investment and portfolio-management industry.

ACHIEVEMENTS IN 1998 AND CHALLENGES TO BE MET

OUR ACHIEVEMENTS

In recent years, the Caisse has put in place a dynamic portfolio management plan. The teams that manage the Caisse's core portfolios and private investments have adopted new management methods and developed many market niches. The institution continued to develop new active management methods in 1998, while consolidating those it had already introduced. The annual objectives included optimization of management styles and returns through active portfolio management, as well as more effective use of the information required to manage and increase the volume of investments.

Since these changes called for a program to improve the quality of operations and processes, the Caisse identified a certain number of measures and initiatives. These affect mainly planning; decision making, information and analysis; management and development of human resources; and the client approach.

The achievements outlined below provide a general but nonetheless revealing picture of the main activities carried out by the various Caisse teams during the year.

Optimizing returns through active portfolio management and a regular review of management methods

Active asset allocation is essential if the Caisse is to fulfill its mandate of obtaining an optimum return for its depositors. The amendments to the Act respecting the Caisse de dépôt et placement du Québec passed in 1997 have enabled it to increase the proportion of its assets invested in equities. In consultation with its depositors, the Caisse gradually transferred 6.5% of its assets in fixed-income securities to variable-income securities. This substantial asset shift will increase long-term returns.

Major positions taken during the year in the selection of the continents and countries where the Caisse invests yielded attractive returns, particularly the shift from Asian securities to European securities and the move from Canadian bonds into U.S. equities.

Another measure that yielded attractive returns was active management on the Canadian money market of capital underlying U.S. equity futures. Using such approaches, the Caisse carefully managed each of its portfolios to achieve advantageous returns.

The goal of increasing the Caisse's private investments requires teams capable of developing highly effective networks and contacts. To achieve its growth objectives and ensure that its business clientele is well served, the Caisse Private Investments Group has created a business development training program based on the client approach. In addition, it restructured its records management process.

A more effective flow of information

The Caisse radically improved its information and analysis systems when it deployed new accounting and investment administration systems. Rollout of these systems ensures a more rapid flow of management information to all levels of the institution, for transaction processing as well as portfolio data organization and risk and return measurement.

For the past two years, the Caisse has tackled the challenge of updating its IT infrastructure, upgrading its operating platform and many applications to ensure Y2K compliance. At the same time, the Caisse is equipping itself with the tools it requires for effective management of its growth.

OUR CHALLENGES

Fund management is a promising sector that will see sustained growth over the next five to 10 years. This growth will come from pension funds but above all from mutual funds, which are expected to do a great deal of catching up in Quebec.

Such growth will take place in a context of global change. Market participants - investment banks, brokerage firms, fund managers - are joining forces to ensure they have a global presence. This new scheme of things is based on mergers, acquisitions and other arrangements designed to make the most of economies of scale, to provide a broad range of products and expertise, and to create the networks that participants must have in order to capitalize on profitable opportunities. Also prominent will be niche strategies designed to develop the expertise required to carve out positions on specialized markets.

The Caisse intends to maintain its position as Canada's leading fund manager. It has adopted a policy to ensure it continues to rank among the best managers in North America, and has developed five strategic orientations that will contribute to its objectives.

Rank among the best fund managers in North America

The high calibre of its organization is the main lever that the Caisse intends to use to ensure it ranks among the leading fund managers in North America. Over the next year, it will continue to improve the quality of its decision-making processes, an undertaking begun in 1998, and will create a strategic information unit to provide support for management decisions.

Increase the volume and depth of private investments

To contribute to the economic development of all regions of Québec, the Caisse will continue to extend its regional network, accessible through the Accès Capital network, with a view to helping businesses of all sizes expand internationally. Private investments are an active way of fulfilling this ambitious goal, and the Caisse intends to double the volume of such investments over the next three to five years. Its subsidiary Capital International CPDQ is constantly enhancing its worldwide business network to benefit Québec companies and to ensure they can rely increasingly on this major partner as they expand into international markets.

Extend fund management to new clienteles

Promoting fund management to new clienteles enables the Caisse to achieve a number of objectives that contribute to its mission:

- to increase the funds under management, which will enable it to use its size and to achieve greater critical mass in each new area it intends to develop;
- to intensify fund management in Montréal, either by the Caisse itself or by managers affiliated with it.

Development of these new institutional and retail clienteles goes hand in hand with the creation of CDPQ Conseil, which objective in this context is to obtain new management mandates from foreign clients and CDPQ Gestion, a new subsidiary with a mandate to manage the additional funds acquired in this way.

Optimize the Caisse's role in the development of Québec's financial sector

By creating Service financiers CDPQ, the Caisse has defined and strengthened its contribution to the development of Québec's financial sector. Investing the capital and resources required to intensify fund management operations in Montréal is a priority for the Caisse. It will review and update the

relevant mechanisms and define its role in cooperation with the different Québec financial institutions. Finally, it will examine the degree to which an acquisition or partnership strategy could enhance its effectiveness and enable it to achieve critical mass in the core areas.

The Caisse wants to channel Québécois' savings in a way that benefits them, and despite the need to invest in the international arena, it will optimize its investments in Québec.

Put in place the resources required to achieve the Caisse's ambitions

To achieve its expansion projects, the Caisse will review and adjust its development plan for human, financial and physical resources. Indeed, the Caisse must strive increasingly to attract and retain the most talented managers, and will provide them with the technological tools and strategic information required for their work, while keeping operating costs at a competitive level.

CORPORATE GOVERNANCE SUMMARY

Board of Directors

The Board of Directors of the Caisse consists of its Chief Executive Officer, who is the Chairman, depositor representatives, namely, as at December 31, 1998, the President and General Manager of the Régie des rentes du Québec, the President of the Commission administrative des régimes de retraite et d'assurances and the Chairman and Chief Executive Officer of the Société de l'assurance automobile du Québec, members of the business community and the cooperative movement, and union leaders.

The role of the Board is to ensure that the Caisse complies with the provisions of its Incorporation Act and by-laws, and that the institution takes the necessary steps to achieve the objectives stated in its mission: to achieve an optimum financial return, to contribute to economic growth and to ensure preservation of the capital it manages.

The Board examines and approves the main policies and strategic orientations, in particular the investment program for the year. It also conducts an annual review of the sectors of activity and receives the reports of the various committees and working groups formed to consider specific matters.

The Board of the Caisse is also informed of any operation, decision, investment or matter which because of its intrinsic importance or its impact on the portfolio or on the asset allocation, or for any other reason, must receive special attention.

The Board of Directors delegates the review of specific matters to committees made up of Board members. It also delegates to the boards of directors of the subsidiaries in the Caisse Private Investments Group certain powers regarding decisions to make private investments within the different sectors of activity for which the subsidiaries were created and which correspond to their mission.

The Board of Directors met 15 times in 1998. It took part actively in work to define the strategic orientations and priorities for the next few years, reviewed certain sectors of activity and examined the business plans of the Caisse Private Investments Group and the Caisse Real Estate Group. It also devoted special attention to matters involving Provigo Inc. and Cambridge Shopping Centres Limited.

Audit Committee

The Audit Committee examines the annual and quarterly financial statements and recommends their approval to the Board of Directors. It also evaluates the mandate and the nature of audit work and monitors the effectiveness of the internal-control mechanisms and systems. In particular, it examines the control mechanisms for derivatives trading and work on Y2K compliance. The Committee met six times in 1998.

Resources Committee

The Resources Committee receives proposals, presents its opinions and makes recommendations to the Board of Directors regarding matters related to human, financial and computer resources. More specifically, it studies the remuneration policy and the operating and capital budgets. The Committee met four times in 1998.

Real Estate Portfolio Management Committee

The Real Estate Portfolio Management Committee (the Caisse Real Estate Group Board of Directors) studies the annual strategic plan, receives management reports, and approves or recommends certain investment proposals to the Caisse Board of Directors. The Committee held 11 meetings in 1998.

Ethics, Professional Conduct and Corporate Governance Committee

The Ethics, Professional Conduct and Corporate Governance Committee studies reports on the application of the Code of Ethics and Professional Conduct and on the exercise of the Caisse's voting rights, in addition to providing opinions, as required, on any matter covered by the Code or pertaining to its application. It also oversees the updating of the Corporate Governance Policy. The Committee met twice in 1998.

The Caisse has assigned to Ginette Depelteau, Corporate Secretary, responsibility for receiving complaints from clients and the public and for ensuring such complaints receive due consideration.

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Information

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▼ Member of the Ethics and Corporate Governance Committee.

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* Member of Steering Committee.

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GLOSSARY

Active management

Management style that involves building a portfolio with a weighting different from the index. The objective is to outperform a market or a benchmark index.

Authorized investment

An investment in a short- to long-term project, which the Caisse is committed to making but has not yet disbursed.

Business cycle

More or less regular fluctuations in business conditions over a period of time. The five phases of the cycle are expansion, peak, recession, trough and recovery.

Cost

Amount paid to acquire a security. This amount is used as the basis for calculation of any increase or decrease in the security's value.

Cyclical management

Management style based on the phases of the economic cycle and their impact on the value of certain types of investment.

Deposit on loans of Securities

A transaction involving the sale of a security and the commitment by the vendor to buy back the security at a set price and date.

Direct investment

Any investment made directly in a company.

Economic return

The impact of investments on the economy as a whole, for example when they enable a company to expand, and thus increase its activities and create new jobs.

Fair value

Exchange value that would be agreed on by competent parties acting freely in competitive conditions.

Financial instruments

Also known as derivatives, the value of these financial instruments is derived from a commodity or underlying asset they represent. Forward and option contracts are good examples of this type of instrument

Indirect investment

Any investment made in an investment fund or in a limited partnership company, which in turn invests in various companies.

Liquid

A market is said to be liquid when both buyers and sellers can, under normal market conditions, readily find other investors buying or selling the same securities. A security is said to be liquid when it can be found easily on the market, and trades in quantities permitting sizable transactions but without significant impact on its market price.

Market capitalization

Valuation of a business or a group of businesses, based on the value of listed stocks and obtained by multiplying the number of common shares outstanding by their market price.

Mutual fund

A mutual fund pools the money of many people and invests it in stock, bonds, or other securities to pursue a specific financial objective. The fund is managed by professional money managers who select the particular securities that they believe will help the fund achieve the shareholders' "mutual" goal.

Option

A contract giving its holder the right, although not the obligation, to buy (call option), or sell (put option) a commodity or a financial asset, at a set price within a predetermined period of time.

Passive management

Management style that calls for building a portfolio that reproduces the weighting of the chosen benchmark. The goal is to obtain a return similar to that of the market or index.

Private company

Any company whose shares are not listed on a stock exchange and are usually held by a limited number of shareholders. Transfer of ownership of such shares is usually subject to restrictions.

Private investment

An investment made in a private or public company following discussions and negotiations. At the Caisse, equity as well as mortgage and real estate investments are included in that definition.

Private placement

Investment in securities offered directly by an issuer to a limited number of investors without going through the stock market.

Public company

Any private-sector company whose shares are listed on a stock exchange. Securities may trade on the floor or over-the-counter.

Real estate

Buildings and land held in a real estate portfolio.

Realized investment

An investment in a company which has been partially or entirely paid by the investor at the time financial reporting is prepared.

Sectorial management

Management style based on the selection of securities within a single industry, with no geographic restrictions. Selection is made according to international trends in the given sector and macroeconomic factors.

Securitization

Operation by which certain assets (mortgages, for example) are sold to a company that finances their acquisition by issuing marketable securities.

Segregated fund

Investment fund sold by insurance companies. As opposed to mutual funds, segregated funds usually include a partial or total guarantee covering the invested capital over a long period, commonly 10 years. The guarantee may range from a minimum of 75% of the purchase price to more than 100% in certain funds.

Standard deviation

A measure of the spread between a given return on a specific date and the average return.

Structural management

Management style based on the balance between different asset classes, such as fixed-income and variable-income securities, within a portfolio.

Time value

Difference between the market value of an option, for example, and its intrinsic value, that is the difference between the market value of the underlying asset and the exercise price of a call option.

Value at risk

The negative effect, the risk of change to market prices and rates can have on the value of a portfolio during a given period.

Venture capital

Capital invested in new companies that often show strong potential for innovation but whose owner-operators, partners or shareholders lack the necessary resources to finance long-term projects. Also applies to investments in private companies by investors who do not take part in the day-to-day management of operations.

Volatility

A market or a security is said to be volatile when it is subject to or undergoes rapid price changes. The beta coefficient is used to calculate the volatility of a security relative to the market as a whole.

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REPORT OF MANAGEMENT

The financial statements of the Caisse de dépôt et placement du Québec were prepared by management, which is responsible for their preparation and presentation, including estimates and material judgements. This responsibility includes selecting the appropriate accounting policies in accordance with generally accepted accounting principles in Canada. Management is also responsible for the information and declarations disclosed in other sections of the Operations report, and ensures that the financial information presented elsewhere in this annual report is consistent with that shown in the financial statements.

Management maintains systems of internal accounting controls which are designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded in an appropriate and timely manner, that they are duly authorized and allow for the preparation of reliable financial statements. The internal audit team reviews the internal controls on a regular basis to ensure they are adequate and applied consistently by the Caisse.

The Caisse is aware of its responsibility to manage its operations in accordance with the rules and regulations that govern the institution.

The Board of Directors supervises the manner in which management assumes its responsibility regarding financial information, and it has approved the financial statements. The Board of Directors is assisted by the Audit Committee, of which only one member is also an officer of the Caisse. The Audit Committee meets with management and the auditor, examines the financial statements and recommends their approval by the Board of Directors.

The financial statements of the Caisse are audited by the Auditor General of Québec, who conducted his audit in accordance with generally accepted auditing standards. The auditor's report covers the nature and scope of the audit and expresses the auditor's opinion on the financial statements. The Auditor General has unrestricted access to the Audit Committee to discuss any matter relating to his audit.

Jean-Claude Scraire
Chairman of the Board and Chief Executive Officer

Bertrand Lauzon
Vice-President, Finance, Control and Administration of information systems

Montréal, March 12, 1999

AUDITOR'S REPORT

To the National Assembly

I have audited the combined statement of net assets of the Funds of the Caisse de dépôt et placement du Québec as at December 31, 1998, the combined statement of income, and the combined statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Caisse's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of these Funds as at December 31, 1998 and the results of their operations and the changes in their net assets for the year then ended in accordance with generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec
Québec City, March 12, 1999

FINANCIAL STATEMENTS

COMBINED STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1998

	1998	1997
	(in millions of dollars)	
ASSETS		
Investments at fair value <i>(Note 3)</i>		
Bonds	31,797	31,001
Shares and convertible securities	33,854	29,520
Mortgages	1,760	1,497
Real estate holdings	7,350	4,281
Short-term investments	4,677	1,618
Securities acquired under reverse repurchase agreements	2,583	1,669
	82,021	69,586
Investment income, accrued and receivable	633	671
Transactions being settled	190	43
Other assets	483	224
	83,327	70,524
LIABILITIES		
Deposits on loans of securities <i>(Note 3)</i>	6,357	2,992
Bank loans and notes payable <i>(Note 3)</i>	233	137
Transactions being settled	475	105
Commitments related to short selling of securities <i>(Note 3)</i>	2,575	1,340
Mortgage loans payable <i>(Note 3)</i>	2,990	1,520
Derivative financial instruments <i>(Note 3)</i>	1,148	500
Other liabilities	384	175
Non-controlling interests <i>(Note 3)</i>	597	144
	14,759	6,913
DEPOSITORS' HOLDINGS <i>(Note 4)</i>	68,568	63,611
DERIVATIVE FINANCIAL INSTRUMENTS <i>(Note 6)</i>		
BREAKDOWN OF COMBINED NET ASSETS <i>(complementary statistics)</i>		

On behalf of the Board of Directors,
Jean-Claude Scraire
Jean-Claude Bachand

**COMBINED STATEMENT OF INCOME FOR
THE YEAR ENDED DECEMBER 31, 1998**

	1998	1997
	(in millions of dollars)	
INCOME		
Investment income		
Interest on bonds	1,895	2,021
Dividends and interest on convertible securities	590	435
Interest on mortgages	135	126
Net income from real estate holdings	240	148
Interest on short-term investments	131	97
	2,991	2,827
Other income	25	25
	3,016	2,852
Less:		
Investment management expenses (<i>Note 5</i>)		
Internal	34	25
Subsidiaries	33	23
External	10	13
	77	61
	2,939	2,791
EXPENDITURES		
Administrative expenses (<i>Note 5</i>)		
Internal	12	11
Subsidiaries	10	9
	22	20
INCOME BEFORE THE FOLLOWING ITEM	2,917	2,771
Less:		
Non-controlling interests	15	14
NET INVESTMENT INCOME	2,902	2,757

**COMBINED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	1998	1997
	(in millions of dollars)	
INVESTMENT OPERATIONS		
Net investment income	2,902	2,757
Gains (losses) on sale of investments		
Bonds	705	787
Shares and convertible securities	2,971	3,012
Mortgages	-	6
Real estate holdings	34	(59)
Short-term investments	(12)	(22)
	3,698	3,724
Less:		
Non-controlling interests	4	(2)
	3,694	3,726
Unrealized increase (decrease) in value		
Investments		
Bonds	118	166
Shares and convertible securities	(316)	536
Mortgages	1	(27)
Real estate holdings	525	169
Short-term investments	(12)	21
Securities acquired under reverse repurchase agreements	4	68
	320	933
Less:		
Bank loans and notes payable	(1)	1
Commitments related to short selling of securities	(63)	27
Mortgage loans payable	(4)	10
Derivative financial instruments	425	142
Non-controlling interests	193	(25)
	550	155
	(230)	778
Total investment operations	6,366	7,261
Excess depositors' withdrawals over deposits	1,409	864
INCREASE IN COMBINED NET ASSETS	4,957	6,397
COMBINED NET ASSETS, BEGINNING OF YEAR	63,611	57,214
COMBINED NET ASSETS, END OF YEAR	68,568	63,611

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998**

1 CONSTITUTION AND OPERATIONS

The Caisse de dépôt et placement du Québec is a legal person within the meaning of the Civil Code, created by a special act (R.S.Q., chapter C-2). It receives funds, the deposit of which is provided for under a particular act.

GENERAL FUND

The General Fund is comprised of diversified investments and is a pooled fund for demand, term and participation deposits. The General Fund's net equity and net income as at December 31 were shared among participation deposit holders as follows:

	1998		1997	
	Number of units	%	Number of units	%
Régie des rentes du Québec				
Fonds du Régime de rentes du Québec	16,521,214	97.8	16,923,363	98.0
Régime de rentes de survivants*	330,211	2.0	309,976	1.8
Régie des assurances agricoles du Québec	10,578	0.1	10,578	0.1
Fonds d'assurance-prêts agricoles et forestiers	16,743	0.1	12,871	0.1
Office de la protection du consommateur				
Fonds des cautionnements des agents de voyages				
Cautionnements collectifs				
Détaillants	3,878	-	4,235	-
Grossistes	1,144	-	1,450	-
Cautionnements individuels	107	-	-	-
Magazine Protégez-Vous	2,100	-	2,100	-
Régie des marchés agricoles et alimentaires du Québec				
Fonds d'assurance-garantie	3,739	-	3,496	-
Fédération des producteurs de bovins du Québec	2,007	-	2,007	-
	16,891,721	100.0	17,270,076	100.0

* For the administration of survivor benefits for the management personnel of the government and public sector, under the responsibility of the secrétariat du Conseil du Trésor.

INDIVIDUAL FUNDS

The Individual Funds are comprised of diversified investments and each have only one depositor who exclusively makes participation deposits therein. The various Individual Funds are:

Fund 301

For the Government and Public Employees Retirement Plan - contributions from unionized level employees and transfer from supplemental pension plans - administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 302

For the Government and Public Employees Retirement Plan - contributions from non-unionized level employees - administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 303

For the Individual Plans administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 305

For the Pension Plan for Elected Municipal Officers and the Retirement Plan for Mayors and Councillors of Municipalities, administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 306

For the Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec.

Fund 307

For the Société de l'assurance automobile du Québec.

Fund 308

For the Fonds d'amortissement des régimes de retraite gouvernementaux administered by the ministère des Finances du Québec.

Fund 311

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - general account - administered by the Commission de la construction du Québec.

Fund 312

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - retirees account - administered by the Commission de la construction du Québec.

Fund 313

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - supplementary account - administered by the Commission de la construction du Québec.

Fund 330

For the Commission de la santé et de la sécurité du travail.

SPECIALIZED PORTFOLIOS

The specialized portfolios are comprised of one category of investments only. The portfolios are pooled funds for participation deposits of the various Funds. As at December 31, 1998, the eight following specialized portfolios were in operation: the bond portfolio, the Canadian equities portfolio, the U.S. equities portfolio, the emerging market equities portfolio, the foreign equities portfolio, the mortgage portfolio, the real estate investments portfolio and the short-term investments portfolio. (created July 1, 1998)

2 ACCOUNTING POLICIES

The combined financial statements of the Caisse have been prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best judgement and estimates.

a) COMBINED FINANCIAL STATEMENTS

The combined financial statements comprise the accounts of the Caisse's subsidiaries, those of the General Fund and the Individual Funds, as well as those of the specialized portfolios. The accounts of each of these Funds and of each of these portfolios are reflected in separate financial statements audited by the Auditor General of Québec.

b) INVESTMENTS AND JOINT OPERATIONS

Purchases and sales of investments are recorded as at the commitment date, except transactions involving bonds, mortgages and real estate holdings, which are recorded as at the settlement date.

Investments and related assets and liabilities are accounted for at fair value, which is the estimated exchange value which would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act, established at year-end. Such values are determined using valuation methods used in capital markets, such as the annualization of future cash flows at the current interest rate and the closing prices of the major stock exchanges as well as those provided by recognized brokerage firms. In addition, valuations are made by independent valuers while others are made in-house based on commonly used valuation methods.

Transactions by way of commitments related to short selling of securities result in the acquisition of securities under reverse repurchase agreements or in transactions on loans on securities.

c) **INCOME**

Income from derivative financial instruments is included in the income from the underlying investments.

Interest income on bonds includes income derived from securities acquired under reverse repurchase agreements reduced by interest expenses on deposits on loans of securities.

Dividend income is recognized on the ex-dividend date. Income from loans of shares and convertible securities is presented under the item Dividends and interest on convertible securities.

Income from real estate holdings is reduced by interest on bank and mortgage loans payable.

Interest on short-term investments is reduced by interest expenses on notes payable.

d) **GAINS AND LOSSES ON SALE OF INVESTMENTS**

The gains and losses on the sale of investments are calculated using the average unamortized cost in the case of bonds, mortgages and short-term investments, the average cost in the case of shares and convertible securities, and the specific cost in the case of real estate holdings. The average unamortized cost is the acquisition cost restated to take into account the amortization of the premium and the discount that allows the investment to maintain a constant real return until maturity.

Gains and losses derived from derivative financial instruments are combined with gains and losses from underlying investments.

e) **FOREIGN CURRENCY TRANSLATION**

The fair value of investments and any other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rate of exchange prevailing at year-end.

The cost of investments in shares and that of real estate holdings from integrated foreign operations are translated at the rate prevailing on the acquisition date. The cost of investments from self-sustaining foreign operations is translated at the rate prevailing at year-end. The unamortized cost of hedged investments in bonds, mortgages and short-term investments is translated at the average rate of the financial foreign exchange risk hedging instruments held at year-end, and that of unhedged investments is translated at the rate prevailing at year-end.

Income is translated at the rate of exchange prevailing on the transaction date, except income from the specialized real estate portfolio, which is translated at the average rate for the year. Gains and losses from derivative financial foreign exchange risk hedging instruments related to investments denominated in foreign currency are deferred and accounted for in gains and losses on the sale of investments, upon realization.

f) **FIXED ASSETS**

Costs related to the acquisition of telephone, computer and office automation equipment are capitalized and amortized over the useful life of each asset. Set-up costs for the premises and other leasehold improvement costs are amortized over the term of the lease. These fixed assets are presented under the item Other assets.

g) **INVESTMENT MANAGEMENT EXPENSES AND ADMINISTRATIVE EXPENSES**

Investment management expenses cover all expenses related directly to investment operations, including expenses paid to external financial institutions. These expenses are presented under a specific item, and are deducted from investment income. General administrative expenses are presented under the item Administrative expenses.

3 INVESTMENTS AND LIABILITIES

Investments and liabilities whose cost differs from fair value are as follows:

	1998 (in millions of dollars)			Cost
	Fair value			
	Canadian	Foreign	Total	
ASSETS				
Investments				
Bonds	25,922	5,719	31,641	29,329
Shares and convertible securities	18,265	15,463	33,728	27,302
Mortgages	1,564	194	1,758	1,707
Real estate holdings	3,120	4,218	7,338	7,396
Short-term investments	3,830	708	4,538	4,559
Securities acquired under reverse repurchase agreements	725	1,858	2,583	2,583
	53,426	28,160	81,586	72,876
Derivative financial instruments	146	289	435	98
	53,572	28,449	82,021	72,974
LIABILITIES				
Deposits on loans of securities	1,180	5,177	6,357	6,357
Bank loans and notes payable	201	32	233	233
Commitments related to short selling of securities	765	1,810	2,575	2,543
Mortgage loans payable	415	2,575	2,990	2,968
Derivative financial instruments	426	722	1,148	346
Non-controlling interests	563	34	597	434

	1997 (in millions of dollars)			Cost
	Fair value			
	Canadian	Foreign	Total	
ASSETS				
Investments				
Bonds	29,800	1,077	30,877	28,643
Shares and convertible securities	17,470	11,748	29,218	22,646
Mortgages	1,396	99	1,495	1,444
Real estate holdings	2,413	1,858	4,271	4,874
Short-term investments	1,083	418	1,501	1,515
Securities acquired under reverse repurchase agreements	1,026	643	1,669	1,673
	53,188	15,843	69,031	60,795
Derivative financial instruments	130	425	555	80
	53,318	16,268	69,586	60,875
LIABILITIES				
Deposits on loans of securities	2,411	581	2,992	2,992
Bank loans and notes payable	98	39	137	136
Commitments related to short selling of securities	821	519	1,340	1,245
Mortgage loans payable	246	1,274	1,520	1,494
Derivative financial instruments	184	316	500	123
Non-controlling interests	130	14	144	175

The foreign exchange position for investments in foreign securities, other than those hedged by a corresponding financial liability, is hedged by derivative financial instruments as shown in note 6, with the exception of those from emerging markets in the amount of \$1,160 million as at December 31, 1998 (\$1,160 million in 1997), which are hedged for risks related to fluctuations in the US currency only.

The cost of investments was increased by the amount of the losses carried over to derivative financial foreign exchange risk hedging instruments which totalled \$1,112 million as at December 31, 1998 (\$122 million in 1997).

The fair value of shares and convertible securities includes certain investments in private companies, in the amount of \$2,416 million as at December 31, 1998 (\$1,352 million in 1997), for which market prices are not available. The fair value of these securities is established based on commonly used valuation methods.

4 DEPOSITORS' HOLDINGS

Demand and term deposits bear interest and constitute the Caisse's indebtedness toward the depositors.

Participation deposits are expressed in units and each unit gives its holder a proportionate share in the net equity and net income of a particular Fund. At the end of each fiscal period of a Fund, which is one month for the General Fund and three months for the Individual Funds, the net investment income and gains and losses on the sale of investments are distributed to participation deposit holders. At the beginning of the following period, the amounts distributed are paid out to (recovered from) the depositors' demand deposit accounts.

	1998	1997
	(in millions of dollars)	
Indebtedness toward depositors		
Demand deposits	72	181
Advances to depositors	(432)	(435)
Term deposits	189	130
Interest on demand and term deposits	3	1
Net income to be paid out to participation deposit holders	1,042	580
	874	457
Participation deposit holders' holdings		
Participation deposits		
Balance, beginning of year	52,798	49,207
Units issued	3,326	4,471
Units cancelled	(886)	(942)
Units to be issued	478	62
Balance, end of year	55,716	52,798
Amount not allocated with respect to real estate holdings*	92	108
Unrealized increase in value allocated following interfund transactions	(3,491)	(1,759)
Amount not allocated following gains and losses on the sale of investments in the specialized portfolios**	7,349	3,763
Unrealized increase (decrease) in value of investments and other related assets and liabilities	8,028	8,244
	67,694	63,154
DEPOSITORS' HOLDINGS	68,568	63,611

* Represents the restated amount of accumulated amortization of real estate properties resulting from the recording of investments at fair value. This amount will be allocated upon the sale of the properties.

** Represents the gains and losses on the sale of investments in the specialized portfolios which are not distributed at year end. This amount will be allocated upon the sale of participation units in portfolios.

5 INVESTMENT MANAGEMENT EXPENSES AND ADMINISTRATIVE EXPENSES

a) Investment management expenses and administrative expenses detail as follows:

	1998		1997	
	(in millions of dollars)			
	Management expenses	Administrative expenses	Management expenses	Administrative expenses
Salaries and employee benefits	35	11	26	11
Professional fees	24	4	21	3
Premises and material	7	3	5	2
Depreciation of fixed assets	3	2	3	1
Other	8	2	6	3
	77	22	61	20

b) Management expenses are attributable to investment categories as follows:

	1998	1997
	(in millions of dollars)	
Bonds	15	12
Shares and convertible securities	42	35
Mortgages	3	3
Real estate holdings	16	10
Short-term investments	1	1
	77	61

6 DERIVATIVE FINANCIAL INSTRUMENTS

Pursuant to its investment operations management, the Caisse conducts transactions involving various derivative financial instruments either to hedge against the risks associated with fluctuations in exchange rates or to manage risks associated with interest rate and market fluctuations. As at December 31, these instruments, the favourable fair value of which is grouped with that of the underlying investments while the unfavourable fair value is recorded in liabilities, including amounts payable on these instruments, under the item Derivative financial instruments, were as follows:

	1998		1997	
	(in millions of dollars)			
	Fair value	Notional amount	Fair value	Notional amount
Over-the-counter products				
Foreign exchange risk hedging*				
Forward exchange contracts				
Purchases	(9)	1,329	(113)	234
Sales	(144)	17,535	244	13,134
Foreign currency swaps				
Sales	(176)	760	8	156
Foreign currency options				
Purchases	-	12	-	29
Interest rate and market risk management				
Forward exchange contracts				
Purchases	(2)	701	8	1,152
Sales	(13)	605	(6)	679
Equity index forwards				
Purchases	100	1,343	90	1,343
Sales	(100)	1,343	(89)	1,343
Forward rate agreements				
Purchases	-	664	1	500
Sales	-	664	(1)	500

(continued)	1998		1997	
	Fair value	Notional amount	Fair value	Notional amount
(in millions of dollars)				
Interest rate and market risk management (continued)				
Forward currency volatility agreements				
Purchases	15	238	-	36
Sales	-	-	-	37
Interest rate swaps	(66)	2,903	(38)	2,034
Options on interest rate swaps				
Purchases	-	33	1	325
Sales	-	73	-	400
Options on interest rates				
Purchases	(4)	620	1	74
Sales	(5)	768	-	-
Options on equity indices				
Purchases	-	50	2	101
Sales	-	-	(1)	68
Foreign currency options				
Purchases	110	2,435	93	3,911
Sales	(119)	2,491	(99)	2,934
Equity options				
Purchases	-	-	3	27
Sales	(261)	270	-	30
Bond options				
Purchases	-	50	-	-
Sales	-	857	-	-
Options on foreign currency futures				
Purchases	-	-	5	587
Sales	-	-	(1)	286
Organized market products				
Interest rate and market risk management				
Bond futures				
Purchases	-	5,909	-	491
Sales	-	5,364	-	398
Equity index futures				
Purchases	-	5,339	-	1,739
Sales	-	2,793	-	1,148
Interest rate futures				
Purchases	-	1,824	-	4,432
Sales	-	1,151	-	5,984
Foreign currency futures				
Purchases	-	15	-	-
Sales	-	39	-	88
Options on commodity futures				
Purchases	-	4	-	-
Options on bond futures				
Purchases	4	260	1	528
Sales	(16)	2,276	(3)	833
Options on equity index futures				
Purchases	-	-	-	49
Sales	-	-	-	14
Options on interest rate futures				
Purchases	-	376	-	808
Sales	-	1,522	-	67
Options on foreign currency futures				
Purchases	1	678	1	189
Sales	(2)	366	-	21
Options on equity indices				
Purchases	-	-	-	44
Equity options				
Sales	-	11	-	14

* Where hedging transactions imply simultaneous use of the US currency and other foreign currencies, the notional amount recorded herein represents the final value expressed in Canadian dollars.

Foreign exchange risks associated with investments denominated in foreign currency and other related assets and liabilities are hedged using derivative financial instruments. In the case of bonds, mortgages, real estate investments and short-term investments, these derivative financial instruments are representative of the value and the currency in which investments are expressed. In the case of foreign equities, the portfolio weighting by country is comparable to the major international indices, and the value of derivative financial instruments is representative of the relative weight of the countries whose securities make up such indices. These instruments are negotiated with banks. Terms generally range from one to three months in the case of forward exchange contracts and options, and from one to two years in the case of foreign currency swaps. Upon maturity, new derivative financial instruments are negotiated to maintain an effective long-term hedge against the exchange risk associated with foreign investments.

Moreover, futures and options traded on stock exchanges, forward exchange contracts, equity index forwards, forward rate agreements and forward currency volatility agreements, interest rate swaps and options negotiated with banks and brokerage firms, are used to manage the interest rate and market risks of the total investment portfolio in addition to generating income from negotiation activities.

These transactions are negotiated with financial institutions whose credit rating is established by a recognized credit rating agency and operational limits are duly approved by an internal credit committee, which supports compensation agreements in order to limit credit risk.

7 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

Date-sensitive systems may produce errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, could affect an entity's ability to conduct normal business operations.

The Caisse has prepared a corrective plan to address this uncertainty. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

COMPLEMENTARY STATISTICS
BREAKDOWN OF COMBINED NET ASSETS
as at December 31, 1998 (in millions of dollars)

Fair value %	Breakdown of portfolios	1998			Notional amount ¹	Effective interest rate %	Fair value	Cost ²
		Notional amount - Maturities Under 2 years	2 to 5 years	Over 5 years				
ASSETS								
Bonds								
Domestic securities								
Government issued								
13.62	Gouvernement du Québec	679.8	2,683.2	6,574.1	9,937.1	7.1	11,352.4	10,375.6
5.35	Government of Canada	1,419.7	1,829.5	885.0	4,134.2	5.1	4,453.9	4,418.4
0.68	Other governments	-	-	491.3	491.3	6.1	565.3	532.8
19.65		2,099.5	4,512.7	7,950.4	14,562.6	6.5	16,371.6	15,326.8
Government guaranteed								
Gouvernement du Québec								
5.68	Hydro-Québec	470.6	511.8	3,222.7	4,205.1	8.0	4,732.0	3,946.7
0.61	Other	184.2	150.2	91.7	426.1	9.0	504.2	441.7
0.14	Government of Canada	-	-	82.3	82.3	9.2	114.7	90.5
0.25	Other	-	155.0	36.0	191.0	5.3	211.4	209.2
6.68		654.8	817.0	3,432.7	4,904.5	8.0	5,562.3	4,688.1
Guaranteed by grants								
0.10	Colleges	24.0	13.9	33.7	71.6	8.5	82.3	76.1
0.43	Hospitals	158.0	94.3	57.9	310.2	10.3	354.9	317.0
0.12	Universities and affiliated schools	13.6	20.4	46.0	80.0	7.6	97.8	88.8
0.02	Social service centres	9.5	0.4	6.2	16.1	10.4	19.5	16.4
0.51	School boards	186.1	38.6	129.6	354.3	11.2	424.0	362.9
0.01	Other	3.0	-	5.0	8.0	10.2	10.5	8.9
1.19		394.2	167.6	278.4	840.2	10.2	989.0	870.1
Municipalities and school boards								
1.06	Municipalities and municipal bodies	219.7	170.1	351.0	740.8	8.6	882.7	765.2
0.12	School boards	13.2	13.4	53.7	80.3	9.5	102.8	84.7
1.18		232.9	183.5	404.7	821.1	8.7	985.5	849.9
2.42	Corporate	268.6	879.1	901.3	2,049.0	7.8	2,013.9	2,014.2
31.12		3,650.0	6,559.9	12,967.5	23,177.4	7.1	25,922.3	23,749.1
0.17	Derivative financial instruments	4,118.3	-	450.0	4,568.3		145.5	-
31.29							26,067.8	23,749.1
Foreign securities								
4.74	U.S. Government	3,361.2	76.8	554.0	3,992.0	4.9	3,947.7	3,948.9
0.99	Corporate	24.0	309.3	589.9	923.2	9.2	828.9	709.1
1.13	Other	153.4	124.3	588.1	865.8	6.5	942.2	921.9
6.86		3,538.6	510.4	1,732.0	5,781.0	5.8	5,718.8	5,579.9
0.02	Derivative financial instruments	4,587.7	150.2	-	4,737.9		10.8	0.8
6.88							5,729.6	5,580.7
38.17							31,797.4	29,329.8
Shares and convertible securities								
Domestic securities								
Metals and minerals								
0.65							539.9	673.3
0.90	Gold and silver						750.7	909.3
1.23	Oil and gas						1,024.2	1,261.6
0.88	Paper and forest products						730.7	773.9
1.49	Consumer products						1,245.6	867.4
3.54	Industrial products						2,951.1	2,220.1
1.00	Real estate and construction						830.7	892.3
0.55	Transportation and environmental services						456.5	479.3
0.50	Pipelines						418.2	387.3
2.74	Utilities						2,287.3	1,307.5
1.92	Communications						1,597.2	641.2
1.21	Distribution and services						1,006.7	844.8
4.63	Financial services						3,858.3	2,435.5
0.42	Conglomerates						350.5	238.4
0.26	Index participation units - TSE 35						217.3	202.7
21.92							18,264.9	14,134.6
-	Derivative financial instruments	60.4	-	-	60.4		0.7	-
21.92							18,265.6	14,134.6
Foreign securities								
External funds								
0.72	United States						600.6	423.9
0.80	United Kingdom						668.1	546.1
0.26	France						215.4	168.5
0.21	Germany						176.8	138.4
2.77	Other European countries						2,307.8	1,756.5
1.50	Japan						1,249.1	1,427.2
0.04	Hong Kong						32.8	25.6
0.39	Other Asian countries and Oceania						328.0	326.1
1.26	Emerging markets						1,049.0	1,173.5
Internal funds								
5.18	United States						4,319.2	3,147.1
1.98	United Kingdom						1,646.1	1,211.2
0.64	France						531.1	471.6
0.34	Germany						282.3	274.1
1.45	Other European countries						1,204.9	887.5
0.60	Japan						497.1	595.5
0.11	Hong Kong						91.3	97.9
0.18	Other Asian countries and Oceania						152.7	418.2
0.13	Emerging markets						111.2	78.7
18.56							15,463.5	13,167.6
0.15	Derivative financial instruments	23,054.2	-	-	23,054.2		125.4	1.5
18.71							15,588.9	13,169.1
40.63							33,854.5	27,303.7

1997

Breakdown of portfolios	Fair value	Cost ²
ASSETS		
Bonds		
Domestic securities		
Government issued		
Gouvernement du Québec	10,713.7	9,792.6
Government of Canada	9,497.9	9,439.9
Other governments	652.9	629.7
	20,864.5	19,862.2
Government guaranteed		
Gouvernement du Québec		
Hydro-Québec	4,922.6	4,158.7
Other	382.9	318.0
Government of Canada	112.7	92.3
Other	251.3	253.3
	5,669.5	4,822.3
Guaranteed by grants		
Colleges	72.0	63.1
Hospitals	367.0	318.7
Universities and affiliated schools	107.0	93.6
Social service centres	19.3	16.1
School boards	432.8	361.0
Other	11.1	9.4
	1,009.2	861.9
Municipalities and school boards		
Municipalities and municipal bodies	913.8	782.4
School boards	99.4	81.6
	1,013.2	864.0
Corporate	1,243.9	1,222.2
	29,800.3	27,632.6
Derivative financial instruments	121.6	-
	29,921.9	27,632.6
Foreign securities		
U.S. Government	712.0	673.6
Corporate	364.5	336.9
Other	-	-
	1,076.5	1,010.5
Derivative financial instruments	3.1	9.1
	1,079.6	1,019.6
	31,001.5	28,652.2
Shares and convertible securities		
Domestic securities		
Metals and minerals	745.1	815.7
Gold and silver	721.0	856.1
Oil and gas	1,692.5	1,366.8
Paper and forest products	966.2	929.7
Consumer products	1,086.1	777.4
Industrial products	2,524.2	1,778.2
Real estate and construction	1,041.8	858.8
Transportation and environmental services	665.1	514.3
Pipelines	259.1	186.5
Utilities	1,808.3	994.5
Communications	1,381.4	653.3
Distribution and services	877.6	664.3
Financial services	3,148.5	1,503.1
Conglomerates	338.1	187.3
Index participation units - TSE 35	215.5	202.7
	17,470.5	12,288.7
Derivative financial instruments	5.9	0.1
	17,476.4	12,288.8
Foreign securities		
External funds		
United States	423.4	317.0
United Kingdom	599.2	456.5
France	146.7	120.7
Germany	105.0	82.3
Other European countries	1,494.7	1,103.3
Japan	1,320.3	1,613.2
Hong Kong	37.3	39.5
Other Asian countries and Oceania	366.7	426.5
Emerging markets	1,141.1	1,304.7
Internal funds		
United States	2,617.7	2,148.4
United Kingdom	1,079.1	750.7
France	457.5	372.1
Germany	268.6	204.1
Other European countries	1,020.1	720.3
Japan	474.5	495.7
Hong Kong	73.1	75.0
Other Asian countries and Oceania	103.6	120.3
Emerging markets	19.2	7.2
	11,747.8	10,357.5
Derivative financial instruments	296.0	6.9
	12,043.8	10,364.4
	29,520.2	22,653.2

COMPLEMENTARY STATISTICS
BREAKDOWN OF COMBINED NET ASSETS (continued)
as at December 31, 1998 (in millions of dollars)

Fair value %	Breakdown of portfolios	1998			Notional amount ¹	Effective interest rate %	Fair value	Cost ²
		Notional amount - Maturities						
		Under 2 years	2 to 5 years	Over 5 years				
ASSETS								
Mortgages								
Domestic securities								
	Residential							
0.06	Insured	27.7	16.1	1.7	45.5	7.2	54.1	49.1
0.14	Conventional	49.7	44.2	28.2	122.1	8.1	117.7	112.3
0.20		77.4	60.3	29.9	167.6	7.8	171.8	161.4
1.39	Commercial and office buildings	338.8	688.5	188.9	1,216.2	8.0	1,154.3	1,146.0
0.29	Industrial	76.8	131.1	23.3	231.2	8.0	237.8	231.2
1.88		493.0	879.9	242.1	1,615.0	8.0	1,563.9	1,538.6
-	Derivative financial instruments	-	-	-	-	-	-	-
1.88							1,563.9	1,538.6
U.S. securities								
0.13	Residential	80.1	11.0	1.1	92.2	18.8	104.7	92.2
0.11	Commercial and office buildings	3.5	1.6	70.8	75.9	11.6	89.8	75.8
0.24		83.6	12.6	71.9	168.1	15.6	194.5	168.0
-	Derivative financial instruments	39.4	-	-	39.4	-	1.6	-
0.24							196.1	168.0
2.12							1,760.0	1,706.6
Real estate holdings								
3.74	Canada						3,120.3	3,510.1
5.06	Abroad						4,218.1	3,886.4
0.01	Derivative financial instruments	1,006.2	139.7	-	1,145.9		12.0	5.8
5.07							4,230.1	3,892.2
8.81							7,350.4	7,402.3
89.73	Total long-term investments						74,762.3	65,742.4
Short-term investments								
4.60	Domestic securities	3,859.1	-	-	3,859.1	5.2	3,830.0	3,828.8
-	Derivative financial instruments	1,535.8	-	-	1,535.8		0.2	1.3
4.60							3,830.2	3,830.1
0.84	Foreign securities	714.1	-	-	714.1	4.5	707.6	730.4
0.17	Derivative financial instruments	6,022.1	-	-	6,022.1		138.7	88.2
1.01							846.3	818.6
5.61							4,676.5	4,648.7
Securities acquired under reverse repurchase agreements								
0.87	Domestic securities	638.2	22.9	83.2	744.3		724.8	724.8
2.23	Foreign securities	1,834.2	-	-	1,834.2		1,857.8	1,857.8
3.10		2,472.4	22.9	83.2	2,578.5		2,582.6	2,582.6
8.71	Total short-term investments						7,259.1	7,231.3
98.44	Total investments						82,021.4	72,973.7
0.75	Investment income, accrued and receivable	633.0	-	-	633.0		633.0	633.0
0.23	Transactions being settled	189.7	-	-	189.7		189.7	189.7
0.58	Other assets						483.4	483.4
100.00	TOTAL ASSETS						83,327.5	74,279.8
LIABILITIES								
43.07	Deposits on loans of securities	6,356.8	-	-	6,356.8		6,356.9	6,356.9
1.58	Bank loans and notes payable	233.0	-	-	233.0	5.4	233.0	233.0
3.22	Transactions being settled	475.2	-	-	475.2		475.2	475.2
13.42	Commitments related to short selling of bonds	1,915.0	13.0	83.0	2,011.0		1,981.4	1,968.0
4.02	Commitments related to short selling of equities	-	-	-	-		593.4	574.8
20.26	Mortgages loans	645.1	593.1	1,719.1	2,957.3	6.6	2,990.2	2,968.3
7.77	Derivative financial instruments	29,743.0	1,054.1	850.4	31,647.5		1,147.5	346.0
2.61	Other liabilities						384.1	384.1
4.05	Non-controlling interests						597.5	434.5
100.00	TOTAL LIABILITIES						14,759.2	13,740.8
							68,568.3	60,539.0
COMBINED NET ASSETS								

¹ The notional amount represents the exchange value used for the evaluation of future cash flows in the case of investments and certain assets and liabilities with a determined maturity date; in the case of derivative financial instruments, the notional amount represents the value of the notional principal, to which a rate or a price is applied to determine the exchange of future cash flows.

² Certain investment categories are reported at unamortized cost.

1997

Breakdown of portfolios	Fair value	Cost ²
ASSETS		
Mortgages		
Domestic securities		
Residential		
Insured	52.4	51.7
Conventional	109.3	103.4
	161.7	155.1
Commercial and office buildings	987.3	962.0
Industrial	247.0	238.9
	1,396.0	1,356.0
Derivative financial instruments	2.0	-
	1,398.0	1,356.0
U.S. securities		
Residential	19.1	21.4
Commercial and office buildings	79.7	66.7
	98.8	88.1
Derivative financial instruments	-	-
	98.8	88.1
	1,496.8	1,444.1
Real estate holdings		
Canada	2,413.3	3,085.8
Abroad	1,857.7	1,787.9
Derivative financial instruments	10.5	0.4
	1,868.2	1,788.3
	4,281.5	4,874.1
Total long-term investments	66,300.0	57,623.6
Short-term investments		
Domestic securities	1,083.1	1,086.3
Derivative financial instruments	1.2	-
	1,084.3	1,086.3
Foreign securities	418.1	428.4
Derivative financial instruments	115.3	63.4
	533.4	491.8
	1,617.7	1,578.1
Securities acquired under reverse repurchase agreements		
Domestic securities	1,025.7	1,024.1
Foreign securities	642.9	649.2
	1,668.6	1,673.3
Total short-term investments	3,286.3	3,251.4
Total investments	69,586.3	60,875.0
Investment income, accrued and receivable	670.6	670.6
Transactions being settled	42.7	42.7
Other assets	224.0	224.0
TOTAL ASSETS	70,523.6	61,812.3
LIABILITIES		
Deposits on loans of securities	2,991.9	2,991.9
Bank loans and notes payable	137.5	135.5
Transactions being settled	104.7	104.7
Commitments related to short selling of bonds	812.0	778.2
Commitments related to short selling of equities	527.9	467.2
Mortgages loans	1,519.7	1,494.3
Derivative financial instruments	499.8	123.0
Other liabilities	175.5	175.5
Non-controlling interests	144.0	175.3
TOTAL LIABILITIES	6,913.0	6,445.6
COMBINED NET ASSETS	63,610.6	55,366.7

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE FUNDS

(in millions of dollars)

GENERAL FUND								
			301		302		303	
	1998	1997	1998	1997	1998	1997	1998	1997
NET ASSETS AS AT DECEMBER 31, 1998								
ASSETS								
Investments at fair value								
Bonds	6,342.4	8,145.3	10,964.3	10,431.5	1,699.8	1,694.4	54.8	56.2
Shares and convertible securities	8,270.6	7,173.9	11,816.0	10,669.0	1,915.0	1,771.1	70.1	65.3
Mortgages	326.5	192.3	500.7	270.6	79.4	44.0	22.9	20.3
Real estate investments	1,040.0	827.3	1,228.9	1,245.8	199.0	191.4	10.1	8.5
Short-term investments and demand deposits in the General Fund	1,015.8	1,621.6	937.7	107.8	142.0	13.8	10.1	5.4
	16,995.3	17,960.4	25,447.6	22,724.7	4,035.2	3,714.7	168.0	155.7
Other assets	2,798.6	784.5	106.3	76.8	16.8	12.4	0.8	0.6
	19,793.9	18,744.9	25,553.9	22,801.5	4,052.0	3,727.1	168.8	156.3
LIABILITIES								
Demand and term deposits	3,291.7	1,426.1	-	-	-	-	-	-
Notes payable	4.5	685.8	-	-	-	-	-	-
Derivative financial instruments	0.4	117.0	-	16.7	-	2.7	-	0.1
Other liabilities	219.5	198.4	432.1	260.5	77.3	65.8	2.7	1.7
	3,516.1	2,427.3	432.1	277.2	77.3	68.5	2.7	1.8
PARTICIPATION DEPOSIT HOLDERS' NET HOLDINGS								
	16,277.8	16,317.6	25,121.8	22,524.3	3,974.7	3,658.6	166.1	154.5
STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998								
INCOME								
Investment income								
Income on bonds	478.7	542.7	722.0	686.9	113.9	110.2	3.7	3.6
Income from shares and convertible securities	145.3	111.4	202.5	155.1	33.2	25.9	1.2	0.9
Income from mortgages	14.8	10.6	21.4	23.2	3.5	3.8	1.6	1.5
Income from real estate investments	64.8	39.8	80.6	57.6	13.0	9.4	0.7	0.4
Interest on short-term investments and deposits in the General Fund	37.7	83.9	15.9	27.8	2.4	4.2	0.3	0.7
	741.3	788.4	1,042.4	950.6	166.0	153.5	7.5	7.1
Other income	0.1	0.2	-	-	-	-	-	-
Total income	741.4	788.6	1,042.4	950.6	166.0	153.5	7.5	7.1
Investment management expenses	0.2	0.4	0.1	0.4	-	-	-	-
	741.2	788.2	1,042.3	950.2	166.0	153.5	7.5	7.1
EXPENDITURES								
Administrative expenses	0.1	0.1	-	0.1	-	-	-	-
Interest on demand and term deposits	24.8	59.3	-	-	-	-	-	-
NET INVESTMENT INCOME	716.3	728.8	1,042.3	950.1	166.0	153.5	7.5	7.1
CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 1998								
INVESTMENT OPERATIONS								
Net investment income	716.3	728.8	1,042.3	950.1	166.0	153.5	7.5	7.1
Gains (losses) on sale of investments	599.6	378.9	534.6	282.3	101.1	51.3	3.2	0.9
Unrealized increase (decrease) in value of investments and other assets and liabilities	253.3	770.0	727.6	1,377.1	104.3	222.3	4.1	7.3
Total investment operations	1,569.2	1,877.7	2,304.5	2,609.5	371.4	427.1	14.8	15.3
Participation deposits	(293.2)	(224.4)	1,869.9	1,882.9	211.7	232.3	7.5	8.6
Transfer of a depositor's net assets	-	(5,481.0)	-	-	-	-	-	-
Net income allocated to participation deposit holders	(1,315.8)	(1,107.7)	(1,576.9)	(1,232.4)	(267.0)	(204.8)	(10.7)	(8.0)
INCREASE IN NET ASSETS	(39.8)	(4,935.4)	2,597.5	3,260.0	316.1	454.6	11.6	15.9
NET ASSETS, BEGINNING OF YEAR	16,317.6	21,253.0	22,524.3	19,264.3	3,658.6	3,204.0	154.5	138.6
NET ASSETS, END OF YEAR	16,277.8	16,317.6	25,121.8	22,524.3	3,974.7	3,658.6	166.1	154.5
INVESTMENTS AND CERTAIN LIABILITIES AT COST AS AT DECEMBER 31, 1998								
ASSETS								
Investments								
Bonds	5,601.8	7,348.8	9,797.5	9,374.5	1,506.2	1,515.2	48.9	50.8
Shares and convertible securities	5,933.3	5,126.8	8,397.0	7,827.8	1,346.1	1,285.3	53.2	51.9
Mortgages	326.9	190.8	499.5	265.9	79.2	43.2	22.7	19.9
Real estate investments	1,158.7	969.7	1,301.2	1,354.8	212.4	211.1	10.0	8.7
Short-term investments and demand deposits in the General Fund	1,022.3	1,581.1	937.3	107.9	141.9	13.8	10.1	5.4
	14,043.0	15,217.2	20,932.5	18,930.9	3,285.8	3,068.6	144.9	136.7
LIABILITIES								
Term deposits	188.5	130.0	-	-	-	-	-	-
Notes payable	4.5	684.7	-	-	-	-	-	-
Derivative financial instruments	-	70.8	-	10.6	-	1.7	-	0.1

INDIVIDUAL FUNDS

305		306		307		308		311		312		313		330	
1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
65.6	65.4	49.4	47.8	2,590.5	2,939.1	597.7	588.7	835.2	777.3	902.4	906.9	301.0	326.3	3,573.8	3,899.6
82.8	76.2	34.4	27.4	3,073.1	2,662.3	572.9	540.7	1,792.0	1,607.6	1,307.4	890.8	408.6	221.2	3,388.9	2,832.8
3.3	1.8	-	-	127.0	71.4	26.7	14.6	192.8	413.4	163.3	306.0	125.5	189.6	77.4	14.7
8.2	9.3	1.5	-	391.1	325.3	80.4	74.7	133.0	136.6	47.7	74.2	35.1	37.1	288.5	295.9
7.7	0.6	4.6	0.9	313.0	22.8	74.8	10.7	121.0	124.3	198.2	71.2	49.1	30.9	429.6	58.3
167.6	153.3	89.9	76.1	6,494.7	6,020.9	1,352.5	1,229.4	3,074.0	3,059.2	2,619.0	2,249.1	919.3	805.1	7,758.2	7,101.3
0.7	0.5	0.4	0.3	27.6	21.4	6.0	4.3	11.6	10.0	9.8	8.7	3.9	3.5	32.0	26.4
168.3	153.8	90.3	76.4	6,522.3	6,042.3	1,358.5	1,233.7	3,085.6	3,069.2	2,628.8	2,257.8	923.2	808.6	7,790.2	7,127.7
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	0.1	-	0.1	-	4.8	-	1.0	-	2.3	-	1.6	-	0.6	-	5.3
3.1	2.5	1.4	0.9	122.1	72.9	26.4	14.5	76.9	34.6	41.2	32.5	16.3	11.3	129.7	86.2
3.1	2.6	1.4	1.0	122.1	77.7	26.4	15.5	76.9	36.9	41.2	34.1	16.3	11.9	129.7	91.5
165.2	151.2	88.9	75.4	6,400.2	5,964.6	1,332.1	1,218.2	3,008.7	3,032.3	2,587.6	2,223.7	906.9	796.7	7,660.5	7,036.2
4.4	4.4	3.2	3.2	181.5	196.4	39.8	38.1	50.7	53.6	61.4	61.2	21.7	21.5	242.9	244.8
1.4	1.0	0.5	0.4	53.4	40.3	10.0	7.8	29.9	23.7	19.3	12.9	5.3	3.2	59.3	40.1
0.2	0.2	-	-	5.8	3.8	1.2	1.3	28.6	32.6	22.1	23.3	14.0	13.8	2.0	2.1
0.5	0.5	0.1	-	24.1	14.4	5.3	3.7	8.6	6.5	3.1	2.3	2.3	1.6	19.2	13.1
0.2	0.2	0.1	-	7.8	11.8	1.3	2.0	7.4	6.2	4.9	3.8	1.9	1.4	7.6	11.3
6.7	6.3	3.9	3.6	272.6	266.7	57.6	52.9	125.2	122.6	110.8	103.5	45.2	41.5	331.0	311.4
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.7	6.3	3.9	3.6	272.6	266.7	57.6	52.9	125.2	122.6	110.8	103.5	45.2	41.5	331.0	311.4
-	-	-	-	-	0.1	-	-	-	0.1	-	-	-	-	-	0.2
6.7	6.3	3.9	3.6	272.6	266.6	57.6	52.9	125.2	122.5	110.8	103.5	45.2	41.5	331.0	311.2
-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.7	6.3	3.9	3.6	272.6	266.5	57.6	52.9	125.2	122.5	110.8	103.5	45.2	41.5	331.0	311.2
6.7	6.3	3.9	3.6	272.6	266.5	57.6	52.9	125.2	122.5	110.8	103.5	45.2	41.5	331.0	311.2
3.8	2.7	1.5	0.4	150.7	89.0	31.0	13.5	165.0	71.7	66.6	32.2	20.6	10.7	162.2	53.0
4.5	8.0	2.1	3.8	176.3	339.5	37.8	77.5	10.2	170.9	71.1	112.6	20.8	27.9	207.4	400.2
15.0	17.0	7.5	7.8	599.6	695.0	126.4	143.9	300.4	365.1	248.5	248.3	86.6	80.1	700.6	764.4
9.5	11.3	11.3	10.9	259.3	144.1	76.1	84.6	(33.8)	50.9	292.8	207.5	89.4	82.5	416.9	1,100.3
-	-	-	-	-	5,481.0	-	-	-	-	-	-	-	-	-	-
(10.5)	(9.0)	(5.3)	(4.0)	(423.3)	(355.5)	(88.6)	(66.4)	(290.2)	(194.2)	(177.4)	(135.7)	(65.8)	(52.2)	(493.2)	(364.2)
14.0	19.3	13.5	14.7	435.6	5,964.6	113.9	162.1	(23.6)	221.8	363.9	320.1	110.2	110.4	624.3	1,500.5
151.2	131.9	75.4	60.7	5,964.6	-	1,218.2	1,056.1	3,032.3	2,810.5	2,223.7	1,903.6	796.7	686.3	7,036.2	5,535.7
165.2	151.2	88.9	75.4	6,400.2	5,964.6	1,332.1	1,218.2	3,008.7	3,032.3	2,587.6	2,223.7	906.9	796.7	7,660.5	7,036.2
57.9	58.2	44.2	43.2	2,289.9	2,646.7	543.9	542.3	742.9	688.4	808.8	818.7	268.7	294.1	3,188.5	3,530.1
60.1	57.1	27.9	22.3	2,162.8	1,907.1	428.6	425.3	1,292.1	1,112.2	1,000.7	651.0	336.1	170.5	2,512.5	2,133.0
3.3	1.8	-	-	127.1	70.9	26.4	14.1	193.1	410.3	162.9	302.0	124.9	186.6	77.5	14.6
8.8	10.2	1.5	-	425.9	371.4	74.2	69.7	145.9	154.0	47.4	75.3	36.8	39.9	318.8	338.9
7.7	0.6	4.6	1.0	312.6	22.9	74.7	10.7	120.6	124.3	197.9	71.2	49.0	30.9	429.2	58.4
137.8	127.9	78.2	66.5	5,318.3	5,019.0	1,147.8	1,062.1	2,494.6	2,489.2	2,217.7	1,918.2	815.5	722.0	6,526.5	6,075.0
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	0.1	-	-	-	3.0	-	0.6	-	1.5	-	1.1	-	0.4	-	3.3

SUPPLEMENTARY INFORMATION - SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS (in millions of dollars)

	BONDS		CANADIAN EQUITIES		U.S. EQUITIES	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31, 1998	1998	1997	1998	1997	1998	1997
ASSETS						
Investments at fair value						
Bonds	31,752.3	30,780.0	17.8	12.3	-	-
Shares and convertible securities	-	-	18,674.1	17,268.8	3,390.7	2,419.7
Mortgages	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-
Short-term investments	40.8	8.1	-	5.0	2,838.4	676.2
Demand deposits in the General Fund	974.9	696.0	-	-	977.8	-
Securities acquired under reverse repurchase agreements	2,527.0	1,668.6	-	-	32.8	-
	35,295.0	33,152.7	18,691.9	17,286.1	7,239.7	3,095.9
Other assets	519.0	540.6	84.2	64.4	9.8	8.7
	35,814.0	33,693.3	18,776.1	17,350.5	7,249.5	3,104.6
LIABILITIES						
Advances from the General Fund	-	-	726.7	191.2	-	39.9
Deposits on loans of securities	5,347.6	2,883.8	-	-	1,009.2	-
Commitments related to short selling of securities	1,925.7	812.0	593.4	515.0	32.8	-
Bank loans and notes payable	-	-	-	-	-	-
Mortgage loans payable	-	-	-	-	-	-
Derivative financial instruments	389.9	160.5	20.8	9.2	9.6	3.8
Other liabilities	173.9	167.9	59.7	37.5	270.4	12.3
Non-controlling interests	-	-	-	-	-	-
	7,837.1	4,024.2	1,400.6	752.9	1,322.0	56.0
NET HOLDINGS OF FUNDS	27,976.9	29,669.1	17,375.5	16,597.6	5,927.5	3,048.6
CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998						
INCOME						
Investment income						
Interest on bonds	1,891.4	1,983.9	0.8	0.4	-	3.5
Dividends and interest on convertible securities	-	-	275.9	257.6	32.7	33.3
Interest on mortgages	-	-	-	-	-	-
Net income from real estate holdings	-	-	-	-	-	-
Interest on short-term investments	1.2	0.1	0.1	0.9	74.4	4.4
Interest on deposits in the General Fund	39.4	(13.7)	(16.8)	(6.3)	(2.7)	(0.2)
	1,932.0	1,970.3	260.0	252.6	104.4	41.0
Other income	10.5	5.1	2.9	2.1	0.1	0.2
Total income	1,942.5	1,975.4	262.9	254.7	104.5	41.2
Investment management expenses	14.8	11.0	24.9	17.1	3.7	2.6
	1,927.7	1,964.4	238.0	237.6	100.8	38.6
EXPENDITURES						
Administrative expenses	6.5	5.3	4.1	3.6	1.2	0.6
INCOME BEFORE THE FOLLOWING ITEM	1,921.2	1,959.1	233.9	234.0	99.6	38.0
Non-controlling interests	-	-	-	-	-	-
NET INVESTMENT INCOME	1,921.2	1,959.1	233.9	234.0	99.6	38.0
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 1998						
INVESTMENT OPERATIONS						
Net investment income	1,921.2	1,959.1	233.9	234.0	99.6	38.0
Gains (losses) on sale of investments	694.2	877.0	1,949.5	1,896.0	439.2	450.0
Unrealized increase (decrease) in value of investments and liabilities	(52.4)	28.9	(771.6)	149.1	455.7	150.6
Total investment operations	2,563.0	2,865.0	1,411.8	2,279.1	994.5	638.6
Participation units	(2,334.0)	3,837.4	(400.0)	158.3	1,984.0	169.0
Transfer from funds and portfolio	-	274.8	-	(274.8)	-	-
Net income allocated to participation unit holders	(1,921.2)	(1,959.1)	(233.9)	(234.0)	(99.6)	(38.0)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	(1,692.2)	5,018.1	777.9	1,928.6	2,878.9	769.6
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	29,669.1	24,651.0	16,597.6	14,669.0	3,048.6	2,279.0
CONSOLIDATED NET ASSETS, END OF YEAR	27,976.9	29,669.1	17,375.5	16,597.6	5,927.5	3,048.6
INVESTMENTS AND CERTAIN LIABILITIES AT COST AS AT DECEMBER 31, 1998						
ASSETS						
Investments						
Bonds	29,281.0	28,434.0	16.6	11.3	-	-
Shares and convertible securities	-	-	14,445.1	12,221.7	2,333.9	1,823.0
Mortgages	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-
Short-term investments	40.7	8.7	-	5.0	2,837.8	676.8
Demand deposits in the General Fund	974.9	696.0	-	-	977.8	-
Securities acquired under reverse repurchase agreements	2,527.0	1,673.3	-	-	32.8	-
	32,823.6	30,812.0	14,461.7	12,238.0	6,182.3	2,499.8
LIABILITIES						
Commitments related to short selling of securities	1,914.3	778.2	572.8	454.7	32.8	-
Mortgage loans payable	-	-	-	-	-	-
Derivative financial instruments	30.6	6.7	19.3	1.0	0.8	0.6
Non-controlling interests	-	-	-	-	-	-
SHARE OF FUNDS (in percentage)						
General Fund	22.7	27.2	23.8	24.9	25.8	19.5
Individual Fund 301	39.1	34.9	39.2	37.9	30.5	38.8
Individual Fund 302	6.1	5.7	6.5	6.4	4.8	6.3
Individual Fund 303	0.2	0.2	0.2	0.2	0.2	0.2
Individual Fund 305	0.2	0.2	0.3	0.3	0.2	0.2
Individual Fund 306	0.2	0.2	0.1	0.1	0.1	-
Individual Fund 307	9.3	9.8	9.2	9.2	8.8	7.3
Individual Fund 308	2.1	2.0	2.3	2.3	1.4	1.7
Individual Fund 311	3.0	2.6	5.3	6.3	7.0	7.2
Individual Fund 312	3.2	3.0	3.2	2.9	6.1	5.3
Individual Fund 313	1.1	1.1	1.1	0.7	1.9	1.4
Individual Fund 330	12.8	13.1	8.8	8.8	13.2	12.1
	100.0	100.0	100.0	100.0	100.0	100.0

EMERGING MARKET EQUITIES		FOREIGN EQUITIES		MORTGAGES		REAL ESTATE		SHORT-TERM INVESTMENTS (Created 1998-07-01)	
1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
887.2	-	31.7	-	-	-	0.1	0.2	-	-
1,061.7	-	9,947.3	7,902.9	-	-	954.4	798.8	-	-
-	-	-	-	1,577.4	1,404.6	270.1	143.7	-	-
-	-	-	-	51.7	91.0	7,298.7	4,193.2	-	-
-	-	373.2	-	-	-	33.1	30.5	1,930.8	-
-	-	-	75.5	20.8	45.8	-	57.0	511.2	-
-	-	-	-	-	-	-	-	22.8	-
887.2	1,061.7	10,352.2	7,978.4	1,649.9	1,541.4	8,556.4	5,223.4	2,464.8	-
1.9	1.5	163.1	41.1	15.7	14.5	442.4	225.8	3.4	-
889.1	1,063.2	10,515.3	8,019.5	1,665.6	1,555.9	8,998.8	5,449.2	2,468.2	-
18.3	23.4	1,311.3	-	-	-	167.7	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	22.9	-
-	-	-	-	-	-	1,149.0	342.1	50.0	-
-	-	-	-	-	-	3,177.7	1,571.3	-	-
0.7	0.5	598.7	145.4	-	-	131.6	30.6	0.5	-
10.6	6.6	35.7	83.1	20.2	17.4	311.7	134.9	182.3	-
-	-	-	-	-	-	597.5	144.0	-	-
29.6	30.5	1,945.7	228.5	20.2	17.4	5,535.2	2,222.9	255.7	-
859.5	1,032.7	8,569.6	7,791.0	1,645.4	1,538.5	3,463.6	3,226.3	2,212.5	-
-	-	0.5	-	-	-	-	0.3	-	-
22.6	21.3	183.4	146.1	-	-	12.8	7.2	-	-
-	-	-	-	118.5	119.4	23.7	12.5	-	-
-	-	-	-	-	-	202.2	139.5	-	-
-	-	4.6	-	-	-	10.7	5.2	42.3	-
(3.4)	(0.2)	(26.3)	0.7	(0.6)	0.3	0.7	1.6	(3.1)	-
19.2	21.1	162.2	146.8	117.9	119.7	250.1	166.3	39.2	-
-	-	-	0.2	1.0	0.6	10.5	15.3	-	-
19.2	21.1	162.2	147.0	118.9	120.3	260.6	181.6	39.2	-
3.8	4.7	10.2	11.2	3.3	3.6	15.6	9.8	0.1	-
15.4	16.4	152.0	135.8	115.6	116.7	245.0	171.8	39.1	-
0.1	0.1	1.5	1.4	0.5	0.5	8.2	8.2	0.1	-
15.3	16.3	150.5	134.4	115.1	116.2	236.8	163.6	39.0	-
-	-	-	-	-	-	14.6	14.2	-	-
15.3	16.3	150.5	134.4	115.1	116.2	222.2	149.4	39.0	-
15.3	16.3	150.5	134.4	115.1	116.2	222.2	149.4	39.0	-
(135.7)	0.8	610.1	589.6	-	6.2	26.5	(56.8)	2.5	-
(131.5)	(116.7)	315.2	236.7	(13.1)	(40.9)	41.8	414.8	0.8	-
(251.9)	(99.6)	1,075.8	960.7	102.0	81.5	290.5	507.4	42.3	-
94.0	249.5	(185.0)	135.0	120.0	17.0	169.0	441.0	1,096.2	-
-	-	38.3	-	-	-	-	-	1,113.0	-
(15.3)	(16.3)	(150.5)	(134.4)	(115.1)	(116.2)	(222.2)	(149.4)	(39.0)	-
(173.2)	133.6	778.6	961.3	106.9	(17.7)	237.3	799.0	2,212.5	-
1,032.7	899.1	7,791.0	6,829.7	1,538.5	1,556.2	3,226.3	2,427.3	-	-
859.5	1,032.7	8,569.6	7,791.0	1,645.4	1,538.5	3,463.6	3,226.3	2,212.5	-
-	-	32.1	-	-	-	0.1	0.2	-	-
1,166.5	1,210.0	8,356.2	6,674.8	-	-	1,023.3	667.7	-	-
-	-	-	-	1,533.4	1,348.9	249.7	139.4	-	-
-	-	-	-	75.7	113.6	7,298.3	4,731.9	-	-
-	-	338.1	-	-	-	34.2	30.4	1,930.4	-
-	-	-	75.4	20.8	45.7	-	57.0	511.2	-
-	-	-	-	-	-	-	-	22.8	-
1,166.5	1,210.0	8,726.4	6,750.2	1,629.9	1,508.2	8,605.6	5,626.6	2,464.4	-
-	-	-	-	-	-	-	-	22.9	-
-	-	-	-	-	-	3,144.9	1,538.5	-	-
-	0.4	291.9	16.4	-	-	2.8	3.4	0.6	-
-	-	-	-	-	-	434.6	175.3	-	-
27.2	27.7	27.8	27.4	19.9	12.5	30.0	25.6	21.1	-
35.1	36.5	33.7	36.0	30.4	17.6	35.5	38.6	31.2	-
5.6	5.9	5.4	5.8	4.8	2.9	5.8	5.9	4.8	-
0.2	0.2	0.2	0.2	1.4	1.3	0.3	0.3	0.4	-
0.2	0.3	0.2	0.3	0.2	0.1	0.2	0.3	0.3	-
0.1	0.1	0.1	0.1	-	-	0.1	-	0.2	-
10.0	10.3	10.1	10.2	7.7	4.6	11.3	10.1	11.0	-
-	-	1.0	1.4	1.6	0.9	2.3	2.3	2.8	-
4.8	3.9	4.8	3.8	11.7	26.9	3.8	4.2	5.5	-
4.0	2.9	4.0	2.8	9.9	19.9	1.4	2.3	6.3	-
1.3	0.8	1.2	0.7	7.7	12.3	1.0	1.2	2.0	-
11.5	11.4	11.5	11.3	4.7	1.0	8.3	9.2	14.4	-
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-

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CHANGES IN DEPOSITORS' HOLDINGS IN 1998
 (fair value - in millions of dollars)

DEPOSITORS	Abbreviation	Fund	Holdings, beginning of year	Change			Holdings, end of year	Excess over cost
				Net income allocated ¹	Deposits (with- drawals)	Unrealized +/- in value		
Commission administrative des régimes de retraite et d'assurances	CARRA							
Government and Public Employees Retirement Plan (unionized level)	RREGOP	301	22,781	1,577	469	728	25,555	4,515
Government and Public Employees Retirement Plan (non-unionized level)	RREGOP	302	3,722	268	(37)	104	4,057	750
Individual plans		303	156	11	(2)	4	169	23
Pension Plan of Elected Municipal Officers		305	154	10	0	5	169	30
			26,813	1,866	430	841	29,950	5,318
Régie des rentes du Québec	RRQ							
Fonds du Régime de rentes du Québec		FG	15,838	1,294	(1,548)	247	15,831	2,931
Commission de la santé et de la sécurité du travail	CSST	330	6,883	489	65	207	7,644	1,232
Commission de la construction du Québec	CCQ							
Supplemental Pension Plan for Employees of the Québec Construction Industry								
General account		311	3,066	290	(281)	10	3,085	579
Retirees' account		312	2,255	178	125	71	2,629	401
Supplementary account		313	808	65	29	21	923	104
			6,129	533	(127)	102	6,637	1,084
Société de l'assurance automobile du Québec	SAAQ	307	6,027	426	(193)	176	6,436	1,177
Fonds d'amortissement des régimes de retraite gouvernementaux	FARRG	308	1,232	89	0	38	1,359	205
Régime de rentes de survivants		FG	296	24	(5)	6	321	13
Régie de l'assurance-dépôts du Québec		FG	141	9	14	2	166	3
Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec	RRTAQ	306	76	5	7	2	90	12
Fonds d'assurance-prêts agricoles et forestiers du Québec	FAPAF	FG	47	3	8	1	59	3
Régie des assurances agricoles du Québec		FG	115	5	(69)	0	51	0
Commission des valeurs mobilières du Québec²	CVMQ	FG	0	0	10	0	10	0
Office de la protection du consommateur	OPC							
Fonds des cautionnements collectifs des agents de voyages		FG	7	0	(1)	0	6	1
Magazine Protégez-Vous		FG	2	0	0	0	2	0
			9	0	(1)	0	8	1

Régie des marchés agricoles et alimentaires du Québec	RMAAQ							
Fonds d'assurance-garantie		FG	3	1	0	0	4	0
La Fédération des producteurs de bovins du Québec		FG	2	0	0	0	2	0
Centre de recherche industrielle du Québec²	CRIQ	FG	0				0	0
Société des alcools du Québec²	SAQ	FG	0				0	0
Depositors' holdings			63,611	4,744	(1,409)	1,622	68,568	11,979
1997			57,214	3,743	(864)	3,518	63,611	10,356
1996			51,185	5,682	(1,607)	1,954	57,214	6,838
1995			44,860	4,066	(1,617)	3,876	51,185	4,883
1994			47,117	2,983	(1,165)	(4,075)	44,860	1,008

GF: General Fund

¹ As of 1997, gains and losses on the sale of investments in the specialized portfolios are reinvested.

² These depositors only benefit from the Caisse's cash management services.

2 ANNUAL INTEREST OR INCOME PAID OUT ON AVERAGE DEPOSITS (rate in percentage)

CATEGORIES OF DEPOSITS	1998	1997
Demand deposits ¹	5.15	3.20
Term deposits ¹	5.35	3.73
Participation deposits ²	8.38	6.88

¹ The General Fund receives demand and term deposits from depositors and pays out interest on these deposits. The rate indicated is the average rate paid out during the year.

² Income earned on the investments of the Caisse's General Fund and Individual Funds is paid out or allocated to participation deposit holders. The rate indicated is the average annual rate. The rate represents only the income accounted for during the year on depositors' investments. It does not account for the change in the fair value of investments. For purposes of this calculation, participation deposits are computed at cost. The rate is different from the time-weighted rate of return which includes both income and changes in the fair value of investments.

3 ACQUISITIONS OF NEW BONDS ISSUED BY THE GOUVERNEMENT DU QUÉBEC AND THE QUÉBEC PUBLIC SECTOR (par value - in millions of dollars)

	Government	Public sector	Total
1998	1,052.0	-	1,052.0
1997	1,000.0	-	1,000.0
1996	1,100.0	200.0	1,300.0
1995	1,200.0	300.0	1,500.0
1994	1,405.0	-	1,405.0

**PARTICIPATION IN NEW BOND ISSUES OF THE
GOUVERNEMENT DU QUÉBEC IN 1998**
(in millions of dollars)

Date of offer	Par value	Date of maturity	Nominal rate %	Yield to maturity %	Unit price	Acquisitions by the Caisse
1998-03-12	200	2007-10-01	6.50	5.89	104.38	200
1998-03-17	100	2026-04-01	8.50	6.30	128.73	100
1998-06-11	100	2006-03-30	7.75	5.62	113.27	100
1998-06-12	100	2009-04-01	11.00	5.68	142.44	100
1998-06-25	200	2006-03-30	7.75	5.67	112.89	200
1998-07-22	100	2029-10-01	6.00	6.00	99.96	100
1998-12-10	92	2007-10-01	6.50	5.31	108.29	92
1998-12-10	90	2003-12-01	7.50	5.04	110.58	90
1998-12-15	70	2010-06-28	10.00	5.47	138.29	70
	1,052					1,052

**STATEMENT OF BONDS ACQUIRED DIRECTLY FROM THE
GOUVERNEMENT DU QUÉBEC OR HYDRO-QUÉBEC**
as at December 31, 1998

GOUVERNEMENT DU QUÉBEC			
Nominal rate	Date of maturity	Cumulative amount¹	Percentage held by the Caisse²
6.00	1999-04-01	30	72
10.70	1999-05-01	60	-
10.75	1999-09-04 ³	35	-
10.00	2000-04-26	875	59
7.25	2000-09-01	250	44
10.00	2000-10-16 ³	125	-
10.50	2001-01-15	375	98
11.75	2001-02-15	100	100
9.75	2001-03-15 ³	125	-
10.25	2001-05-04 ³	225	-
10.25	2001-10-15	475	100
5.25	2002-04-01	400	12
9.25	2002-04-01	725	17
10.35	2002-06-15 ³	150	-
10.00	2002-12-15 ³	300	-
13.00	2003-04-07	75	-
10.63	2003-04-17 ³	150	-
9.00	2003-05-01	725	79
7.50	2003-12-01	865	83
14.63	2004-05-31	150	-
10.90	2004-09-24 ³	125	-
8.00	2004-10-01	200	100
9.75	2004-10-01	400	91
12.75	2004-11-29	175	11
11.70	2004-12-27 ³	75	-
12.60	2004-12-28	75	-
9.50	2005-04-01	350	99
12.25	2005-06-30	100	-
11.38	2005-10-03	75	100
7.75	2006-03-30	650	100
9.50	2006-05-01	100	68
10.00	2006-07-07	75	97
6.50	2007-10-01	342	100
11.00	2009-04-01	745	63
10.75	2009-06-26 ³	125	16
10.00	2010-06-28	170	100
10.75	2011-03-28	75	100
9.50	2011-09-02	210	100
9.00	2012-02-10	25	100
10.50	2012-06-04	200	-

GOUVERNEMENT DU QUÉBEC (continued)			
Nominal rate	Date of maturity	Cumulative amount¹	Percentage held by the Caisse²
11.88	2012-10-09	100	-
10.50	2014-06-01	125	88
13.25	2014-09-15 ³	37	-
11.00	2015-06-15 ³	16	-
11.00	2015-07-27	50	100
9.38	2023-01-16	650	45
9.50	2023-03-30	75	100
8.50	2026-04-01	380	100
6.00	2029-10-01	100	100
HYDRO-QUÉBEC			
10.75	1999-02-01	100	17
9.00	1999-04-01 ³	60	-
9.75	2000-02-06 ³	55	-
11.25	2000-10-10	50	39
7.00	2000-10-15	200	100
13.25	2000-12-14	85	9
10.88	2001-07-25	100	84
10.00	2001-10-21 ³	55	-
15.75	2002-09-15 ³	46	-
10.25	2003-05-15 ³	140	100
9.00	2003-06-01	100	62
10.00	2003-07-05 ³	125	-
10.75	2004-03-27 ³	180	-
11.00	2004-10-15 ³	55	2
11.75	2005-07-15 ³	90	59
8.50	2005-08-15	450	77
13.25	2005-09-30 ³	150	85
11.25	2008-06-01	100	100
10.00	2011-09-26	100	100
10.25	2012-07-16	320	29
11.00	2020-08-15	525	48
10.50	2021-10-15	100	100
9.63	2022-07-15	350	100

¹ Represents the total, in millions of dollars, of all investments traded by the Caisse in new bond issues of the Gouvernement du Québec or Hydro-Québec.

² Represents the proportion of the cumulative acquisitions in the Caisse's portfolio as at December 31, 1998.

³ Callable bonds.

**6 INVESTMENTS IN CANADIAN CORPORATE SHARES AND BONDS
BY SECTOR OF ACTIVITY
as at December 31, 1998
(fair value - in millions of dollars)**

	Shares and convertible securities	Bonds	Total	%
Metals and minerals	539.9	23.0	562.9	2.8
Gold and silver	750.7	-	750.7	3.7
Oil and gas	1,024.2	73.6	1,097.8	5.4
Paper and forest products	730.7	106.0	836.7	4.1
Consumer products	1,245.6	78.0	1,323.6	6.5
Industrial products	2,951.1	240.4	3,191.5	15.8
Real estate and construction	830.7	332.6	1,163.3	5.7
Transportation and environmental services	456.5	71.1	527.6	2.6
Pipelines	418.2	87.9	506.1	2.5
Utilities	2,287.3	248.9	2,536.2	12.5
Communications	1,597.2	68.5	1,665.7	8.2
Distribution and services	1,006.7	199.9	1,206.6	6.0
Financial services	3,859.0	484.0	4,343.0	21.4
Conglomerates	350.5	-	350.5	1.7
Index participation units - TSE 35	217.3	-	217.3	1.1
	18,265.6	2,013.9	20,279.5	100.0

**7 CHANGES IN PRIVATE INVESTMENTS
as at December 31**

	Cost	Fair value									
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
In millions of dollars	4,915	6,899	4,621	3,503	2,817	2,288	2,278	1,715	1,802	1,887	2,025
Number of investments	491	491	367	269	206	183	149	124	128	138	140

**STATEMENT OF REAL ESTATE HOLDINGS
as at December 31, 1998**

Location	Land and buildings	Location	Land and buildings	Location	Land and buildings
CADEV		Foreign investments		Paris	
Anjou	Land, boulevard Bombardier	Billerica		(France)	35, rue Jean-Goujon
Baie d'Urfé	Land, route Transcanadienne	(Mass., U.S.)	158 and 160 Concord Road	Paris	
Blainville	Land, autoroute des Laurentides	Boca Raton		(France)	7, rue de l'Hôtel-Colbert
Laval	2900, rue Édouard-Montpetit	(Fla., U.S.)	8207 Severn Drive	Paris	
Laval	Land, boulevard St-Elzéar	Charlotte		(France)	3, boulevard Montmartre
Laval	Land, boulevard St-Martin	(N.C., U.S.)	839 Scaleybark Road	Paris	
Laval	Land, autoroute 440, rue Dagenais	Columbia		(France)	34, rue Fontaine
Laval	Land, boulevard Le Carrefour	(Maryland., U.S.)	5458 Harpers Farm Road	Paris	
Mercier	Land, boulevard St-Jean-Baptiste	Fairfield		(France)	100 to 102, avenue Victor Hugo
Montréal	Land, 5400 to 5414 rue Hochelaga	(Calif., U.S.)	3001 North Texas Street	Paris	
Québec City	Land, boulevard de l'Ornière	Greensboro		(France)	8, rue Cambacérés
CADIM		(N.C., U.S.)	1921 New Garden Road	Paris	
Baie-Comeau	115, boulevard Comeau	Levallois		(France)	86 and 90, avenue de Villiers
Charlesbourg	4155, 4e Avenue Ouest	(France)	68, Bis rue Marjolin	Paris	
Côte-Saint-Luc	Land, 7600, rue Earle	Lisle		(France)	23, avenue Niel
Dorval	1325, boulevard Hymus	(Ill., U.S.)	1769 Robin Lane	Paris	
Longueuil	1999, boulevard Roland-Therrien	Nantes		(France)	48, boulevard Malesherbes
Longueuil	3460, chemin Chambly	(France)	49, Quai de Lourmel	Paris	
Longueuil	325, rue Joliette	New York		(France)	38 to 48, avenue de Wagram
Longueuil	695, boulevard Saint-Charles	(N.Y., U.S.)	6 West 107th Street	Paris	
Montréal	1170, rue Peel	New York		(France)	184, rue de Rivoli
Montréal	Land, 2020, rue University	(N.Y., U.S.)	108 West 15th Street	Paris	
Montréal	1500 and land, 1800, avenue McGill College	New York		(France)	37, boul de Grenelle
Montréal	360, rue Saint-Antoine Ouest	(N.Y., U.S.)	210 West 89th Street	Paris	
Montréal	800, place Victoria	New York		(France)	4, rue Galliera
Pointe-Claire	241, boulevard Hymus	(N.Y., U.S.)	230 East 44th Street	Paris	
Québec City	500, avenue Grande Allée Est	New York		(France)	51, boulevard de Strasbourg
Québec City	1 to 8, place Mérici	(N.Y., U.S.)	231 - 237 Second Avenue	Paris	
Québec City	Terrain Mérici	New York		(France)	22 to 24, rue de Londres
Québec City	Land, 690 and 700, boulevard René-Lévesque Est	(N.Y., U.S.)	235 and 237 West 48th Street	Paris	
Rivière-du-Loup	Land, 385, rue Lafontaine	New York		(France)	262 and 266, boulevard St-Germain
Saint-Laurent	2300, boulevard Alfred-Nobel	(N.Y., U.S.)	359 Second Avenue	Paris	
Saint-Laurent	7190 and 7220, rue Frederick-Banting	New York		(France)	73, rue d'Anjou
Sainte-Catherine	3605, boulevard Marie-Victorin	(N.Y., U.S.)	401 West 56th Street	Paris	
Sainte-Foy	2986 to 3004, rue Laverdure and 3001 to 3005, rue D'Entremont	Nice		(France)	1 to 7 Square du roule
Sherbrooke	3300, rue Des Chênes	(France)	24, rue Saint-François	Paris	
Sherbrooke	2775 and 2835, rue du Manoir	North Dallas		(France)	217 to 219, rue du Faubourg St-Honoré
Sherbrooke	3333, rue King Ouest	(Tex., U.S.)	9030 - 9050 Markville Drive	Paris	
Verdun	Land, portion of lot 4740 et al. (Île des Sœurs)	Paris		(France)	3, rue Hyppolite Lebas
		(France)	60, avenue Paul Doumer	Paris	
		(France)	8, rue Cambon	(France)	9, villa de Saxe

STATEMENT OF REAL ESTATE HOLDINGS (continued)
as at December 31, 1998

Location	Land and buildings
CADIM (continued)	
Paris (France)	1 to 9, rue Théophile Gauthier
Piaseczno (Poland)	Wifjska
Reston (Virginia, U.S.)	11013 Beacontree Lake Drive
Vista (Calif., U.S.)	333-365 Emerald Drive North
IVANHOE	
Beaconsfield	50, boulevard St-Charles and adjacent land
Brossard	2150, boulevard Lapinière
Burlington	3365 Fairview Street
Cap-aux-Meules	Land, route 199
Cap-de- la-Madeleine	180, rue de Grandmont
Charlesbourg	4296, 1 ^{ère} Avenue
Cobourg	1111 Elgin Street West
Côte-Saint-Luc	7155, chemin Côte-St-Luc
Delson	1000, boulevard Georges-Gagné and adjacent land
Dollard- des-Ormeaux	3237, boulevard des Sources
Dorval	310, avenue Dorval and adjacent land
Dundas	2-101 and 119 Osler Drive
Greenfield Park	345 to 545, boulevard Taschereau
Hamilton	751 Upper James Street
Hull	320, boulevard St-Joseph
Lachine	2972, rue Remembrance
LaSalle	395, avenue Dollard
Laval	901, boulevard Curé-Labelle
Laval	1055 to 1085, boulevard des Laurentides
Laval	2999, autoroute 440 and land
Laval	3003, boulevard Le Carrefour
Lévis	Land, route du Président-Kennedy
London	509 Commissioners Road
Longueuil	1401, chemin Chambly
Markham	5000 Highway 7
Mascouche	Land, montée Masson
Montréal	1745 to 1775, rue Fleury Est
Montréal	4801 to 4885, avenue Van Horne
Montréal	4815, rue Buchan
Montréal	4901, rue Jean-Talon Ouest

Location	Land and buildings
Montréal	4300 to 4700 and 4950, rue de la Savane
Montréal	5010, rue Paré
Montréal	5400, avenue Pierre-de-Coubertin
Montréal	2615 to 2865, avenue Van Horne and adjacent land
Montréal	7500, rue Victoria
Montréal	Land, rue Jean-Talon Ouest (lots 100-2, 9, 16 of village de Côte-des-Neiges)
Montréal	Land, rues Paré et Buchan
Montréal-Nord	10521 to 10707, boulevard Pie-IX
Montréal-Nord	6000, boulevard Henri-Bourassa Est and adjacent land
Montréal-Ouest	6645, rue Somerled
Mont-Royal	2305, chemin Rockland
Mont-Royal	2375, rue Lucerne
North York	2450 Sheppard Avenue East
Pincourt	107, boulevard Cardinal-Léger
Québec City	440, rue Bouvier
Repentigny	86 and 100, boulevard Brien and adjacent land
Repentigny	175, rue Notre-Dame
Rosemère	201 to 257, boulevard Labelle
Scarborough	325 to 395 Bamburgh Circle
Scarborough	5107 Sheppard Avenue East
Sherbrooke	350, rue Belvédère Sud
Sorel	250, boulevard Fiset
Saint-Bruno	1, boulevard des Promenades and adjacent land
Saint-Hubert	5025, boulevard Cousineau and land
Saint-Léonard	Land, rues Jean-Talon Est and Provencher
Saint-Léonard	Land, rue Jean-Talon Est (near Palerme)
Saint-Léonard	4325 to 4505, rue Jean-Talon Est
Sainte-Agathe	Land, chemin Palomino
Sainte-Foy	2452, boulevard Laurier and adjacent land
Thetford Mines	166, rue St-Charles
Thornhill	800 Stell West Avenue
Toronto	4763 to 4781 Yonge Street
Trois-Rivières	1650, rue Royale
Trois-Rivières	4015 and 4025, boulevard des Forges and land
Foreign investments	
Alexandria (Virginia, U.S.)	5801 Duke Street
Chattanooga (Tenn., U.S.)	271 Northgate Mall

Location	Land and buildings
Danbury (Conn., U.S.)	7 Backus Avenue
Elizabethtown (Ky., U.S.)	1704 North Dixie Highway
Gainesville (Fla., U.S.)	6419 Newberry Road
Holland (Mich., U.S.)	12331 James Street
Kingsport (Tenn., U.S.)	2101 Fort Henry Drive
Lancaster (Penn., U.S.)	142 Park City Center
Las Vegas (Nev., U.S.)	4300 Meadows Lane, Suite 10
Milwaukee (Wis., U.S.)	2500 North Mayfair Road
Minnetonka (Minn., U.S.)	12401 Wayzata Boulevard
Omaha (Nebr., U.S.)	10000 California Street
Savannah (Georgia, U.S.)	7804 Abercorn Extension
St. Charles (Ill., U.S.)	3800 East Main Street
Taylor (Mich., U.S.)	2300 Eureka Road
Victor (N.Y., U.S.)	7979 Route 96, Pittford Victor Road and adjacent land

PENYORK PROPERTIES

Burlington	1100 Burloak Road
Burlington	5420, 5515 and 5555 N. Service Road
Burlington	5344 and 5353 John Lucas
Mississauga	2630 Skymark Avenue
Mississauga	Land, College Square
North York	90 Sheppard Avenue East
North York	5001 Yonge Street
Toronto	55 University Avenue

SITQ IMMOBILIER

Alma	705, avenue du Pont Nord and adjacent land
Beauport	1100, boulevard des Chutes
Brossard	1, 2, 3, 5, 7, 8, 9 and 11, place du Commerce and land
Brossard	8705, boulevard Taschereau

Location	Land and buildings
SITQ IMMOBILIER (continued)	
Cap-Rouge	1100, boulevard Chaudière
Chandler	175, rue Daigneault and adjacent land
Charlesbourg	4000, boulevard du Jardin
Chicoutimi	1212 and 1324, boulevard Talbot and adjacent land
Chicoutimi	299, rue des Saguenéens
Cowansville	175, rue Principale
Dorval	9045, 9245 to 9255, 9341 to 9395, 9405 to 9475, 9501 to 9539, 9545, 9551 to 9579, 9601 to 9665, 9675 to 9685, 9701 to 9745, 10105 to 10195, 10205 to 10255, chemin Côte-de-Liesse
Dorval	700 to 740, 735 to 745, 742 to 760, rue Renaud
Dorval	9010 to 9050, rue Ryan
Edmonton	Land, Edmonton Parkade
Forestville	25, route 138
Gaspé	39, montée Sandy Beach
Jonquière	3460, boulevard Saint-François and adjacent land
Kamloops	2189 Troon Way
La Pocatière	126, route 230 Ouest
Laval	3080, 3090 and 3100, boulevard le Carrefour
Laval	2525, boulevard Daniel Johnson
Laval	2345, autoroute des Laurentides
Laval	1 to 4, place Laval
Lévis	20, rue Saint-Georges Est
Longueuil	370, chemin Chambly
Longueuil	601 to 623, rue Le Breton
Longueuil	601 to 631, rue Bériault
Longueuil	2115 to 2147, rue de la Province
Magog	1700, rue Sherbrooke
Montréal	1200, avenue McGill College
Montréal	1981, avenue McGill College
Montréal	500, rue Sherbrooke Ouest
Montréal	747, Square Victoria
Montréal	752 to 772, rue Sherbrooke Ouest
Montréal	1055, boulevard René-Lévesque Est
Montréal	2000, rue Notre-Dame Est
Montréal	3901, rue Jarry Est and adjacent land boulevard Pie-IX
Montréal	4001 to 4011, boulevard Robert
Nicolet	150, rue Éloi-de-Grandmont and adjacent land
Plessisville	1971, rue Bilodeau

Location	Land and buildings
Pointe-aux-Trembles	12675, rue Sherbrooke Est
Pointe-Claire	300, rue Labrosse
Pointe-Claire	955 to 975 and 985, boulevard St-Jean
Pointe-Claire	1 to 245, place Frontenac
Québec City	2405, rue De Celles
Québec City	690 and 700, boulevard René-Lévesque Est
Québec City	801, chemin Saint-Louis
Québec City	880 and 930, chemin Sainte-Foy
Québec City	9550, boulevard de l'Ormière
Québec City	Land, corner of boulevard Lebourgneuf and boulevard des Gradins
Québec City	5700 to 5780, boulevard des Gradins, 565 to 585, boulevard Lebourgneuf and 300 to 350, rue Bouvier
Regina	1801 Hamilton Street
Richmond	13140, 13155, 13200, 13211, 13231, 13251, 13260 Delf Place
Richmond	13511, 13551, 13571, 13575, 13700, 13775, 13777 and 13800 Commerce Parkway
Richmond	13800 International Place
Rimouski	419, boulevard Jessop
Rimouski	80 to 84 and 114, rue Saint-Germain
Rivière-du-Loup	298, boulevard Thériault and adjacent land
Roberval	1221, boulevard Saint-Dominique
Saint-Georges-de-Beauce	8585, boulevard Lacroix
Saint-Laurent	155, rue Authier
Saint-Laurent	3300, 3350 to 3450, 3500 and land, chemin de la Côte-Vertu
Saint-Laurent	1055 to 1105, 1435 to 1473, 1475 to 1499, rue Bégin
Saint-Laurent	105, 145, 295 to 371, 375 to 455, 457 to 533, 470, 500 to 510, 555, 602 to 678, 605 and 607, rue Deslauriers
Saint-Laurent	4405, 4420 to 4440, 4445, 4448 to 4454, 4475, 4488 to 4492, 4500 to 4520, 4600 to 4620, 4700 to 4720, rue Garand
Saint-Laurent	655 to 817 and land, rue Gougeon
Saint-Laurent	Land, chemin Côte-de-Liesse
Saint-Laurent	200 to 210, 220 to 232, 350 to 354, 358 and 360, boulevard Lebeau
Saint-Laurent	280 to 350 and 295 to 341, rue Benjamin-Hudon
Saint-Laurent	Land, rue Pitfield

Location	Land and buildings
Saint-Laurent	4150, 4155, 4200, 4205 to 4395, 4300 to 4320, 4400 to 4420, 4405 to 4515, rue Poirier
Saint-Laurent	1400, rue Pomba
Saint-Laurent	4600 to 4650, rue Thimens
Saint-Laurent	6969, 7031 to 7045, 7875, 7905, 7945 to 7955, 8085 to 8089, route Transcanadienne
Saint-Léonard	6801, boulevard des Grandes Prairies
Saint-Raymond-de-Portneuf	333, côte Joyeuse
Sainte-Anne-de-Beaupré	10516, boulevard Sainte-Anne
Sainte-Foy	2095, boulevard Charest Ouest
Sainte-Foy	1000 and 1020, route de l'Église
Sainte-Foy	650, avenue Graham-Bell
Sainte-Foy	2875, boulevard Laurier
Saskatoon	255 Second Avenue North
Sherbrooke	2775 and 2835, rue du Manoir
Surrey	12827 and 12835 King George Highway
	12828 and 12834, 112 th B Avenue
	11286 and 11294, 128 th Street
Thetford Mines	8051, boulevard Smith Nord and adjacent land
Trois-Rivières	225, rue des Forges
Trois-Rivières-Ouest	4520, boulevard Royal and 4000 to 4100, boulevard des Récollets
Vancouver	505, 555, 580 and 595 Burrard Street
Vancouver	1055 Dunsmuir Street
Vancouver	533 Hornby Street
Vancouver	1875 Boundary Road
Vancouver	1508 Broadway
Vancouver	2020 and 2030 West Broadway
Vancouver	1130 and 1166 West Pender Street
Victoria	1644 Hillside Avenue
Westmount	1 to 4, Westmount Square
Winnipeg	Land, Main Street
Winnipeg	201 Portage Avenue
Winnipeg	35 Albert Street
Foreign investments	
Amarillo (Tex., U.S.)	600 South Tyler Street
Austin (Tex., U.S.)	7600 Burnet Road
Austin (Tex., U.S.)	5307 IH 35

STATEMENT OF REAL ESTATE HOLDINGS (continued)
as at December 31, 1998

Location	Land and buildings	Location	Land and buildings
SITQ IMMOBILIER (continued)			
Foreign investments (continued)			
Banbury (England)	Castle Street et Parsons Street	Paris (France)	42, avenue Friedland
Baton Rouge (Louisiana, U.S.)	450 Laurel Street	Paris (France)	52, rue d'Anjou
Bellevue (Wash., U.S.)	320 108 th Avenue NE	Paris (France)	8, rue d'Alsace
Bellevue (Wash., U.S.)	2244, 3625, 36052 132 nd Avenue SE	Paris (France)	13, Esplanade du Général de Gaulle
Bellevue (Wash., U.S.)	3617, 3650 and 3655 131 nd Avenue SE	Paris (France)	20, Bis Jardins Boieldieu
Bellevue (Wash., U.S.)	13231 SE 36 th Street	Paris (France)	1, rue Carpeaux
Bellevue (Wash., U.S.)	12920 SE 38 th Street	Paris (France)	16, rue de la République
Bruxelles (Belgium)	9, 13 and 13A, rue Bréderode, 28, 32, 48 and 52, rue Namur and rue Thérésienne	Paris (France)	11 and 13, cours Valmy
Charlotte (N.C., U.S.)	4201 Congress Street	Plano (Tex., U.S.)	1700 Coit Road
Charlotte (N.C., U.S.)	6805 Morrison Boulevard at Colony Road	Redmond (Wash., U.S.)	18000 NE 68 th
Denver (Colo., U.S.)	4300 and 4500 Cherry Creek South Drive	Redmond (Wash., U.S.)	18200-18700 NE Union Hill Road
Denver (Colo., U.S.)	700 and 710 South Ash Street	Round Rock (Tex., U.S.)	1111 North IH-35
Everette (Wash., U.S.)	1212 Admiralty Way	St-Ouen (France)	28 to 60, rue Andouin and Quay de Seine
Forth Worth (Tex., U.S.)	500 Throckmorton Street	Santa Ana (Calif., U.S.)	1551 N. Tustin Avenue
Huntington Beach (Calif., U.S.)	7711 Center Avenue	Seattle (Wash., U.S.)	1420 5 th Avenue
Issaquah (Wash., U.S.)	22011 SE 51 st Avenue et 5150 220 th Avenue SE	Seattle (Wash., U.S.)	1941 Westlake
Juarez (Mexico)	Land, Azlécas and Panamericano	Washington D.C. (U.S.)	1776 Eye Street, Republic Place
Kirkland (Wash., U.S.)	12413 and 12421 Willows Road NE	Westlake Hills (Tex., U.S.)	3811 Bee Caves Road
McKinney (Tex., U.S.)	1600 Redbud Drive		
Orange (Calif., U.S.)	3111 N. Tustin Avenue		

**HYPOTHÈQUES CDPQ
MORTGAGES OF \$5 MILLION AND OVER**

Balance: A = \$5 to \$10 million B = \$10 million and over

BORROWERS	Address	Location	Balance
Actif CLSC III, Société en commandite, L'	874 to 896, Place Trans-Canada	Longueuil	A
Aintabi, Elliott and La Société Immobilière en Propriété Marine Ltée	1023 to 1045, rue Ste-Catherine Ouest	Montréal	B
Aménagement Lyndale Ltée	1125, rue Moody	Terrebonne	B
Aménagement Lyndale Ltée	30 to 70, rue Dufferin	Salaberry-de-Valleyfield	B
Aménagement Westcliff Ltée	20, rue Évangéline	Granby	B
Appartements Le Neuville inc., Les	111 and 121, rue de la Barre	Longueuil	B
Carrefour de l'Estrie Inc.	3100, boulevard Portland	Sherbrooke	A
Centre commercial Cavendish Cie Ltée	5800, boulevard Cavendish	Côte-Saint-Luc	B
Centre commercial Place du Royaume (Chicoutimi) Inc	1401, boulevard Talbot	Chicoutimi	B
Centres Commerciaux Régionaux du Québec Itée	320, boulevard Saint-Joseph	Hull	B
Compagnie WHWW Hotels (Sherbrooke)	450, rue Sherbrooke Ouest	Montréal	B
Complexe Pointe-Claire Inc.	6301, route Transcanadienne	Pointe-Claire	B
Construction Olymbec inc., et al.	8255 to 8275, boulevard Saint-Miche	Montréal	A
Construction Olymbec inc., et al.	6355, rue Sherbrooke Est	Montréal	B
Construction Sarino inc.	10200, rue Renaude-Lapointe	Anjou	A
Devcorp Inc.	200, chemin Sainte-Foy	Québec City	B
Édifice d' Youville inc.	800, place d' Youville	Québec City	B
Fiduciaires du Fonds de placement immobilier Cominar, Les	3175, chemin des Quatre-Bourgeois	Sainte-Foy	A
Fiduciaires du Fonds de placement immobilier Cominar, Les	2600, boulevard Laurier	Sainte-Foy	B
Galeries Montmagny (1988) Inc., Les	101, boulevard Taché Ouest	Montmagny	A
Germain Pelletier Ltée	92, 2e Rue Ouest	Rimouski	A
Gestion DWS-Hines Itée et al.	1801, avenue McGill College	Montréal	B
Gestion Place du Royaume Inc. et al.	1401, boulevard Talbot	Chicoutimi	B
Immeubles DSA Inc.	1200, boulevard Saint-Martin Ouest	Laval	A
Immeubles La Hada Ltée et al., Les	4751, boulevard Les Grandes-Prairies	Saint-Léonard	A
Immeubles Plaza Z Corp. Inc. et al., Les	300, rue Barkoff	Cap-de-la-Madeleine	A
Investissements Metco Ltée	202, rue Berlioz	Verdun	B
Investissements Roywest Itée, Les	14 and 16, rue Prince-Arthur	Montréal	A
Ivanhoé III inc.	2151, boulevard Lapinière	Brossard	B
J.K. Investments inc.	1130, rue Sherbrooke Ouest	Montréal	B
Landing Holdings Limited	361 Water Street	Vancouver	B
Maron Land Development Inc.	698 and 700 Lawrence Avenue	North York	B
Pensionfund Realty Ltd.	5505 to 5559, avenue Royalmoun	Mont-Royal	A
Place Alexis Nihon inc.	1500, rue Atwater	Westmount	B
Place Dupuis Commercial Trust a/s Trust Général du Canada	855, rue Ste-Catherine Est	Montréal	B
Place Dupuis Commercial Trust a/s Trust Général du Canada	1415, rue St-Hubert	Montréal	A
Projets d'Urbanisation 2000 Inc.	2100, boulevard de Maisonneuve	Montréal	A
Promo Hotels Canada inc.	1321, rue Sherbrooke Ouest	Montréal	B
Rouleau Robert, et al.	1, Plaza de la Mauricie	Shawinigan	A
SITQ bureaux inc.	801, chemin Saint-Louis	Québec City	A
SITQ bureaux inc. and Relium Inc. et al.	880 and 930, chemin Sainte-Foy	Québec City	A
SITQ commercial inc. and Immeuble Carege inc.	1324, boulevard Talbot	Chicoutimi	A
SITQ commercial inc. and Immeuble Carege inc.	419, boulevard Jessop	Rimouski	B
Société de Gestion Accurso Ltée et al.	1535 to 1565, boulevard Le Corbusier	Laval	A
Société en commandite, Centre Lava	1500 to 1660, boulevard Le Corbusier	Laval	B

Société en commandite, Les Terrasses Langelier et al.	6335 to 6455, rue Jean-Talon Est	Montréal	B
Société en commandite, Les Appartements d'Assigny	110, rue de la Barre	Longueuil	A
Société Immobilière TrizecHahn Itée.	500, boulevard René-Lévesque Ouest	Montréal	B
Southwest Properties Limited	1595 and 1597 Bedford Highway	Halifax	B
The Erin Mills Development Corp. and Cadillac Fairview Corp.	5100 Erin Mills Parkway and 2670 Erin Centre Boulevard	Mississauga	B
Tonko Development Corporation	315-319 Banff Avenue	Banff	B
1862 Holdings Ltd. and Bentall Corporation	1130 Pender Street West	Vancouver	B
2423-5632 Québec inc.	200, rue Belvédère Nord	Sherbrooke	A
159469 Canada Inc. and Les Immeubles 5500 Royalmount Inc	5500, avenue Royalmount	Mont-Royal	A
3138712 Canada Inc.	620 to 630, rue Ste-Catherine Ouest	Montréal	A

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**STATEMENT OF PROPERTIES HELD FOR RESALE
as at December 31, 1998**

Location	Address
Alma	1055, rue Du Pont Sud
Anjou	7333, boulevard Des Roseaies
Baie-Comeau	300, boulevard LaSalle
Beaupré	1000, boulevard Beaupré, apt. 101 and 102
Charlesbourg	744 to 746 and 748 to 750, rue St-Viateur
Dorval	707, avenue Lajoie
Dorval	810 to 850, avenue Halpern
Gaspé	142, boulevard Gaspé
Hull	214, boulevard de la Cité-des-Jeunes
Jonquière	2675, boulevard du Royaume
La Baie	993 to 997 and 1013, rue Bago
Lachine	795, 1re Avenue
Laval	3603, autoroute 440 Ouest
Montréal	4148 to 4154, rue Adam
Montréal	5010 and 5012, boulevard de Maisonneuve Ouest
Montréal	11850, rue Sherbrooke Est
Montréal-Nord	12315, boulevard Rolland
Pierrefonds	4886, boulevard Saint-Charles
Port-Cartier	24, boulevard des Îles
Québec City	135 to 163, rue Des Chênes Ouest
Québec City	450, rue Saint-Jean-Baptiste
Québec City	5237, boulevard Wilfrid-Hamel
Repentigny	818, rue Notre-Dame
Rimouski	40 to 44 and 70, rue Saint-Germain Est
Rosemère	395, chemin Grande-Côte
Saint-Eustache	15, chemin Grande-Côte
Saint-Jean-sur-Richelieu	800, boulevard Industriel
Saint-Léonard	5750, boulevard Métropolitain Est
Saint-Léonard	6191 to 6199, boulevard Métropolitain Est
Saint-Sauveur-Des-Monts	200, rue Principale
Sainte-Foy	2670, rue Dalton
Trois-Rivières	525, rue Charlevoix
Trois-Rivières-Ouest	1090 and 1110, boulevard Mauricier

The properties hereinabove mentioned are held by the Caisse or one of the following subsidiaries: Placements P.H.C. inc., 2954834 Canada inc., 3097-1618 Québec inc. and 3097-1626 Québec inc.

11 CAISSE REAL ESTATE GROUP - SUMMARIES OF THE SPECIALIZED PORTFOLIOS
as at December 31, 1998

REAL ESTATE INVESTMENTS		
Investments¹	Fair value	Cost
	(in millions of dollars)	
Real estate holdings ²		
Buildings	6,995.1	7,004.2
Land	303.6	294.1
	7,298.7	7,298.3
Bonds	0.1	0.1
Shares and convertible securities	954.4	1,023.7
Mortgages	270.1	250.5
Short-term investments	33.1	33.1
Total investments	8,556.4	8,605.7
Related bank and mortgage loans	4,326.8	4,293.9
Non-controlling interest	597.5	434.6
Other assets and liabilities	168.5	39.7
	5,092.8	4,768.2
Net holdings	3,463.6	3,837.5

¹ These investments include those of the Caisse and its consolidated subsidiaries in the specialized real estate portfolio.

² The fair value of the real estate holdings of the Caisse and its subsidiaries in Canada was certified by one of the following appraisal firms: LCBA Group, Lecours, Bernèche & Associés, Desjarlais, Prévost et Associés, inc., the real estate consulting service of Raymond, Chabot, Grant, Thornton, PricewaterhouseCoopers LLP and CB Richard Ellis Limited. The fair value of real estate holdings outside Canada was certified by appraisal firms.

MORTGAGES		
Investments¹	Fair value	Cost
	(in millions of dollars)	
Mortgages ²	1,577.4	1,533.3
Properties held for resale	51.7	75.7
Demand deposits in the General Func	20.8	20.8
Total investments	1,649.9	1,629.8
Other assets and liabilities	(4.5)	(4.5)
Net holdings	1,645.4	1,625.3

¹ These investments include those of the Caisse and its consolidated subsidiaries in the specialized mortgage portfolio.

² The fair value of the mortgages of the Caisse was based on the interest rates of the commercial and residential sectors as at December 31, 1998. The fair value of the real estate holdings was appraised by internal certified appraisers or, in some particular cases, by the appraisal firms Lecours, Bernèche & Associés and Godbout, Joseph & Associés Inc.

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS
as at December 31, 1998
(fair value - in millions of dollars)

Some investments are managed and/or held by one of the following subsidiaries:

A Capital d'Amérique CDPQ inc.	E Capital CDPQ inc.	I Cadim
B Sofinov, Société financière d'innovation inc	F Accès Capital	K SITQ IMMOBILIER
C Capital Communications CDPQ inc.	G Services financiers CDPQ inc.	K Refers to the Caisse where the subsidiary manages and/or holds only part of the investment.
D Capital International CDPQ inc.	H Ivanhoe inc.	

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
ABB Group	class A		633,245	10.4				10.4
ABL Canada Inc.		A	240,436	0.2	0.2			0.4
ABSA Group Limited			224,483	1.6				1.6
ACS, Actividades de Construcción y servicios, S.A.			184,500	11.2				11.2
ADS inc. ¹	class A	A	1,880,132	5.2			5.2	
	purchase options	A	7,000	-			-	5.2
AEC Pipelines, L.P.	units		40,800	0.3				0.3
AFLAC Incorporated			49,000	3.3				3.3
AGF Management Limited	class B		264,700	6.1				6.1
AGRA Industries Limited			637,120	6.3				6.3
A. H. Belo Corporation			150,000	4.6				4.6
AL Ezz Porcelain Company			114,904	0.5				0.5
AMP Limited			200,000	3.9				3.9
APF Energy Trust	units		218,000	1.7				1.7
ARA S.A. de C.V., Consorcio			232,200	0.9				0.9
ASA Holdings Inc.			101,600	4.8				4.8
ASM Lithography Holding			156,800	7.4				7.4
ASM Pacific Technology Limited			2,046,000	1.4				1.4
ATI Technologies Inc.			4,314,150	75.3				75.3
ATS Automation Tooling Systems Inc.			642,200	12.8				12.8
AVA Allgemeine Handelsgesellschaft der Verbraucher AG			200	0.1				0.1
Abbey National Plc			591,500	19.4				19.4
Abbott Laboratories			18,400	1.4				1.4
Aber Resources Ltd.			1,737,500	14.9				14.9
Abitibi-Consolidated Inc.		A, K	6,149,633	87.3				87.3
Acanthus Real Estate Corporation		I	500,000	2.9				2.9
Accor			98,112	32.6				32.6
Accton Technology Corporation			305,860	1.4				1.4
Adecco SA			14,660	10.3				10.3
Advanced Semiconductor Engineering Inc.			66,500	0.9				0.9
Advantest Corp.			125,180	12.2				12.2
Aegon Insurance			151,847	28.7				28.7
Aetna Life and Casualty Company			19,100	2.3				2.3
Affiliated Managers Group Inc.		B	22,320	1.0				1.0
Agiv AG			63,799	2.5				2.5

Agnigo-Eagle Mines Limited			104,400	0.7			0.7
Agrium Inc.			170,780	2.3			2.3
Ahold			208,000	11.8			11.8
Air Canada ¹	class A		10,335,550	52.7		52.7	
		A	649,244	4.0	5.1	9.1	61.8
Air Liquide (L')			79,349	22.4			22.4
Air Products & Chemicals, Inc.			137,600	8.5			8.5
Ajinomoto Company Inc.			100,000	1.6			1.6
Aksa Akrilik Kimya Sanayii A.S.			9,423,500	0.2			0.2
Aksigorta A.S.			6,347,000	0.3			0.3
Akzo Nobel NV			121,045	8.5			8.5
Alberta Energy Company Ltd.			2,235,713	73.8	1.5		75.3
Alcan Aluminium Limited			4,754,221	197.3			197.3
Alcatel Alsthom			276,700	52.0			52.0
Alexandria Real Estate			4,200	0.2			0.2
Alfa, S.A. de C.V.	class A		500,000	2.2			2.2
Alimentation Couche-Tard Inc.		A	444,200	8.6			8.6
Alleanza Assicuraz			1,370,301	29.8			29.8
Allegheny Energy, Inc.			37,900	2.0			2.0
Allelix Biopharmaceuticals Inc.			397,340	1.7			1.7
Alliance Capital Management L.P.			77,600	3.1			3.1
Alliance Atlantis Communications Inc.	class B		123,500	3.2			3.2
Alliance Inc., Produits forestiers ²		A, K	2,092,800	30.6			30.6
Allianz Holding			64,901	36.6			36.6
Allied Domecq			955,541	13.6			13.6
Allied Irish Banks			125,200	3.4			3.4
Allied Zurich Plc			1,352,329	31.0			31.0
Allied-Signal Inc.			239,000	16.3			16.3
Allmerica Financial Corporation			75,300	6.7			6.7
Allstate Corp.			49,400	2.9			2.9
AlphaNet Telecom Inc. ¹			1,227,600	0.8			0.8
Aluminium Company of America			1,456	0.2			0.2
Amer Group Ltd.			235,000	3.8			3.8
American Electric Power Company, Inc.			29,700	2.1			2.1
American Express Company			165,100	25.9			25.9
American General Corporation			33,898	4.1			4.1
American Home Products Corporation			363,200	31.4			31.4
American International Group, Inc.			644,975	95.7			95.7
American Telephone and Telegraph Co			226,200	26.1			26.1
Ameritech Corporation			7,800	0.8			0.8
Amethyst Arbitrage Fund	units		474,833	5.0			5.0
Amoco Corporation			7,700	0.7			0.7
Anderson Exploration Ltd.			3,588,669	49.9			49.9
Anglo American Platinum Corporation Limitec			197,801	4.2			4.2
Anglogold Limited			64,300	3.8			3.8

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Anheuser-Busch Companies, Inc.			37,600	3.8				3.8
Aoyama Trading Co., Ltd.			68,000	2.9				2.9
Apasco S.A. de C.V.			127,500	0.7				0.7
Apple Computer, Inc.			40,300	2.5				2.5
Arabian International Construction			66,977	0.7				0.7
Aracruz Celulose S.A.	preferred B		343,000	0.4				0.4
Arcelik A.S.			10,056,700	0.4				0.4
Archer Daniels Midland Company			87,097	2.3				2.3
Arjo Wiggins Appleton			518,000	1.5				1.5
Arrow Electronics, Inc.			54,200	2.2				2.2
Artic Group Inc., The	special warrants		200,000	0.4				0.4
Asahi Bank, Ltd., The			250,000	1.4				1.4
Asahi Breweries, Ltd.			422,000	9.6				9.6
Asahi Chemical Industry Co., Ltd.			1,555,000	11.4				11.4
Asatsu Inc.			243,600	9.0				9.0
Asbestos Limitée, Société			259,065	4.1				4.1
Ascend Communications Inc.			235,000	23.7				23.7
Ashland Inc.			25,500	1.9				1.9
Ashok Leyland Ltd.			214,200	1.0				1.0
Asia Cement Corporation			70,000	1.0				1.0
Asia Satellite Telecommunications Holdings Ltd			505,000	1.4				1.4
Assicurazioni Generali			955,600	61.4				61.4
Associates Capital Corporation of Canada						37.2		37.2
Associates First Capital Corporation	class A		306,002	19.9				19.9
Astra	class A		588,000	18.4				18.4
Astral Communications Inc.	class A	A	357,200	8.6			8.6	
	class B	A	1,200	-			-	8.6
Asustek Computer Inc.			44,459	0.6				0.6
Au Printemps S.A.			85,850	25.2				25.2
Aur Resources Inc.			800,000	2.1				2.1
Aurizon Mines Ltd. ¹	warrants	A	488,144	0.1	4.5			4.6
Australia & New Zealand Banking Group			1,222,475	12.3				12.3
Australian Gas Light Company Limited			160,000	1.8				1.8
Autogrill SpA			802,400	9.9				9.9
Automatic Data Processing, Inc.			176,200	21.7				21.7
Avalonbay Communities, Inc.		I	65,000	3.4				3.4
Avco Financial Services Canada Limited						20.0		20.0
Avcorp Inc., Les Industries		A	346,539	1.2				1.2
Avenor Inc.		A				6.6		6.6
Avnet, Inc.			17,200	1.6				1.6

Avon Products Inc.		292,600	19.9		19.9
Axa		146,807	32.7		32.7
Axcan Pharma Inc. ¹	B	1,694,700	18.2		18.2
Axime		100,218	36.8		36.8
Ayala Land, Inc.	class B	3,521,908	1.5		1.5
B Split Corp.	preferred	79,980	2.0		2.0
BAA Plc		1,481,700	26.8		26.8
BC Gas Inc.		695,400	21.2		21.2
BC Gas Utility Limited				10.3	10.3
BC Telecom Inc.		911,321	38.1		38.1
BCE Inc.		13,940,552	806.5		806.5
BCE Mobile Inc., Radiocommunication		810,586	33.6		33.6
BEC World Public Company Limited		83,500	0.7		0.7
B.F. Goodrich Company, The		39,000	2.1		2.1
BG Plc		862,334	8.5		8.5
BMC Software		942,000	64.5		64.5
BOC Group		600,700	13.2		13.2
BP Amoco Plc		3,672,338	84.3		84.3
BSES, Ltd.		66,900	1.3		1.3
BTR		2,200,000	6.9		6.9
Bajaj Auto Ltd.		133,300	3.2		3.2
Ballard Power Systems Inc.		1,079,300	45.3		45.3
Bâloise		5,760	9.2		9.2
Banco Bradesco S.A.	preferred	259,090,860	2.2		2.2
Banco de A. Edwards		40,790	0.7		0.7
Banco de Santander		407,921	12.5		12.5
Banco de Santander Chile		22,290	0.5		0.5
Banco do Estado de Sao Paulo S.A.	preferred	35,100,000	2.2		2.2
Banco Frances del Rio de la Plata S.A.		47,897	0.5		0.5
Banco Ganadero S.A.	preferred	21,100	0.3		0.3
Banco Itau S.A.	preferred	3,287,900	2.5		2.5
Banco Popular Español S.A.		293,000	34.0		34.0
Banco Provincial, S.A.		174,300	0.3		0.3
Banco del Rio de la Plata S.A.		20,000	0.4		0.4
Bangkok Bank		797,200	2.5		2.5
Bank of Asia Public Company Limited, The		900,000	1.1		1.1
Bank of Montréal		6,465,225	398.9		398.9
Bank of New York		507,000	31.3		31.3
Bank of Scotland		1,344,384	24.6		24.6
Bank One Corporation		330,400	25.9		25.9
Bank Polska Kasa Opieki Grupa Pekao S.A.		22,000	0.4		0.4
Bankamerica Corporation		322,290	29.8		29.8
Bankers Trust Corporation		50,000	6.6		6.6
Banpu Public Company Limited		412,550	1.3		1.3
Banque Audi		13,300	0.5		0.5

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Banque du Liban et d'Outre Mer			10,600	0.5				0.5
Banque Nationale de Paris			58,215	7.4				7.4
Barclays Bank Plc			1,129,815	38.4				38.4
Barito Pacific Timber			1,996,000	0.1				0.1
Barrick Gold Corporation			10,689,705	318.6				318.6
Bass			390,016	8.7				8.7
Battle Mountain Canada Ltd.			1,194,700	7.9				7.9
Bavaria S.A.			62,037	0.5				0.5
Baxter International Inc.			189,800	18.7				18.7
Bayer AG			128,233	8.2				8.2
Bayerische Motoren Werke AG			6,600	7.9				7.9
Bayerische Vereinsbank AG			65,669	7.9				7.9
Baytex Energy Ltd.	class A		50,000	0.2				0.2
Beau Canada Exploration Ltd.			1,401,400	2.7				2.7
Bell Atlantic Corporation			178,100	14.5				14.5
Bell Canada International Inc.		A	1,893,900	32.6		25.0		57.6
Bell Mobility						10.3		10.3
Belle Corporation	warrants		194,600	-			-	-
			2,756,600	0.2			0.2	0.2
BellSouth Corporation			160,400	12.3				12.3
Benvest Capital Inc.	class A	A	600,000	1.4				1.4
Berjaya Sports Toto Bhd			1,023,000	2.0				2.0
Berkley Petroleum Corp.			1,161,293	13.5				13.5
Bestar inc.		A	390,700	2.0				2.0
Bezea Israel Telecom			230,121	1.1				1.1
Bic (Sté)			9,515	0.8				0.8
Biliton Plc			500,000	1.5				1.5
Bimbo	class A		706,700	2.1				2.1
BioChem Pharma Inc. ²		B, K	5,612,710	247.5				247.5
Biomira Inc.		A, K	681,966	3.3				3.3
Biovail Corporation International			700,400	40.6				40.6
Black Hawk Mining Inc.			652,900	0.1				0.1
Blue Circle Industries Plc			443,348	3.6				3.6
Blue Range Resource Corporation	class A		282,500	1.0				1.0
Boardwalk Equities, Inc.		I	108,400	1.8				1.8
Boeing Company, The			350,000	17.5				17.5
Boliden Limited			1,212,700	4.7				4.7
Bombardier Inc.	class A		7,591,600	169.7		20.6	190.3	
	class B		7,181,812	158.0			158.0	348.3
Bonus Resource Services Corp.			1,000,000	1.5				1.5

Booker Plc			1,155,000	1.8		1.8
Boots Company, Plc			685,000	17.9		17.9
Boralex inc.	class A	A	700,000	3.0		3.0
Borg-Warner Automobile, Inc.			191,200	16.4		16.4
Bouygues S.A.			97,316	30.8		30.8
Brambles Industries Limited			155,000	5.8		5.8
Brazil Fast Food Corporation			170,000	0.2		0.2
Bridgestone Corp.			222,000	7.8		7.8
Briggs & Stratton Corporation			21,600	1.7		1.7
Bristol-Myers Squibb Company			393,200	80.3		80.3
British Aerospace Plc			1,090,066	14.3		14.3
British Airways			640,986	11.3		11.3
British American Tobacco Plc			1,189,994	16.1		16.1
British Telecom			3,486,900	80.7		80.7
Broken Hill Proprietary			677,429	7.7		7.7
Brookfield Properties Corporation		I, K	1,676,900	31.5		31.5
Browning-Ferris Industries, Inc.			37,400	1.6		1.6
Burlington Northern Santa Fe Inc.			45,900	2.4		2.4
CAE Inc.			1,705,858	13.9		13.9
CCL Industries Inc.	class A		40,000	0.7	0.7	
	class B		696,580	12.4	12.4	13.1
CEZ A.S.			23,990	0.8		0.8
CGI Group Inc., The	class A	A, B, K	3,826,556	115.8		115.8
CGU Plc			907,991	21.9		21.9
CHC Helicopter Corporation	class A		389,600	1.9		1.9
CHUM Limited	class B		131,900	5.0		5.0
C.I. Fund Management Inc.			425,000	6.0		6.0
CIGNA Corporation			26,700	3.2		3.2
C-MAC Industries Inc.		A, K	274,726	6.9	51.3	58.2
COM DEV International Ltd.			751,300	5.9		5.9
COMAIR Holdings Inc.			125,000	6.5		6.5
COMPAQ Computer Corporation			761,000	49.0		49.0
CSX Corporation			34,300	2.2		2.2
CTV Inc.			1,090,000	24.4		24.4
CVS Corporation			33,500	2.8		2.8
Cabano Kingsway inc.		A	600,000	1.9		1.9
Cable & Wireless Communications Plc			57,950	0.8		0.8
Cable & Wireless Optus Limited			200,000	0.6		0.6
Cable & Wireless Plc			2,047,990	39.1		39.1
Cabot Corporation			37,200	1.6		1.6
Cadbury Schweppes Plc			1,100,000	28.8		28.8
Cadenalco			114,370	0.1		0.1
Cadillac Fairview Corporation		I, K	1,725,500	48.7		48.7
Caemi Mineracao e Metalurgia S.A.	preferred		13,089,960	0.4		0.4
Call-Net Enterprises Inc.	class B	A, K	2,376,583	32.7	23.3	56.0

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Calvalley Petroleum Inc.	class A		600,000	0.2				0.2
Cambiex Inc., Exploration ¹		A	3,744,000	0.8				0.8
Cambior Inc. ^{1,2}			7,815,678	58.6				58.6
Cambridge Shopping Centers Limitec ¹		A, H, K	27,324,860	344.3	75.6	50.0		469.9
Cameco Corporation			675,000	18.5				18.5
Canada Life Assurance Company, The						14.9		14.9
Canadian Hunter Exploration Ltd.			597,105	6.0				6.0
Canadian Imperial Bank of Commerce			9,317,220	354.1				354.1
Canadian Marconi Company			279,691	5.2				5.2
Canadian National Railway Company			1,765,750	140.8				140.8
Canadian Natural Resources Limitec			1,652,278	38.0				38.0
Canadian Occidental Petroleum Ltd.			3,171,966	50.4		17.2		67.6
Canadian Pacific Limited			3,991,847	114.8				114.8
Canadian Tire Corporation Limited	class A		2,759,742	111.1		9.2		120.3
Canadian Utilities Limited	class A		302,582	14.5				14.5
Canadian 88 Energy Corporatior			1,605,600	7.9				7.9
Canal Plus			20,000	8.4				8.4
Canam Manac Inc., Le Groupe	class A	A	1,158,639	6.0			6.0	
	purchase options	A	12,500	-			-	6.0
Canfor Corporation			303,500	1.4				1.4
Canon Inc.			111,000	3.7				3.7
Canwest Global Communication Corporatior			1,478,255	28.4				28.4
Cara Operations Limited	class A		2,437,500	12.8		4.0		16.8
Caradon Plc			770,000	2.0				2.0
Caribbean Utilities Company, Ltd.	class A		232,000	4.3				4.3
Carlton Communications Plc			1,014,250	14.4				14.4
Carmanah Resources Limited			2,180,700	0.8				0.8
Carrefour			14,133	16.4				16.4
Cascades Inc.			100,000	0.7				0.7
Case Credit Ltd.						5.5		5.5
Castellum AB			260,000	4.3				4.3
Caterpillar Inc.			46,800	3.3				3.3
Celanese Canada Inc.			1,257,242	28.2				28.2
Celestica International Holdings Inc.		A	2,000,000	75.6				75.6
Cemex S.A. de C.V.			270,000	0.9				0.9
Centrais Electricas Brasileiras S.A.	preferred B		13,009,000	0.4			0.4	
			86,185,580	2.3			2.3	2.7
Centrefund Realty Corporation		I	100,000	1.7	2.4			4.1
Ceramica Carabobo	class A		38,280	0.1				0.1
Cerveceria Backus & Johnston S.A.			475,600	0.2				0.2

Ceska Sportelna A.S.			48,500	0.3		0.3
Champion International			32,800	2.0		2.0
Chase Manhattan Corporation, The			349,256	36.5		36.5
Chauvco Resources International Ltd.			1,000,000	0.1		0.1
Cheil Jedang Corp.			10,150	0.5		0.5
Cheung Kong			1,067,000	11.8		11.8
Chevron Corporation			69,900	8.9		8.9
Chieftain International, Inc.			19,557	0.5		0.5
Chilectra S.A.			88,300	3.0		3.0
Chilgener			15,300	0.4		0.4
China Everbright Limited			1,000,000	0.7		0.7
China International Marine Containers Ltd.			269,340	0.2		0.2
China Light & Power			805,000	6.2		6.2
China Merchants Holdings International Company Limitec			1,000,000	1.0		1.0
China Steel Corporation			56,000	1.0		1.0
China Telecom (Hong Kong) Ltd.			1,331,000	3.5		3.5
China Tire Holdings Limited			28,600	0.2		0.2
Chrysalis International Corp.			378,900	0.3		0.3
Chrysler Credit Canada Limited					30.2	30.2
Chubb Corporation, The			181,500	18.1		18.1
Chugai Pharmaceutical Co., Ltd.			1,325,000	20.4		20.4
Cia Energetica de Minas Gerais (CEMIG)			59,947	1.7		1.7
	preferred		46,575,212	1.4		1.4
Cifra S.A. de C.V.	class V		746,342	1.4		1.4
CINAR Corporation	class B	A, K	241,900	9.1		9.1
Cinram International Inc.			507,800	9.4		9.4
Circuit City Stores-Circuit City Group			29,900	2.3		2.3
Cisco Systems, Inc.			776,825	110.7		110.7
Citigroup Inc.			1,727,851	131.4		131.4
City Developments			300,000	2.0		2.0
Clal Insurance Enterprise Holdings Ltd.			28,143	0.4		0.4
Cleartnet Communications Inc.	class A	A, K	1,468,930	18.2	53.6	71.8
CliniChem Development Inc. ²	class A	B, K	160,935	1.3		1.3
Clorox Company, The			148,800	26.5		26.5
Cobepa S.A.	class VVPR	D	33,500	4.3		4.3
		D	891,500	115.8		115.8
Coca-Cola Amatil Ltd.			935,125	5.4		5.4
Coca-Cola Beverages Plc			658,365	1.9		1.9
Coca-Cola Company, The			128,900	13.2		13.2
Coflexip S.A.			100,000	4.9		4.9
Cogeco Inc.		A	152,500	3.1		3.1
Cognicase Inc.		B	300,000	10.2		10.2
Cognos Incorporated			995,247	38.2		38.2
Coles Myer Limited			850,249	6.8		6.8
Colgate-Palmolive Company			259,700	37.0		37.0

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Collateralized Mortgage Secs						20.8		20.8
Colonial Limited			778,803	4.1				4.1
Comalco Limited			393,000	2.3				2.3
Cominar Real Estate Investment Trust	receipts	I, K	500,000	3.0				3.0
Cominco Ltée			2,306,786	40.0				40.0
Commonwealth Bank of Australia			150,000	3.3				3.3
Compagnie financière Paribas			270,000	36.1				36.1
Compagnie Financiere Richemont AG	units		2,700	5.9				5.9
Companhia Brasileira de Distribuicao Grupo Pao de Acucar			25,000	0.6				0.6
Companhia Parnaense de Energia-Cope	preferred B		60,000	0.5				0.5
Companhia Paulista de Forca e Luz			7,482,000	0.8				0.8
Companhia Vale do Rio Doce (CVRD)	preferred		103,100	2.0			2.0	
			25,070	0.4	-		0.4	2.4
Compañía anónima nacional Tsle			95,560	2.6				2.6
Compañía Cervecerias Unidas S.A.			76,220	2.3				2.3
Compañía de Minas Buenaventura S.A.			46,537	0.4				0.4
Compañía Telefónica Nacional de España S.A			427,786	29.3				29.3
Comparex Holdings Limited			50,000	0.6				0.6
Compass Group			1,366,000	24.0				24.0
Computalog Ltd.			126,000	0.8				0.8
Computer Associates International, Inc.			97,500	6.4				6.4
Conagra, Inc.			11,100	0.5				0.5
Concert Industries Ltd. ¹	warrants	A	120,000	0.1			0.1	
		A	406,666	1.2	7.3		8.5	8.6
Consolidated Papers Inc.			14,870	0.6				0.6
Controladora Comercial Mexicana	class C		804,000	0.9				0.9
Cookson Group Plc			2,250,000	7.6				7.6
Cooper Tire & Rubber Company			56,100	1.8				1.8
Coreco Inc.		A	437,690	3.1				3.1
Corporación Bancaria de España, S.A.			155,000	6.2				6.2
Corporación Geo S.A. de C.V.			329,000	1.4				1.4
Corporación Interamericana de Entretenimiento S.A	class B		85,000	0.4			0.4	
	class L		11,333	-			-	0.4
Corporación Venezolana de Cementos, S.A. C.A			639,067	0.6				0.6
Corporate Express			159,600	1.3				1.3
Cortefiel S.A.			142,184	5.8				5.8
Coscient Group Inc. ¹	class A	A, C	3,493,364	18.7			18.7	
	purchase options	C	100,000	0.4			0.4	19.1
Cosco Pacific Ltd.			1,650,000	1.1				1.1
Cosmos Bottling Co.	preferred		631,999	0.2				0.2

Costco Companies Inc.			135,000	15.0				15.0
Co-Steel Inc.			256,174	3.3		8.1		11.4
Cott Corporation			850,100	4.6				4.6
Counsel Corporation ²			1,796,499	21.6		11.1		32.7
Countrywide Credit Industries, Inc.			19,200	1.5				1.5
Courage Energy Inc.			100,000	0.2				0.2
Credit Suisse Group			300,688	72.3				72.3
Credito Italiano			2,587,561	23.5				23.5
Crestar Energy Inc.			2,744,776	35.7			3.2	38.9
CrossKeys Systems Corporation ²			1,116,900	12.6				12.6
Crown Cork & Seal Company, Inc.			42,000	2.0				2.0
Cubist Pharmaceuticals Inc.	warrants	B	1,111,112	1.4			1.4	
		B	2,386,223	14.0			14.0	15.4
Cukurova Elektrik A.S.			105,800	0.2				0.2
Cummins Engine Co., Inc.			24,500	1.3				1.3
Dacom Corporation			34,000	2.1				2.1
Dae Duck Electronics Company			6,120	0.7				0.7
Daifuku Co., Ltd.			1,034,000	8.5				8.5
Daito Trust Construction Co., Ltd.			419,700	5.6				5.6
Daiwa House Industry Co., Ltd.			200,000	3.3				3.3
Daiwa Securities Company Limited			990,000	5.2				5.2
Dakota Mining Corporation						0.3		0.3
Dana Corporation			25,300	1.6				1.6
Danone, Le Groupe			47,944	21.1				21.1
Datamark Inc.		A	490,600	1.5				1.5
Daya Guna Samudera			541,320	0.5				0.5
Dayton Hudson Corporation			636,000	53.0				53.0
Dayton Mining Corporation			456,900	0.2				0.2
De Beers Centenary AG			142,000	2.8				2.8
Delta Electronics Inc.			71,400	0.6				0.6
Den Danske Bank			41,170	8.5				8.5
Depan-Escompte Couche-Tard inc.		A				20.3		20.3
Desc S.A. de C.V.	class B		614,500	0.8			0.8	
			71,863	2.1			2.1	2.9
Descartes Systems Group Inc., The			340,000	3.5				3.5
Destination Resorts Inc.	special warrants	I, K	285,700	0.8	0.8		1.6	
			446,000	1.3			1.3	2.9
Deutsche Bank AG			174,813	15.8				15.8
Deutsche Lufthansa AG			58,378	2.0				2.0
Deutsche Telekom AG			1,247,500	63.0				63.0
Development Bank of Singapore			1,004,000	13.9				13.9
Devon Energy Corporation			30,663	1.4				1.4
Dia Met Minerals Ltd.	class A		226,500	4.0			4.0	
	class B		60,000	1.2			1.2	5.2
Diageo Plc			2,292,180	40.1				40.1

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
DiagnoCure Inc. ¹		B	3,000,000	2.5				2.5
Dial Corporation, The			62,300	2.8				2.8
Dillard's Inc.	class A		42,100	1.8				1.8
Discreet Logic Inc.			291,250	8.4				8.4
Disney (Walt) Co.			92,700	4.3				4.3
Dofasco Inc.			333,200	6.5				6.5
Dollar General Corporation			77,000	2.8				2.8
Dolphin Telecom Plc		A				22.8		22.8
Doman Industries Limited	class B		250,000	0.5				0.5
Domco Inc.		A, K	687,148	7.3				7.3
Domtar Inc. ^{1,2}		A, K	33,926,094	300.2				300.2
Dong-A Pharmaceutical Company, Ltd.			46,240	0.6				0.6
Donohue Inc.	class A	A, K	2,866,852	84.0			84.0	
		A				21.2	21.2	105.2
Dorel Industries Inc.	class B	A	332,200	8.3				8.3
Douglas Holding AG			329,877	30.7				30.7
Dow Chemical Company			18,900	2.6				2.6
Dresdner Bank AG			717,400	46.3				46.3
Du Pont (E.I.) De Nemours & Company			16,000	1.3				1.3
Dundee Bancorp Inc.	class A		250,000	4.1		14.7		18.8
Dundee Realty Corporation		I	500,000	0.7				0.7
Dupont Canada Inc.	class A		299,214	12.9				12.9
Dynatec Corporation			5,238,800	2.1				2.1
ECI Telecommunications Limited			46,617	2.6				2.6
EFG-Hermes Holding, S.A.E.			13,700	0.2				0.2
EMC Corporation			100,000	13.1				13.1
ENSCO International Inc.			100,000	1.6				1.6
East India Hotels Limited			148,200	1.3				1.3
Eastman Chemical Co.			19,200	1.3				1.3
Edison			2,761,000	50.0				50.0
Edper Brascan Corporation	class A		2,716,218	57.9				57.9
Edper Group Ltd.					0.7			0.7
Egyptian Mobile Phone Network			72,730	0.7				0.7
Eicon Technology Corporation		A	300,000	1.2				1.2
Eisai Company, Limited			600,000	18.0				18.0
Elec & Eltek International Company Ltd.			464,000	3.8				3.8
Electrabel S.A.	class T		8,996	6.1				6.1
Eléctricas Brasileiras (Electrobrás), Centrais			265,000	3.2				3.2
Electricidad de Caracas, C.A. La			2,070,642	1.4				1.4
Electricity Generating Authority of Thailand			699,704	2.9				2.9

Electrohome Broadcasting Inc.	class Y		447,200	6.2		6.2
Electrolux	class B		356,930	9.4		9.4
Elektrim Spolka Akcyjna			50,000	0.8		0.8
Elf Aquitaine			281,129	42.7		42.7
Elsevier-NDU NV			283,890	6.1		6.1
Embratel Participacoes S.A.	preferred		103,700,000	2.2	2.2	
			70,005,000	0.9	0.9	3.1
Emerging Markets Taiwan			9,295,671	10.7		10.7
Emi Group, Plc			800,000	8.2		8.2
Empire Company Ltd.	class A		222,100	7.2		7.2
Empresa Nacional de Electricidad, S.A. (Endesa)			27,610	0.5		0.5
Enator AB			692,700	29.5		29.5
Enbridge Inc.			1,298,415	91.5		91.5
Encal Energy Ltd.			129,600	0.7		0.7
Endesa S.A.			375,194	15.3		15.3
Enerflex Systems Ltd.		A, K	337,900	10.0		10.0
EnerMark Income Fund	trust units	A	2,274,874	7.2		7.2
Enerplus Resources Corporation ¹	trust units, Serie G	A	5,181,250	11.1		11.1
Enersis			52,560	2.1		2.1
Engro Chemicals (Pakistan) Limited			303,700	0.9		0.9
Ensign Resource Service Group Inc.			374,500	5.1		5.1
Ente Nazionale Idrocarburi			2,317,088	23.4		23.4
Enterprise Oil Plc			150,000	1.1		1.1
Equant N.V.			75,000	8.0		8.0
Equity Corporation International			325,000	13.3		13.3
Ericsson (LM) Telephone Company	class B		1,366,361	50.0		50.0
Espirito Santo Financial Group S.A.			24,700	0.7		0.7
Euro-Nevada Mining Corporation Limitec			2,232,400	55.8		55.8
Extencicare Inc.			455,000	4.0		4.0
Extern Funds						
Emerging markets	units		26,349,310	504.1		504.1
Europe	units		6,939,625	1773.6		1773.6
Japan	units		8,509,652	930.5		930.5
Other Asian countries and Oceania	units		898,288	244.5		244.5
United Kingdom	units		2,487,973	277.7		277.7
United States	units		123,047	67.7		67.7
Exxon Corporation			215,700	24.2		24.2
FMC Corporation			12,100	1.0		1.0
FORE Systems, Inc			425,000	12.0		12.0
F.Y.I. Incorporated		A	9,196	0.5		0.5
Fairfax Financial Holdings Limited			318,839	172.2		172.2
Fairview Mall					14.5	14.5
Falconbridge Limited			3,138,176	51.8		51.8
Fannie Mae			966,400	109.8		109.8
Faro Technologies Inc.		E	118,069	0.7		0.7

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Fauji Fertilizer Company Ltd.			110,100	0.2				0.2
Federal Home Loan Mortgage Corp.			412,100	40.8				40.8
Federated Department Stores			35,600	2.4				2.4
Fernz Corporation Limited			654,000	3.1				3.1
Ferreyros S.A.			79,921	0.1				0.1
Fiat Finance Canada			2,700,000	14.2				14.2
Filinvest Land Inc.			1,943,000	0.2				0.2
Filipacchi Medias			16,100	5.8				5.8
Filo, S.A.		H	6,803,743	31.4				31.4
Finning Ltd.			382,000	4.2				4.2
First Data Corporation			70,000	3.4				3.4
First Olsen Tanker Ltd.			150,000	1.2				1.2
First Union Corp.			21,800	2.0				2.0
FirstEnergy Corp.			47,200	2.4				2.4
FirstRand Limited			858,176	1.4				1.4
Fleet Financial Group			153,000	10.5				10.5
Fleetwood Enterprises, Inc.			37,700	2.0				2.0
Fletcher Challenge Canada Limitec	class A		1,990,947	33.8				33.8
Fletcher Challenge Energy Limitec			239,000	0.7				0.7
Fluor Corporation			31,100	2.0				2.0
Fomento Economico Mexicano, S.A. de C.V.			54,879	2.2				2.2
Food Lion, Inc.	class A		225,000	3.7				3.7
Ford Credit Canada Limited						50.8		50.8
Ford Motor Company			60,800	5.5				5.5
Fort Chicago Energy Partners L.P.	units		1,000,000	6.2				6.2
Fortis Inc.	class T		24,514	1.5			1.5	
	certificates value guaranteed		24,514	0.2			0.2	
			24,514	-			-	1.7
Foster Wheeler Corporation			24,500	0.5				0.5
Foster's Brewing Group Ltd.			1,521,000	6.3				6.3
Foundation Health Corporation			55,249	1.0				1.0
Founder Hong Kong Limited			960,000	0.3				0.3
Fracmaster Ltd.			1,487,878	6.7				6.7
France Telecom S.A.			30,000	3.7				3.7
Francisco Gold Corp.			185,300	1.6				1.6
Franco-Nevada Mining Corporation Limitec	warrants B		41,666	0.7			0.7	
			985,000	28.9			28.9	29.6
Franklin Resources, Inc.			27,000	1.3				1.3
Fraser & Neave			452,000	2.0				2.0
Freeport McMoran Copper & Gold Inc.	class B		141,900	2.3				2.3

Fubon Insurance Co.			49,000	0.8			0.8
Fuji Machine Mfg. Co., Ltd.			130,000	6.3			6.3
Fuji Photo Film Company, Ltd.			221,000	12.6			12.6
Fujitsu Ltd.			1,325,000	27.2			27.2
Fujitsu Support and Service Inc.			20,000	2.2			2.2
Furukawa Electric Co., Ltd., The			281,000	1.5			1.5
Futaba Corporation			42,000	2.5			2.5
Futuris Corporation Ltd.			1,350,000	2.4			2.4
G.T.C. Ltée, Groupe Transcontinental	class B	A	208,667	3.1	18.4	21.5	
	class A	A	391,000	5.9		5.9	27.4
GEA AG	preferred		60,000	2.2		2.2	
			45,500	2.1		2.1	4.3
GKN Plc			280,000	5.7			5.7
GPU, Inc.			34,900	2.4			2.4
GST Telecommunications Inc.			408,600	3.9			3.9
GTE Corp.			7,300	0.7			0.7
Gadjan Tunggal			1,834,000	0.1			0.1
Galleries d'Anjou					21.2		21.2
Galimberti Compañía			293,251	3.2			3.2
Gazprom			47,100	0.6			0.6
Geac Computer Corporation Limited			1,483,280	59.0			59.0
Gehe AG			45,000	4.8			4.8
General Electric Co.			977,800	153.2			153.2
General Electric Plc			833,754	11.6			11.6
General Motors Acceptance Corporation of Canada Limited					29.9		29.9
General Scanning, Inc.			45,000	0.4			0.4
Gentra Inc.		I	1,700,000	4.6			4.6
Genuine Parts Company			40,600	2.1			2.1
Getchell Gold Corporation			235,000	9.8			9.8
Gilat Satellite Networks			19,600	1.7			1.7
Gillette Company, The			625,700	46.4			46.4
Glaxo Wellcome Plc			2,332,164	124.1			124.1
Gold Fields Ltd.			190,500	1.6			1.6
Goldcorp Inc.	class A		649,800	5.7			5.7
Golden Hope Plantations Berhad			506,166	0.8			0.8
Golden West Financial Corp.			11,000	1.5			1.5
Goodman Fielder Limited			300,000	0.5			0.5
Goodyear Tire & Rubber Company			26,300	2.0			2.0
Goran Capital, Inc.			247,500	3.9			3.9
Grammy Entertainment Public Company Limited			74,700	0.5			0.5
Granada Group Plc			852,432	23.1			23.1
Great Lakes Chemical Corporation			22,600	1.4			1.4
Great Universal Stores, Plc			155,000	2.5			2.5
Great-West Lifeco Inc.			6,710,904	174.5			174.5

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as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Greenstone Resources Ltd. ²	warrants		70,000	-			-	
			3,268,600	4.5			4.5	4.5
Greyhound Lines Inc.			1,008,850	9.1				9.1
Groupe Covitec inc. ¹		A, C, E	4,515,561	3.3	1.4			4.7
Grupo Carso S.A. de C.V.	class A		679,500	3.6				3.6
Grupo financiero Banamex-Accival	class B		1,017,100	2.1				2.1
Grupo Financiero Bancomer			125,000	0.8				0.8
Grupo Iusacell S.A.			28,000	0.3				0.3
Grupo Mexico S.A. de C.V.	class B		456,000	1.8				1.8
Grupo Modelo S.A. de C.V.	class C		1,151,200	3.8				3.8
Grupo Televisa S.A.			116,300	2.5				2.5
Grupo Tribasa			33,000	0.1				0.1
Gruppo Editoriale L'Espresso			175,000	2.4				2.4
Guangdong Electric Power Development			1,096,491	0.5				0.5
Guangdong Kelon Electrical Holdings Company Ltd			1,326,000	1.8				1.8
Guardian Royal Exchange Plc			1,808,380	15.6				15.6
Gucci Group			24,900	1.8				1.8
Gudang Garam			876,000	2.0				2.0
Guilbert S.A.			12,708	2.6				2.6
Gulf Canada Resources Limited			4,441,741	19.9				19.9
Gulfstream Resources Canada Limited			189,411	0.6				0.6
H&R Real Estate Investment Trust	units	I	425,700	4.4				4.4
HSBC Holdings Plc			1,291,210	50.9				50.9
Haci Omer Sabanci Holding AS			45,909,000	1.1				1.1
Halifax Plc			220,000	4.8				4.8
Halma Plc			5,401,332	16.7				16.7
Hang Lung Development Company Limited			450,000	0.7				0.7
Hang Seng Bank Limited			425,000	5.8				5.8
Hanil Cement Manufacturing Company Ltd.			41,250	1.2				1.2
Hanmi Leasing Co., Ltd.			13,680	0.1				0.1
Hanson Plc			202,500	2.5				2.5
Harbin Power Equipment Company Ltd.			1,608,000	0.2				0.2
Harmac Pacific Inc.					5.8			5.8
Harmony Gold Mining Co., Ltd.			253,500	1.8				1.8
Harnischfeger Industries Inc.			31,800	0.5				0.5
Harras Entertainment, Inc.			59,400	1.4				1.4
Hartco Enterprises Inc.		A	32,200	0.4				0.4
Havas Advertising S.A.			30,926	8.0				8.0
Heineken NV			143,750	13.3				13.3
Heinz Co., H. J.			33,500	2.9				2.9

Hellenic Telecommunication Organization S.A.			2,966	0.1		0.1
Helmerich & Payne, Inc.			32,700	1.0		1.0
Henkel KGaA	preferred		24,000	3.3		3.3
Hennes & Mauritz AB	class B		95,000	11.9		11.9
Héroux Inc. ¹		A	1,769,400	7.1		7.1
Hewlett-Packard Company			69,000	7.2		7.2
Hibernia Corporation			340,000	9.1		9.1
Hilton Hotels Corp.			48,900	1.4		1.4
Hindalco Industries Ltd.			115,051	2.1		2.1
Hirose Electric Co., Ltd.			65,000	7.0		7.0
Hitachi, Ltd.			630,000	6.0		6.0
Hoechst AG			106,400	6.8		6.8
Holderbank Financiere Glarus AG			5,400	9.8		9.8
Hollinger Canadian Publishing Holdings Inc.	special		465,000	6.1		6.1
Hollinger Inc.	preferred 2		493,900	4.7		4.7
Hollinger International Inc.			280,000	6.0		6.0
Home Depot Inc., The			550,000	51.7		51.7
Homestake Mining Company			508,600	7.1		7.1
Honda Canada Finance Inc.					10.3	10.3
Honda Motor Co.			215,600	10.9		10.9
Hong Kong Electric Holdings Limited			850,000	4.0		4.0
Hong Kong Telecommunications Limitec			2,608,800	7.0		7.0
Housing & Commercial Bank			278,680	5.3		5.3
Housing Bank, The			45,000	0.3		0.3
Huaneng Power International, Inc.			1,045,600	1.0		1.0
Hub Power Company Limited, The			701,500	0.3		0.3
Hudson's Bay Company			1,106,891	21.4	35.4	56.8
Hummingbird Communications Ltd.			189,751	5.7		5.7
Hutchison Whampoa Limited			1,586,000	17.2		17.2
Hyundai Motor Company Ltd.			72,970	2.0		2.0
IBEX Technologies Inc.		B	1,109,096	0.6		0.6
IBM Canada Credit					10.2	10.2
IDB Holding Corp., Ltd.			12,040	0.4		0.4
IOI Properties Berhad			1,730,000	1.5		1.5
IPL Inc.		A	495,500	6.1		6.1
IPL Energy Inc.					10.1	10.1
IPSCO Inc.			376,965	10.3		10.3
IRSA Inversiones y Representaciones S.A.	class B		171,248	0.7		0.7
ISS-International Service System A/S	class B		184,725	18.8		18.8
ITEC - Mineral Inc.	warrants		266,000	-	0.4	0.4
Illinois Tool Works, Inc.			221,600	19.7		19.7
Imasco Limitée			5,784,806	189.2		189.2
Imax Corporation			276,500	13.5		13.5
Impala Platinum Holdings Limitec			13,500	0.3		0.3
Imperial Chemical Industries, Plc			415,200	5.5		5.5

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
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CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Imperial Oil Limited			3,098,287	76.1				76.1
Imperial Tobacco Group Plc			242,000	3.9				3.9
Inco Limited	preferred E		40,000	2.1			2.1	
	class VBN		185,000	1.4			1.4	
			3,481,312	56.4			56.4	59.9
Index participation units - TSE 35			202,711,210	217.3				217.3
India Access Fund			100,000	1.0				1.0
Indian Petrochemical Corporation Ltd.			124,700	0.8				0.8
Indian Rayon & Industries Ltd.			417,900	1.7				1.7
Indian Tobacco Company Limited (ITC)			228,400	7.4				7.4
Indofood Sukses Makmur			2,075,000	1.6				1.6
Industria Macchine Automatiche (IMA)			893,936	10.9				10.9
Industrial Bank of Japan, Limited, The			515,000	3.7				3.7
Industrielle-Alliance, Life Insurance Company		A, K			64.3	12.6		76.9
Inmet Mining Corporation			500,000	1.5	1.0			2.5
Innova Technologies Corporator			312,700	0.3				0.3
Inparsa - Industria e Participacoes SGPS S.A.			3,156	0.1				0.1
Intel Corporation			703,300	127.5				127.5
International Business Machines Corp.			263,200	74.6				74.6
International Container Systems, Inc.			4,582,500	0.6				0.6
International Forest Products Limited	class A		610,177	2.2				2.2
International Hospitality Inc.	warrants		130,000	-			-	
			520,000	-	1.0		1.0	1.0
International Paper Company			11,200	0.8				0.8
International Wallcoverings Ltd.		A	341,100	0.8				0.8
Internationale Nederlanden Groep NV			864,826	81.0				81.0
Intertape Polymer Group Inc.		A, K	639,432	24.9				24.9
Intracom S.A.			8,800	0.6				0.6
Intrawest Corporation ^{1,2}	preferred		1,641,299	3.0			3.0	
		A, K	3,629,992	93.8		51.0	144.8	147.8
Investec Group Limited			34,895	1.8				1.8
Investor AB	class B		58,614	4.1				4.1
Investors Group Inc.			842,218	22.2		16.4		38.6
Israel Chemicals Limited			215,787	0.3				0.3
Istituto Bancario San Paolo di Torino SpA			1,743,216	47.4				47.4
Istituto Nazionale delle Assicurazioni (INA)			3,130,000	12.7				12.7
Itoen, Ltd.			114,300	9.1				9.1
Ito-Yokado Co., Ltd.			56,000	6.0				6.0
J Sainsbury Plc			250,000	3.1				3.1
JD Wetherspoon			430,762	2.0				2.0

Jannock Limited		200,000	3.0		3.0
Japan Tobacco Inc.		535	8.2		8.2
Jean Coutu (PJC) Inc., Le Groupe	class A	85,000	2.9		2.9
John Keells Holdings Ltd.		75,713	0.4		0.4
Johnson & Johnson		635,200	81.8		81.8
Johnson Electric Holdings Limited		200,000	0.8		0.8
Johnson Matthey Plc		715,000	7.4		7.4
Jordan Petroleum Refinery		16,500	0.4		0.4
Jordan Phosphate Mines		51,000	0.2		0.2
Jusco Co., Ltd.		177,000	5.5		5.5
K N Energy Inc.		200,000	11.2		11.2
K. R. Precision Public Company Ltd.		160,400	0.1		0.1
KGHM Polska Miedz S.A.		82,000	0.6		0.6
KLM Royal Dutch Airlines N.V.		130,000	6.0		6.0
KTI Inc.	A	21,663	0.7		0.7
Kansai Electric Power Company, Inc.		290,000	9.8		9.8
Kao Corp.		520,000	18.1		18.1
Kap Resources Ltd.	warrants A	558,071	-	-	-
		4,934,043	0.3	0.3	0.3
Kappa Energy Company Inc.	warrants	750,000	-	-	-
		606,000	0.2	0.2	0.2
Karstadt AG		43,500	34.9		34.9
Kawasaki Heavy Industries, Ltd.		900,000	3.2		3.2
Kawasaki Steel Corp.		995,000	2.3		2.3
Keane, Inc.		50,000	3.1		3.1
Kenya Commercial Bank Limited		139,094	0.2		0.2
Kenya Power and Lighting Company Limitec		65,100	0.2		0.2
Kerr-McGee Corporation		11,600	0.7		0.7
KeyCorp		24,400	1.2		1.2
Keyence Corporation		14,500	2.7		2.7
Kian Joo Can Factory		903,075	2.0		2.0
Kimberly-Clark Corporation		298,800	25.0		25.0
Kimberly-Clark de Mexico, S.A. de C.V.	class A	658,000	3.2		3.2
Kingfisher		360,050	6.0		6.0
Kinross Gold Corporation		8,657,500	30.6		30.6
Kirin Brewery Company, Limited		300,000	5.9		5.9
Koito Manufacturing Co., Ltd.		650,000	4.2		4.2
Komag inc.		120,000	1.9		1.9
Konami Co., Ltd.		200,000	8.9		8.9
Kookmin Bank		204,900	2.6		2.6
Koor Industries Limited		1,350	0.2		0.2
Korea Electric Power Corporation		249,510	9.5		9.5
Korea Green Cross Corporation		14,900	0.8		0.8
Korea Zinc Co.		29,667	1.0		1.0
Kuala Lumpur Kepong Berhad		244,000	0.6		0.6

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Kuritomo, Ltd.			426,000	2.2				2.2
Kyocera Corp.			48,100	3.9				3.9
Kyushu Electric Power Co., Inc.			57,100	1.7				1.7
L.G. Chemical Limited			121,363	2.0				2.0
LG Electronics Inc.			21,308	0.4				0.4
LG Information & Communication, Ltd.			35,394	1.5				1.5
LG Technologies Group Inc. ¹	preferred, serie 1 warrants	B	150,000	-			-	
		B	650,000	-			-	
		B	1,350,000	3.8			3.8	3.8
Labopharm Inc.		A, B	550,000	2.1				2.1
Laboratorio Chile S.A.			15,900	0.4				0.4
Lafarge Canada Inc.	preferred		90,319	5.6				5.6
Lafarge Coppee			44,927	6.6				6.6
Laidlaw Inc.		A, K	10,644,170	164.5		56.2		220.7
Land Securities			50,000	1.0				1.0
Laperrière & Verreault Inc., Groupe ¹	class A	A	589,700	2.2				2.2
Larsan & Toubro Ltd.			127,500	1.4				1.4
Laurentian Bank of Canada			452,500	13.1		67.0		80.1
Lear Corporation			300,000	17.7				17.7
Legacy Hotels Real Estate Investment Trust						49.6		49.6
Legal & General Group Plc			718,000	14.4				14.4
Leitch Technology Corporation			1,750,334	69.8				69.8
Lend Lease Corporation Limitec			179,200	3.7				3.7
Lever Brother Pakistan Ltd.			3,000	0.1				0.1
Liberty Life Association of Africa Ltd.			120,744	2.6				2.6
Ligand Pharmaceuticals Inc.	class B	B	36,997	0.7				0.7
Light - Servicios de Electricidade S.A.			3,100,000	0.6				0.6
Lilly (Eli) & Company			404,000	55.2				55.2
Limited Inc., The			21,237	1.0				1.0
Linamar Corporation			320,000	8.3				8.3
Lincoln National Corp.			19,700	2.5				2.5
Lindsey Morden Group Inc.						4.9		4.9
Litton Industries Inc.			20,300	2.0				2.0
Lloyds TSB Group Plc			3,694,198	82.3				82.3
Loblaw Companies Limited		A, K	11,484,221	429.5				429.5
Lockheed Martin Corp.			11,200	1.5				1.5
Loewen Group Inc., The	preferred class C		375,900	5.9			5.9	
			897,368	11.2		15.4	26.6	32.5
Loews Corporation			22,000	3.3				3.3
Logistec Corporation ¹	class A	A	172,125	6.5				6.5

Lojas Americanas S.A.	preferred		52,000,000	0.4			0.4
L'Oréal			5,000	5.6			5.6
Lorus Therapeutics Inc ^{1,2}		B	3,571,429	1.2		1.2	
	warrants	B	892,857	-		-	1.2
Lowe's Companies, Inc.			200,000	15.7			15.7
Lucas Varity Plc			706,924	8.3			8.3
Lucent Technologies Inc.			29,500	5.0			5.0
Lukoil Holding			26,800	0.6			0.6
Lyon Lake Mines Ltd. ¹		A	4,149,200	0.9	4.7	0.3	5.9
Lyondell Petrochemical Company			41,800	1.2			1.2
M.A.N. AG			1,700	0.8			0.8
MAAX Inc.		A, K	1,476,364	24.8			24.8
MBNA Canada Bank						15.2	15.2
MDS Inc.	class B		511,456	15.1			15.1
MEPC Plc			574,295	5.9			5.9
MPACT Immedia Corporation	special warrants		125,000	1.7			1.7
		C	389,333	5.4			5.4
Mabuchi Motors Co., Ltd			50,000	5.9			5.9
Mackenzie Financial Corporation		G, K	8,917,958	186.4			186.4
MacMillan Bloedel Limited			3,126,182	47.8	2.1		49.9
Macquarie Bank Limited			200,000	3.0			3.0
Maderas y Sintéticos Sociedad Anonima, Masisa			21,910	0.2			0.2
Magna International Inc.	class A		1,434,396	136.8			136.8
Magyar Olaj Es Gas			35,578	1.5			1.5
Magyar Tavkozlesi RT.			132,180	1.2			1.2
Mahanagar Telephone Nigam Ltd.			57,600	1.1			1.1
Mahindra & Mahindra Ltd.			149,900	0.9			0.9
Makhteshim-Agan Industries Ltd.			302,968	1.0			1.0
Malayan Banking Berhad			431,652	1.3			1.3
Malaysian International Shipping Corp.			282,666	0.6			0.6
Malaysian Oxygen Bhd			331,500	1.0			1.0
Mallinckrodt Inc.			40,900	1.9			1.9
Manila Electric Company	class B		436,870	2.2			2.2
Manitoba Telecom Services Inc.			1,274,700	25.5			25.5
Mannesmann AG			491,680	86.6			86.6
Manugistics Group Inc.		A	17,220	0.3			0.3
Maple Leaf Foods Inc.			317,700	4.7			4.7
Marks & Spencer			2,590,168	27.3			27.3
Marui Co., Ltd.			200,000	5.9			5.9
Matsushita Communication Industrial Co.			105,000	7.6			7.6
Matsushita Electric Industrial Cie Ltd.			105,000	2.9			2.9
Mattel, Inc.			352,600	12.4			12.4
Maxim Integrated Products, Inc.			271,600	18.2			18.2
May Department Stores Company			27,400	2.5			2.5
Mazarin Mining Corporation Inc.		A	2,867,000	0.9			0.9

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Mbia Inc.			8,700	0.9				0.9
Mbna Corporation			108,300	4.1				4.1
McDonald's Corporation			30,000	3.5				3.5
McKesson Corporation			240,000	29.1				29.1
McWatters inc., Les Mines ¹	units		25,000	-			-	
	warrants	A, K	1,772,369	0.4			0.4	
		A, K	8,336,771	6.6			6.6	7.0
Mead Corp.			36,100	1.6				1.6
Mediobanca SPA	warrants		356,993	2.0			2.0	
			1,010,500	21.6			21.6	23.6
Medtronic, Inc.			705,900	80.5				80.5
Meitec Corp.			166,900	6.4				6.4
Merck & Co., Inc.			322,900	73.0				73.0
Meridian Gold Inc.			1,665,800	15.0				15.0
Merita Plc			655,500	6.4				6.4
Merrill Lynch & Company, Inc.			82,800	8.5				8.5
Merrill Lynch Mortgage Loans Inc.						5.0		5.0
Metallgesellschaft AG			165,000	4.2				4.2
Methanex Corporation			1,528,200	12.2				12.2
Metra Corporation	class B		120,000	3.2				3.2
Metro Cash & Carry Limited			500,000	0.5				0.5
Metro Pacific Corporation			4,803,000	0.3				0.3
MetroNet Communications Corp.	class B		75,000	3.8				3.8
Metropolitan Bank & Trust Company			135,477	1.5				1.5
Métro-Richelieu Inc.	class A	A, K	866,600	16.8				16.8
Metrowerks Inc. ¹		B, K	1,670,033	10.1				10.1
Microcell Telecommunications Inc.	class B	A, K	1,106,700	10.2		46.2		56.4
Microchip Technology, Inc.			643,200	36.6				36.6
Microsoft Corporation			711,100	150.8				150.8
Microtec Inc., Les Entreprises ¹		A, C	938,400	3.5				3.5
Migros Turk T.A.S.			559,030	0.9				0.9
Millennium Chemicals Inc.			37,066	1.1				1.1
Milltronics Ltd.			187,300	2.6				2.6
Minebea Co., Ltd.			427,000	7.5				7.5
Minnesota Mining and Manufacturing Company			2,800	0.3				0.3
Mirror Group Plc			2,300,000	8.8				8.8
Misys Plc			500,000	5.6				5.6
Mitel Corporation		A	1,842,600	21.2		16.3		37.5
Mitsubishi Bank, Ltd.			874,950	13.9				13.9
Mitsubishi Estate Co., Ltd.			780,000	10.8				10.8

Mitsubishi Motors Corporation		943,000	4.1			4.1
Mitsubishi Trust & Banking Corporation, The		125,000	1.2			1.2
Mitsui Fudosan Co.		450,000	5.2			5.2
Mitsui Marine and Fire Insurance Co., Ltd.		336,000	2.7			2.7
Mobil Corporation		376,000	50.3			50.3
MobilCom AG		29,349	14.4			14.4
Moebel Walther AG	preferred	27,000	1.4			1.4
Molson Companies Limited, The ¹					23.9	23.9
	class A	4,697,186	103.3			103.3
	class B	435,344	9.6			9.6
Monsanto Company		16,300	1.2			1.2
Montedison SpA		24,770,000	50.5			50.5
Montreal Eaton Centre					10.3	10.3
Montrusco Associates Inc.		52,500	0.7			0.7
Moore Corporation Limited		1,819,868	30.5			30.5
Morgan & Company, Inc., J.P.		16,900	2.7			2.7
Morgan Crucible		433,429	3.1			3.1
Morgan Stanley, Dean Witter, Discover & Co.		131,000	14.3			14.3
Morguard Real Estate Investment Trust					12.7	12.7
Morton International Inc.		463,900	17.5			17.5
Mosaid Technologies, Inc.		200,000	1.4			1.4
Muenchener Rueckversicherungs-Gesellschaft AG	warrants	1,552	0.1			0.1
Multivision Communications Corporation		107,000	0.1			0.1
Murata Manufacturing Co., Ltd.		204,000	13.0			13.0
Mutual Life Assurance Company of Canada, The					11.9	11.9
Mycal Corporation		400,000	3.7			3.7
NCL Holdings		500,000	1.8			1.8
NEC Corporation		768,000	11.9			11.9
NHC Communications Inc.	A	1,112,400	0.8			0.8
NICE - Systems Ltd.		7,400	0.2			0.2
NOVA Chemicals Ltd		3,838,332	76.8			76.8
NTT Data Corp.		2,630	20.1			20.1
NTT Mobile Communications Network, Inc.		661	41.9			41.9
Nacional de Drogas S.A. de C.V.	class L	279,000	0.3			0.3
Nafta Gbely AS		5,550	0.1			0.1
Nalco Chemical Company		31,300	1.5			1.5
Namco Ltd.		100,000	3.1			3.1
Natexis Bank					44.5	44.5
National Australia Bank Limited		342,000	7.9			7.9
National Bank of Canada		4,377,963	108.6		47.2	155.8
National Bank of Greece S.A.		923	0.3			0.3
National Grid Group		1,289,132	15.8			15.8
National Petrochemical Public Company		517,983	0.4			0.4
National Power Plc		949,000	12.6			12.6
National Semiconductor Corporation		92,500	1.9			1.9

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
National Westminster Bank Plc			361,797	10.7				10.7
National-Oilwell, Inc.			65,000	1.1				1.1
Nedcor Limited			117,610	3.1				3.1
Neiman Marcus Group, Inc., The			25,300	1.0				1.0
Nelvana Limited			101,200	2.9				2.9
Nestlé S.A.			10,141	33.9				33.9
Nestle (Malaysia) Bhd			259,000	1.6				1.6
Network Associates Inc.			14,000	1.4				1.4
New Cache Petroleum Ltd.			27,900	0.2				0.2
New World Development Company Ltd.			500,000	1.9				1.9
Newbridge Network Corporation			4,759,520	221.8				221.8
Newcourt Credit Group Inc.			828,400	44.3		32.6		76.9
Newport Petroleum Corporation			1,011,200	5.3				5.3
News Corporation	preferred		328,753	3.1			3.1	
			484,261	4.9			4.9	8.0
Nexfor Inc.			1,821,420	11.0				11.0
Next Plc			249,200	3.1				3.1
Ng Fung Hong Limited			380,000	0.5				0.5
Niagara Mohawk Power Corp.			59,300	1.5				1.5
Nichiei Co., Ltd.			82,300	10.1				10.1
Nidec Corporation			40,000	7.5				7.5
Nike, Inc.	class B		50,000	3.1				3.1
Nikon Corporation			410,000	6.1				6.1
Nintendo Company Ltd.			72,000	10.7				10.7
Nippon Sanso Corp.			385,000	1.7				1.7
Nippon Steel Corporation			1,134,000	3.2				3.2
Nippon Telegraph and Telephone Corporation			6,253	74.2				74.2
Nippon Television Network Corporation			5,120	2.3				2.3
Nissan Motor Co., Ltd.			1,137,000	5.4				5.4
Nissin Food Products Company Limited			75,000	2.9				2.9
Noble Affiliates Inc.			28,900	1.1				1.1
Noble China Inc.			892,800	1.9				1.9
Noble Drilling Corporation			100,000	2.0				2.0
Nobleza Piccardo S.A.			57,698	0.3				0.3
Nokia Oyj	class A		470,260	88.4				88.4
Nomura Securities Co., Ltd., The			1,223,000	16.4				16.4
Norampac inc.		A				35.9		35.9
Noranda Inc.			4,063,421	62.0	0.9			62.9
Nordbanken AB			1,125,000	11.1				11.1
Norfolk Southern Corporation			50,800	2.5				2.5

Norsk Hydro			122,000	6.3				6.3
North American Vaccine Inc.		B			9.2			9.2
North Limited			257,724	0.6				0.6
Northern Telecom Limited			8,892,513	681.2				681.2
Northern Trust Corp.			296,000	39.7				39.7
Northrock Resources Ltd.			519,400	6.1				6.1
Northrop Grumman			14,400	1.6				1.6
Northstar Energy Corporation			82,508	3.6				3.6
Nova Gas Transmission						6.6		6.6
Nova Scotia Power Corporation			666,500	12.1				12.1
Novartis S.A.			26,331	79.5				79.5
Nymox, Pharmaceutical Corporation			263,192	2.1				2.1
O&Y Properties Corporation					1.6			1.6
ONA (Omnium Nord Africain)			5,200	0.9				0.9
OSF Inc.		A				16.0		16.0
OTP Bank Rt.			12,535	1.0				1.0
Obayashi Corporation			130,000	1.0				1.0
Ocean Energy Inc.			568,000	5.5				5.5
Omni Hotels			644,365	29.0				7.0
Onex Corporation			631,521	27.5				27.5
OpTel Inc.	class B	A, C	429,521	54.2		30.0		84.2
Optical Coating Laboratory, Inc.			39,700	1.6				1.6
Optimum General Inc.	class A	A	300,000	1.4				1.4
Orange Plc			478,000	8.4				8.4
Oriental Weavers Group			8,500	0.3				0.3
Orix Corp.			100,000	11.5				11.5
Orkla A.S.	class A		264,000	6.0				6.0
Orleans Resources Inc.	warrants	A	207,500	-	5.3	8.3	13.6	
		A	747,107	0.1			0.1	13.7
Outokumpu Oy	class A		181,400	2.6				2.6
Oversea-Chinese Banking Corporation			264,600	2.8				2.8
Owens-Corning Fiberglass			19,800	1.1				1.1
Oxford Properties Group Inc.			370,000	6.7		24.7		31.4
PACCAR Inc.			23,500	1.5				1.5
PDFB Investments Inc.					98.9			98.9
PT Asuransi Lippo Life Tbk			4,610,000	0.3				0.3
PT Bank International Indonesia			6,440,000	0.3				0.3
PT Hanjaya Mandala Sampoerna			900,000	0.9				0.9
PT Indah Kiat Pulp & Paper Corp. Tbk			4,430,500	1.9				1.9
PT Indorama Synthetics			952,500	0.3				0.3
PT Pabrik Kertas Tjiwi Kimia			2,301,000	0.9				0.9
PT Ramayana Lestari Sentosa			1,866,500	0.7				0.7
PT Tambang Timah			478,500	0.5				0.5
PT Telekomunikasi Indonesia			7,262,000	5.6				5.6
PTT Exploration & Production Public Co., Ltd.			126,900	1.4				1.4

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Pacalta Resources Ltd.			1,068,300	4.6				4.6
Pacific Gas & Electric Company			53,800	2.6				2.6
Pacifica Paper Inc.	units		3,300,000	33.0				33.0
PacifiCare Health Systems, Inc.	class B		18,000	2.2				2.2
Pakistan State Oil Co., Ltd.			54,480	0.1				0.1
Pakistan Telecommunications Corporation			7,440	0.4				0.4
Panafon Hellenic Telecom S.A.			4,800	0.2				0.2
PanCanadian Petroleum Limited			1,862,166	32.2				32.2
Paperboard Industries International Inc.		A, K	3,900,600	8.4		14.9		23.3
Paramount Resources Ltd.			240,800	3.6				3.6
Pasminco Ltd.			1,150,000	1.3				1.3
Pason Systems Inc.			175,000	0.5				0.5
Patriot American Hospitality, Inc.		I	393,000	3.6				3.6
Péchiney	class A		76,700	3.8				3.8
Peninsular & Orié			591,744	10.8				10.8
Penn West Petroleum Ltd.			129,000	2.1				2.1
Penney (J.C.) Company, Inc.			25,900	1.9				1.9
Pepsico, Inc.			462,600	29.1				29.1
Pepsi-Gemex S.A.			38,600	0.5				0.5
Perez Companc S.A.	class B		188,307	1.2				1.2
Perkins Ltée, Les Papiers			1,042,700	7.0				7.0
Petro-Canada			8,972,677	145.8				145.8
Petrolo Brasileiro S.A.	preferred		20,089,000	3.5				3.5
Petron Corp.	class A		2,957,436	0.5				0.5
Petronas Gas Berhad			371,758	1.3				1.3
Peugeot S.A.			25,500	6.1				6.1
Pfizer Inc.			636,500	122.2				122.2
Pharmacia & Upjohn, Inc.			37,900	3.3				3.3
Pharmerica Inc.			580,000	5.3				5.3
Philip Morris Companies Inc.			892,300	73.3				73.3
Philippine Long Distance Telephone Cie			55,342	2.2				2.2
Philippine National Bank			185,000	0.4				0.4
Philips Electronics			53,454	5.5				5.5
Phillips Petroleum Company			32,000	2.1				2.1
Phoenix International Life Sciences		A, K	650,000	11.1				11.1
Pilipino Telephone Corporation			2,822,000	0.4				0.4
Pioneer Electronic Corporation			241,000	6.2				6.2
Placer Dome Inc.			4,742,801	83.2				83.2
Poco Petroleum Ltd.			4,426,584	56.7		14.7		71.4
Pohang Iron & Steel Co.			56,140	5.5				5.5

Potash Corporation of Saskatchewan			732,680	72.2			72.2
Pottlatch Corporation			21,700	1.2			1.2
Power Corporation of Canada			4,379,920	145.4		127.2	272.6
Power Financial Corporation		A, K	13,327,680	453.1			453.1
Praxair Inc.			32,300	1.7			1.7
Precision Drilling Corporation			536,404	9.4		23.6	33.0
Premdor Inc.			1,725,835	26.2			26.2
Premier CDN Ltée, Entreprises	preferred E class A	A	3,787,879	5.8		5.8	
		A	100,001	0.2		0.2	6.0
Premier Farnell Plc			828,000	3.4			3.4
Press Corporation Ltd.			11,000	0.1			0.1
Prime Resources Group Inc.			50,000	0.6			0.6
Primetech Electronics Inc.			200,000	2.2			2.2
Probe Exploration Inc.			2,320,700	5.2			5.2
Procter & Gamble Company, The			401,600	56.3			56.3
Promenades St-Bruno						43.7	43.7
Prometic Life Sciences, Inc.		A	500,000	1.1			1.1
Promise Co., Ltd.			75,000	6.0			6.0
Provident Companies Inc.			201,400	12.8			12.8
Provident Financial Plc			224,796	5.1			5.1
Providian Financial Corporation			225,000	25.9			25.9
Prudential Corporation Plc			866,000	20.2			20.2
Prudential Steel Ltd.			157,294	1.1			1.1
Public Bank	class E		598,865	0.4			0.4
Puget Sound Power & Light Company			35,800	1.5			1.5
Pulte Corporation			57,400	2.5			2.5
QLT Phototherapeutics Inc.			609,700	21.6			21.6
Qingling Motors Company Limited	class H		1,352,000	0.4			0.4
Quantum Corporation			272,500	8.9			8.9
Quebecor inc.	class A		1,057,040	34.7		34.7	
	class B		1,684,639	55.4		55.4	90.1
Quebecor Printing Inc. ¹		C, K	7,973,275	266.7			266.7
QuébecTel Group Inc., The		A, K	898,930	15.5			15.5
Quilmes Industrial S.A.			29,750	0.4			0.4
Qwest Communications International Inc.			20,000	1.5			1.5
RHB Capital			286,300	0.2			0.2
RJ Reynolds Berhad			542,000	0.9			0.9
RJR Nabisco Holdings Corp.			29,800	1.4		1.4	
	class A		41,700	2.7		2.7	4.1
RMC Group Plc			171,353	3.6			3.6
Radiomutuel Inc.	class A	A	553,600	8.0			8.0
Ranbaxy Laboratories Limited			148,800	2.0			2.0
Ranger Oil Limited			2,428,845	16.5			16.5
Rank Organisation, Plc, The			900,000	5.2			5.2
Raytheon Company	class B		54,000	4.4			4.4

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
RealFund Management						22.6		22.6
Reckitt & Colman Plc			114,300	2.3				2.3
Reckson Associates Realty Corporation		I	95,000	3.2				3.2
Reebok International Ltd.			27,900	0.6				0.6
Reed International, Plc			1,576,000	19.3				19.3
Regent Pacific Group Ltd.			4,900,000	0.8				0.8
Reliance Industries Ltd.			388,200	3.3				3.3
Rembrandt Group Limited			347,200	3.3				3.3
Remington Energy Ltd.			313,058	1.5				1.5
Renaissance Energy Ltd.			4,950,359	86.4		6.6		93.0
Renata Resources Inc.			9,850,000	3.2				3.2
Renault			350,800	24.2				24.2
Renner Herrmann S.A.	preferred		350,000	0.3				0.3
Rentokil Initial Plc			1,410,000	16.4				16.4
Republic New York Corp.			24,402	1.7				1.7
Reserve Royalty Corporation			2,200,000	1.4				1.4
Resorts World			343,000	0.6				0.6
Reuters Holdings Plc			2,769,404	44.7				44.7
Revenue Properties Co. Ltd.					10.9			10.9
Rexam Plc			371,466	1.6				1.6
Reynolds Metals Company			23,800	1.9				1.9
Rheinisch-Westfälisches Elektrizitätswerk AG			79,189	6.7				6.7
Rhône-Poulenc S.A.			147,500	11.7				11.7
Richelieu Hardware Ltd.		A	399,700	6.0				6.0
Richmont Mines Inc. ¹		A	1,790,834	7.1				7.1
Richter Gedeon VEG			4,882	0.3				0.3
Rigel Energy Corporation			1,007,763	10.1				10.1
Rio Algom Limited			2,051,000	33.6	6.9			40.5
Rio Alto Exploration Ltd.			1,045,800	15.7				15.7
Rio Tinto Limited			170,000	3.1				3.1
Rio Tinto Plc			425,000	7.5				7.5
RioCan Real Estate Investment Trust						16.7		16.7
Roche Holdings AG			1,255	24.7				24.7
Rogers Cantel Mobile Communications Inc.	class B		1,548,060	28.6				28.6
Rogers Communications Inc.	class A		588,700	8.4			8.4	
	class B		5,670,540	77.4			77.4	85.8
Rogers Sugar Income Fund	units		392,500	3.2				3.2
Rohm Co., Ltd.			67,000	9.4				9.4
Rolls Royce Plc			6,358,203	40.8				40.8
Rossi Residencial S.A.			165,000	0.1				0.1

Rostelecom		72,000	0.5		0.5
Rothmans of Pall Mall (Malaysia) Berhad		334,000	3.0		3.0
Royal & Sun Alliance Insurance Group		1,166,885	14.4		14.4
Royal Bank of Canada		7,258,506	555.6	4.7	560.3
Royal Dutch Petroleum Company, The		572,248	43.1		43.1
Royal Group Technologies Limitec		697,600	23.8		23.8
Royal Host Real Estate Investment Trust	trust units	100,000	0.7		0.7
Russel Metals Inc.		447,250	1.6		1.6
Russell Corp.		24,100	0.8		0.8
Ryan Energy Technologies Inc.		168,064	0.4		0.4
Ryder System, Inc.		12,200	0.5		0.5
SABESP - Companhia de Saneamento Brasico do Estado de Sao Paulo		6,000,000	0.7		0.7
SAP AG	preferred	31,538	23.1		23.1
SBC Communications Inc.		205,600	16.9		16.9
SEITA		16,553	1.6		1.6
SEMA Group Plc		180,000	2.7		2.7
SGS Holding/SGS Société Générale de Surveillance holding S.A		5,292	3.5		3.5
SK Telecom Co.,Ltd.		2,801	3.6		3.6
SM Prime Holdings Inc.		8,380,730	2.4		2.4
SNC-Lavalin Group Inc.	A, K	1,949,471	22.5		22.5
SPT Telecom AS		114,300	2.7		2.7
SR Telecom Inc.	A, K	632,142	2.1	12.1	14.2
Safeco Corporation		25,600	1.7		1.7
Safeway Inc.		177,000	16.6		16.6
Safeway Plc		1,361,600	10.2		10.2
Sage Group Plc, The		150,000	6.1		6.1
Saint-Gobain		17,000	3.7		3.7
Saks Incorporated		40,000	1.9		1.9
Sakura Bank		690,000	2.4		2.4
Salter Street Films Ltd.	C	394,000	2.0		2.0
Sampath Bank Limited		268,000	0.3		0.3
Samsung Display Devices Company		34,518	2.6		2.6
Samsung Electro-Mechanics Company		87,710	2.9		2.9
Samsung Electronics Co., Ltd.		75,579	7.8		7.8
Samsung Fire & Marine Insurance		5,444	3.1		3.1
Samsung Securities Company Ltd.		45,970	1.9		1.9
San Miguel Corporation	class B	738,091	2.2		2.2
Sanki Engineering Co., Ltd.		400,000	3.9		3.9
Sankyo Company Limited		108,000	3.6		3.6
Sanlam Limited		162,000	0.2		0.2
Santos Limited		450,000	1.9		1.9
Sanwa Bank Ltd., The		211,000	2.5		2.5
Sanyo Electric Co., Ltd.		1,226,000	5.8		5.8
Sappi Limited		130,000	0.8		0.8

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Sapporo Breweries Limited			450,000	3.0				3.0
Saputo Group Inc.		A	273,800	11.9				11.9
Saskatchewan Wheat Pool	class B		1,097,900	11.0				11.0
Sasol Limited			215,500	1.3				1.3
Schering-Plough Corporation			45,200	3.8				3.8
Schlumberger Limited			413,404	29.3				29.3
Schneider Corporation	class A		212,645	4.9				4.9
Schneider S.A.			78,300	7.3				7.3
Schwab Corporation, The Charles			948,600	81.9				81.9
Scitex Corporation Ltd.			40,000	0.7				0.7
Scotia Bank			11,869,990	400.6				400.6
Scottish & NewCastle Breweries Plc			323,268	5.8				5.8
Scottish Power			180,000	2.8				2.8
Seagate Technology Inc.			45,600	2.1				2.1
Seagram Company Ltd., The			6,099,966	355.3				355.3
Sears Canada Inc.			1,682,300	30.3				30.3
Sears, Roebuck and Co.			37,200	2.4				2.4
Secom Co., Ltd.			190,000	24.2				24.2
Securitas AB	class B		152,000	3.6				3.6
Sekisui Chemical Co., Ltd			1,451,000	15.0				15.0
Sekisui House, Ltd.			210,000	3.4				3.4
Semen Gresik			1,000,000	1.6				1.6
Service Corp. International			200,000	11.7				11.7
Severn Trent			583,335	15.2				15.2
Severoceske Doly			5,111	0.2				0.2
Shangai Haixin Group Co., Ltd.			3,388,000	0.5				0.5
Shanghai Dazhong Taxi Co.	class B		1,203,649	0.8				0.8
Shared Medical Systems Corporation			15,300	1.2				1.2
Shaw Communications Inc.	class B	A, K	573,200	21.3		18.8		40.1
Shaw Industries Ltd.	class A		537,500	6.7				6.7
Shell Canada Limited	class A		450,000	10.5				10.5
Shell Refining Company (F.O.M.) Berhad			91,500	0.1				0.1
Shell Transport & Trading Company, Plc, The			832,246	7.9				7.9
Shenzhen Expressway Company Limited			3,504,000	1.3				1.3
Shermag Inc.		A	168,000	2.4				2.4
Sherritt International Corporation ¹			2,751,800	8.3	36.6			44.9
Sherrit Power Corporation			270,000	1.2		5.1		6.3
Sherwin-Williams Company, The			73,000	3.3				3.3
Shinawatra Computer & Communications Plc			124,000	0.7				0.7
Shin-Etsu Chemical Co., Ltd.			383,350	14.2				14.2

Shinsegae Department Store Company		36,300	1.2		1.2
Shirmax Fashions Ltd.	A	113,800	0.4		0.4
Shizuoka Bank, Ltd., The		864,000	16.4		16.4
Shohkoh Fund		11,500	5.7		5.7
Siam Cement Public Company Limited		97,850	3.4		3.4
Sicafi Cibix	J	51,674,324	63.8		63.8
Sico Inc.	A	217,548	3.8		3.8
Sidel, S.A.		30,000	3.9		3.9
Siemens AG		445,063	44.1		44.1
Sigma-Aldrich Corporation		14,500	0.7		0.7
Sime Darby Berhad (Malaysia)		1,627,800	2.9		2.9
Singapore Press Holdings		536,434	9.0		9.0
Singapore International Airlines		500,000	5.6		5.6
Singapore Telecommunications, Ltd.		700,000	1.6		1.6
Sino-Forest Corporation	class A	3,372,000	5.5		5.5
Siparex Associés S.A.	D	15,624	0.6		0.6
Siparex S.C.A.	D	83,649	3.0		3.0
Smith & Nephew Associates Plc		2,630,000	12.3		12.3
Smith (Howard) Limited		180,000	1.8		1.8
Smith International Inc.		20,000	0.8		0.8
Smithkline Beecham		4,215,222	88.9		88.9
Smiths Industries Plc		900,000	19.7		19.7
Sobeys Canada Inc.		884,809	15.0		15.0
Sociedad General de Aguas de Barcelona		369,229	38.0		38.0
Sociedad Quimica y Minera de Chile S.A.		29,430	1.5		1.5
Société financière Desjardins Laurentienne Inc	class A	297,056	5.4		5.4
Société Générale		172,932	43.0	21.4	64.4
Sodisco-Howden Inc., Groupe	A	22,332,867	3.9		3.9
Softbank Corp.		62,280	5.8		5.8
Solidere		15,200	0.2		0.2
Sony Corporation		166,700	18.7		18.7
South African Breweries Ltd.		133,822	3.5		3.5
Southam Inc.		871,100	20.3		20.3
Southern Electric Plc		486,075	8.4		8.4
Southern Peru Limited		45,818	0.7		0.7
Southwest Airlines Company		200,000	6.9		6.9
Spectra Premium Industries Inc.	A	341,500	7.1		7.1
Sponda Oyj		100,000	0.9		0.9
Standard Chartered Plc		466,700	8.2		8.2
Stanley Works, The		22,000	0.9		0.9
Star City Holdings Limited		2,300,000	3.1		3.1
Starwood Hotels & Resorts Worldwide Inc.	I, K	179,800	6.3		6.3
State Bank of India		114,400	1.5		1.5
Steel & Tube Holdings Ltd.		530,000	0.8		0.8
Stelco Inc.'	class A	8,283,704	66.3	24.9	91.2

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Stellarton Energy Corporation	class A		100,000	0.1			0.1	
	special warrants		100,000	0.1			0.1	0.2
Stillwater Mining Company			30,000	1.9				1.9
St.Laurent Paperboard Inc.		A, K	2,773,533	29.8				29.8
STMicroelectronics NV			41,400	5.0				5.0
Storehouse Plc			500,000	1.7				1.7
St-Paul Companies Inc., The			31,600	1.7				1.7
Strafor Facom S.A.			47,805	5.3				5.3
Strait Crossing Development Inc.						10.2		10.2
Sudamtex de Venezuela	class B		5,859,585	0.1				0.1
Suez Lyonnaise des Eaux			59,100	18.7				18.7
Sumitomo Bank, Ltd., The			500,000	7.9				7.9
Sumitomo Chemical Co., Ltd.			750,000	4.5				4.5
Sumitomo Forestry Co., Ltd.			187,000	2.1				2.1
Sumitomo Heavy Industries Ltd.			500,000	1.6				1.6
Sumitomo Metal Industries, Ltd.			1,047,000	1.8				1.8
Sumitomo Realty & Development Co., Ltd.			354,000	1.8				1.8
Summit Bancorp			200,000	13.4				13.4
Sun Co.			35,900	2.0				2.0
Sun Hung Kai Properties			600,000	6.7				6.7
Sun Life of Canada (U.S.) Capital Trust		A				85.1		85.1
Sun Media Corporation			50,000	1.1				1.1
Sun Microsystems Inc.			17,500	2.3				2.3
Suncor Energy Inc.			865,640	39.8				39.8
Supervalu Inc.			51,400	2.2				2.2
Suramericana de Seguros S.A.			49,820	0.2				0.2
Sutton Resources Ltd.			240,000	1.5				1.5
Suzuki Motor			365,000	6.7				6.7
Swire Pacific "A"	class A		720,000	5.0				5.0
Swiss Reinsurance Co.			1,700	6.8				6.8
Swisscom AG			40,167	25.8				25.8
Swisslog Holding AG			125,000	18.2				18.2
Synnex Technology International Corporation			38,000	1.0				1.0
Synopsys Inc.			385,800	32.1				32.1
Synthelabo			20,000	6.5				6.5
TAB Limited			435,000	1.3				1.3
TDK Corp.			97,500	13.7				13.7
THK Company Limited			125,000	2.2				2.2
TI Group Plc			266,000	2.2				2.2
TLC The Laser Center Inc.			214,700	6.8				6.8

TV Azteca, S.A. de C.V.			41,000	0.4		0.4
TVA Group Inc.	class B	A, K	926,966	13.9		13.9
TVX Gold Inc.			6,683,734	18.0		18.0
Tabacalera S.A.	class A		185,000	7.3		7.3
Tabak A.S.			1,239	0.5		0.5
Tablex, S.A. de C.V.			79,297	0.2		0.2
Taisho Pharmaceutical Co., Ltd.			85,000	3.6		3.6
Taiyo Yuden Co., Ltd.			300,000	5.5		5.5
Takeda Chemical Industries, Ltd.			618,000	36.6		36.6
Takefuji Corporation			90,000	10.1		10.1
Talisman Energy Inc.			3,911,666	105.4		105.4
Targeted Genetics Corporation	warrants	B	1,333,333	2.7	2.7	
		B	2,666,667	5.4	5.4	8.1
			1,129,374	9.4		9.4
Tate & Lyle, Plc					15.3	15.3
Team Fleet Financing Corporator						15.3
Tech Data Corporation			31,900	2.0		2.0
Technology Resources Industries			205,000	0.2		0.2
Teck Corporation ¹	class B		1,812,255	20.3	20.3	
	class A		741,200	8.0	8.0	28.3
Tecsys Inc. ¹	purchase options	B	2,000	-	-	
		B	1,360,126	4.4	4.4	4.4
		A	1,469,500	4.8	17.0	21.8
Teknor Industrial Computers Inc.			70,005,000	0.1		0.1
Tele Celular Sul Participacoes S.A.			70,005,000	0.1		0.1
Tele Centro Oeste Celular Participacoes S.A.			70,005,000	0.1		0.1
Tele Centro Sul Participacoes S.A.			70,005,000	0.7		0.7
Tele Danmark A/S			225,500	40.9		40.9
Tele Nordeste Celular Participacoes S.A.			70,005,000	0.1		0.1
Tele Norte Leste Participacoes S.A.	preferred		110,600,000	2.1	2.1	
			90,000,000	1.1	1.1	3.2
			70,005,000	0.3		0.3
Tele Sudeste Celular Participacoes S.A.					12.5	12.5
Telebec Ltée						12.5
Telecom Argentina S.A.			25,000	1.1		1.1
Telecom Corporation of New Zealand	receipts		200,000	0.7	0.7	
			410,402	2.7	2.7	3.4
Telecom Italia Mobile SpA	preferred		2,164,125	15.6	15.6	
			4,400,010	50.0	50.0	65.6
Telecom Mobilia SpA	preferred		920,000	8.9	8.9	
			2,774,686	36.4	36.4	45.3
TelecomAsia Corporation Public Company Limitec			1,723,000	1.1		1.1
Telecomunicacoes de Sao Paulo S.A.	preferred		7,205,390	1.5		
Telecomunicacoes do Rio de Janeiro S.A.			10,000,000	0.2		0.2
Telefonica de Argentina S.A.			1,031,085	4.9		4.9
Telefonica del Peru S.A.	class B		445,809	0.9		0.9
Telefonos de Chile			53,325	1.7		1.7
Telefonos de Mexico S.A.	class L		2,083,500	9.0		9.0

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
Téleglobe Inc.						12.2	12.2	
		C, K	9,781,098	538.0			538.0	550.2
Telekom Malaysia			853,000	3.4				3.4
Telekomunikacja Polska S.A.			57,480	0.5				0.5
Telemig Celular Participacoes S.A.			70,005,000	0.1				0.1
Telerj Celular S.A.			10,000,000	0.2				0.2
Telescene Film Group Inc.	class B	A, K	250,000	4.1				4.1
Telesp Celular Participacoes S.A.	preferred		114,900,000	1.3			1.3	
			70,005,000	0.5			0.5	1.8
Telesp Celular S.A.	preferred B		5,980,000	0.4				0.4
Telesp Participacoes S.A.	preferred		35,400,000	1.2			1.2	
			72,405,000	1.4			1.4	2.6
Telesysteme International Wireless Corporator ¹		A, C, K	9,040,214	174.0		46.2		220.2
Télévision française (TF1)			195,373	53.5				53.5
Telstra Corporation Limited			2,495,000	17.9				17.9
Telus Corporation			3,934,107	127.9				127.9
Tembec Inc.	class A	A, K	2,901,500	24.2	2.3	13.3		39.8
Temple Inland Inc.			24,800	2.3				2.3
Tenaga Nasional Bhd			1,414,378	4.5				4.5
Tenet Healthcare Corp.			502,550	20.3				20.3
Teradyne Inc.			26,100	1.7				1.7
Terumo Corporation			90,000	3.3				3.3
Tesco Plc			3,884,459	17.0				17.0
Tesco Corporation			1,582,100	10.0				10.0
Teva Pharmaceutical Industries Ltd.			7,431	0.5				0.5
Texaco Inc.			100,200	8.1				8.1
Texas Utilities Company			60,400	4.3				4.3
Textron, Inc.			118,800	13.9				13.9
Thai Farmers Bank Co., Ltd.	warrants		6,150	-			-	
			1,241,100	3.4			3.4	3.4
Thomson Corporation, The			2,565,198	92.1				92.1
3i Group Plc			400,000	6.0				6.0
Tiger Oats Ltd.			103,000	1.6				1.6
Time Warner Inc.			14,000	1.3				1.3
Toho Co., Ltd.			10,000	2.1				2.1
TohoKu Electric Power Co., Inc.			79,400	2.2				2.2
Tokyo Electric Power Co., Inc., The			480,000	18.2				18.2
Tokyo Electron Ltd.			359,300	21.0				21.0
Tomkins Plc			487,400	3.6				3.6
Toray Industries, Inc.			560,000	4.5				4.5

Torchmark Corporation		21,800	1.2				1.2
Toronto-Dominion Bank, The		6,635,133	357.0				357.0
Torstar Corporation	class B	1,795,000	32.4				32.4
Tostem Corporation		220,000	6.7				6.7
Total, Cie française pétrolière	class B	292,408	45.5			45.5	
		100,000	7.6			7.6	53.1
Toyota Motor Corporation		640,000	26.8				26.8
Toys "R" Us, Inc.		42,100	1.1				1.1
Trakia Cam Sanayii AS		6,848,100	0.1				0.1
TransAlta Corporation		2,782,433	62.9				62.9
Transat A.T. Inc.		3,342,975	20.1	A, K			20.1
TransCanada PipeLines Limited		12,336,143	276.9			41.7	318.6
Tri Link Resources Ltd.		35,000	0.4				0.4
Trilon Financial Corporation	class A	2,162,100	23.8				23.8
Trimac Corporation					21.9		21.9
Trimark Financial Corporation		518,352	10.6				10.6
Trizec Hahn Corporation	warrants	100,000	0.5		27.8		
		5,475,216	172.5	A, I, K		29.3	201.8
							230.1
Tsingtao Brewery Co., Ltd.		1,468,000	0.2				0.2
Tubos de Acero de Mexico S.A.		60,000	0.6				0.6
Turkish Garanti Bankasi		16,595,411	0.6				0.6
Turkiye Garanti Bankasi A.S.		45,801,719	1.8				1.8
U.S. Bancorp		427,500	23.3				23.3
UAL Corporation		50,000	4.6				4.6
UPM - Kymmene Oyj		175,000	7.5				7.5
US West Inc.		44,200	4.4				4.4
USA Networks Inc.		200,000	10.2				10.2
UTS Energy Corporation		1,250,000	0.5				0.5
Ulster Petroleums Ltd.		68,968	0.8				0.8
Uniao de Bancos Brasileiros S.A. (Unibanco)		35,000	0.8				0.8
Unican Security Systems Ltd.	class B	137,000	4.9				4.9
Unicom Corporation		42,100	2.5				2.5
Unified Energy Systems		20,000	0.1				0.1
Unilever Plc		366,400	16.2				16.2
Union Camp Corporation		20,700	2.1				2.1
Union Carbide Corporation		28,900	1.9				1.9
Union Electrica Fenosa S.A.		939,052	25.2				25.2
Union Pacific Corp.		28,700	2.0				2.0
Union Pacific Resources Group Inc.		44,500	0.6				0.6
Uni-Sélect Inc.		863,000	25.5	A			25.5
United Bank of Switzerland AG		121,915	57.5				57.5
United Overseas Bank Limited		550,000	5.4				5.4
United Technologies Corporation		87,800	14.6				14.6
United Utilities		456,413	9.8				9.8
Usinor Sacilor S.A.		161,112	2.7				2.7

INVESTMENTS IN SHARES AND BONDS OF PUBLIC CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Subsidiaries	Shares		Convertible Securities	Bonds	Subtotal	Total
			Number	Amount				
VF Corporation			30,800	2.2				2.2
Valeo S.A.			73,824	8.9				8.9
Valores Bavaria S.A.			82,337	0.1				0.1
Van Houtte Ltée, A.L.		A, K	676,100	20.3				20.3
Veba AG			125,508	11.5				11.5
Velan Inc.		A	52,700	1.8				1.8
Venator Group, Inc			39,600	0.4				0.4
Venture Manufacturing (Singapore) Ltd.			90,000	0.5				0.5
Vereniging Nederlandse Uitgevers Vb			199,000	11.5				11.5
Verio Inc.		C	26,556	0.9				0.9
Vestel Elektronik Sanayiive Ticaret A.S.			2,401,000	0.3				0.3
Vidéotron Ltée, Le Groupe ¹	class A		9,451,576	216.4		15.1	231.5	
		C, K	3,492,158	80.0			80.0	311.5
Videsh Sanchar Nigam Ltd.			105,300	2.0				2.0
Vimpel-Communications			7,440	0.1				0.1
Virginia Gold Mines Inc.			592,200	0.4				0.4
Vivendi			162,230	64.7				64.7
Vodafone Group Plc			1,758,728	44.0				44.0
Volkswagenwerk AG			112,710	13.8				13.8
Vysis Inc.			32,000	0.3				0.3
WMC Limited			903,673	4.2				4.2
WPP Group Plc			427,000	4.0				4.0
Wacoal Corp.			140,000	2.8				2.8
Wafabank			5,500	1.1				1.1
Walbro Corporation			742,900	7.3				7.3
Wal-Mart Stores, Inc.			475,600	59.5				59.5
Walsin Lihwa Corp.			133,280	0.9				0.9
Washington Mutual Inc.			321,900	18.9				18.9
Weirton Steel Corporation						7.1		7.1
Wells Fargo Company			376,800	23.1				23.1
Wescast Industries Inc.	class A		122,800	5.5				5.5
West Fraser Timber Co., Ltd.			144,400	4.3		14.8		19.1
Westaim Corporation			3,930,121	29.1				29.1
Westburne, Inc. ¹			6,750,248	97.5				97.5
Westcoast Energy Inc.			1,416,379	43.2		25.8		69.0
Western Gas Resources Inc.			200,000	1.8				1.8
Western Star Trucks Holdings Ltd. ¹			1,599,700	32.8				32.8
Weston Limited, George		A	1,122,900	65.7	73.6			139.3
Westpac Banking Corporation			1,649,800	17.0				17.0
Westshore Terminals Inc.	units		390,000	2.4				2.4

Westvaco Corporation		47,600	2.0		2.0
Weyerhaeuser Company		31,100	2.4		2.4
Wharf (Holdings) Limited, The	class B	490,000	0.1	0.1	
		1,000,000	1.7	1.7	1.8
Whirlpool Corporation		24,900	2.1		2.1
Whitbread Plc		210,767	4.2		4.2
Willamette Industries, Inc.		45,100	2.3		2.3
William Resources Inc.		333,201	-	0.2	0.2
Williams Companies, Inc., The		1,500,000	71.9		71.9
Williams Holdings Plc		1,023,605	9.0		9.0
Wisconsin Energy Corp.		43,500	2.1		2.1
Wm. Wrigley Jr. Company		24,000	3.3		3.3
Wolseley Plc		598,300	5.8		5.8
Wolters Kluwer		39,576	13.0		13.0
Wolverhampton & Dudley Breweries Plc		1,104,000	12.0		12.0
Woodside Petroleum Limited		670,000	4.6		4.6
Woolworths Limited		370,000	1.9		1.9
World Color Press, Inc.		42,700	2.0		2.0
WorldCom, Inc.		696,000	76.7		76.7
Xerox Corporation		19,000	3.4		3.4
YPF S.A.	class D	139,002	6.0	6.0	
		53,000	2.3	2.3	8.3
YTL Corporation		363,250	0.7		0.7
Yamanouchi Pharmaceutical Co., Ltd.		125,000	6.2		6.2
Yang Ming Marine Transport		90,000	0.9		0.9
Yapi ve Kredi Bankasi A.S.		24,250,906	0.4		0.4
Yasuda Fire & Marine Insurance Co., Ltd., The		440,000	3.3		3.3
Zeneca Group Plc		1,068,537	71.5		71.5
Zhejiang Expressway Co., Ltd.		1,596,000	0.5		0.5
Zhenhai Refining and Chemical Co., Ltd.		332,000	0.1		0.1
Zurich Versicherungen		42,800	48.7		48.7

¹ Company in which the Caisse is considered an insider within the meaning of applicable Canadian laws.

² Company in which the Caisse would be considered an insider only within the meaning of applicable American laws.

In this table are listed the major investments in shares and bonds of public corporations. This table does not account for the hedging of foreign exchange risks. This table is subject to the disclosure standards applicable to the annual list of such investments.

The annual list must not provide any information deemed to be detrimental to the operations of the Caisse, to its economic interests or competitiveness or which may reveal an intended transaction, a transaction or series of transactions in process or which may cause prejudice to a company. Consequently, there may occasionally exist differences between the investments in the annual list and those recorded in the books of the Caisse, at December 31. However, whenever possible and without transgressing the above standards, the annual list states the total amount of these differences.

INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS
as at December 31, 1998
(fair value - in millions of dollars)

Investment amounts :

A = \$0 to \$5 million C = \$10 to \$30 million E = \$50 to \$75 million G = \$100 to \$150 million
 B = \$5 to \$10 million D = \$30 to \$50 million F = \$75 to \$100 million H = \$150 million and over

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
CAISSE REAL ESTATE GROUP						
Cadim						
	Domaine d'Iberville (Est) Limitée		X			B
	Lazard & Frères Real Estate Investors LLC	X				D
	Lone Star Fund II (Bermuda) L.P.	X				C
	Lone Star Opportunity Fund L.P.	X				C
	PSR-Boca Associates Limited Partnership		X			A
	Patriot Properties Group Inc.		X			A
	Schroder Asian Properties Fund L.P.	X				A
	Skanska Cadim B.V.		X			A
	Société en commandite Condominiums Mérici	X				A
	Société en commandite					
	Les Développements du Lac du Haut Anjou	X				A
	Société en commandite TMSA	X				A
SITQ						
	Alizé, Gestion technique d'immeubles inc.	X				A
	Grupo Inmobiliario Caisse, S.A. de C.V.	X				A
	Immeubles Pen York Inc., Les	X				A
	PillarCaisse Management Limited	X				A
SITQ-BST REIT						
	Blackstone Real Estate Partners II	X				C
SITQ É.-U.						
	Blackstone Real Estate Partners II	X				B
	Blackstone Real Estate Partners III	X				A
	BRE/Satellite Co-Investor L.P.	X				E
SITQ International						
	Pillar Property Plc		X			A
	Retail Park Unit Trust, The	X				H
SITQ-MEXIQUE						
	DeSarollos Cordillera S.A. de C.V.			X		A
	DeSarollos Madeira S.A. de C.V.			X		A
SITQ Placements						
	Société en commandite Immobilière Solim II	X				A
	3256260 Canada Inc. (Canco)		X			A

CAISSE PRIVATE INVESTMENTS GROUP

Accès Capital¹

Accès Capital Québec, S.E.C.		X			A
Unigraph International Inc.	class A		X	X	A

Accès Capital Abitibi-Témiscamingue¹

Viandes Abitemis Inc.	class B		X		A
	preferred E		X		A

Accès Capital Bas-Saint-Laurent¹

Cuisines Gaspésiennes de Matane Itée, Les ²	class A		X	X	A
Sablynx inc.	class A		X	X	A

Accès Capital Centre du Québec¹

Sérico inc.	class A		X		A
	preferred H		X		A
Veralex inc. ²	class A		X		A
9027-7054 Québec inc. (Groupe Rivalair)			X	X	A

Accès Capital Gaspésie-Les-Îles¹

Cuisines Gaspésiennes de Matane Itée, Les ²	class A		X	X	A
Gestion Groupe RT (1996) Itée	class A		X		A
Pêcheries Gaspésiennes inc., Les				X	A

Accès Capital Saguenay-Lac-Saint-Jean¹

Bois + Value inc.				X	A
Doralco Ltée	class A		X	X	A
Specialized Access Systems Inc. (S.A.S.) ²	class A		X	X	A
Vinya Plastiques Inc. ²	class A		X		A
162894 Canada Inc. (ID Group)	class A		X	X	A

Capital CDPQ¹

ACME Multimedia Inc.			X	X	A
	purchase options		X		A
Accès Capital Abitibi-Témiscamingue, S.E.C.		X			A
Aerobic Technologies Inc.	purchase options		X	X	A
Applied Accoustics Systems DVM Inc.	purchase options		X	X	A
Audisoft Technologies Inc.	purchase options		X	X	A
BIOMA Recherche inc.			X		A
Bois Feuillus de la Lièvre inc., Les	purchase options		X		A
	class A		X		A
CADCOM-CADD Services inc.	purchase options		X	X	A
Canamex Inc., Les Produits Pétroliers ²	class A		X	X	A
Choisy Inc., Le Groupe				X	A
Clé Ltée, Compagnie de location d'équipement	class B		X		A
Collections Shan inc., Les				X	A
Copieurs Rive-Sud inc.				X	A
Dénoté Vincent prêt-à-porter masculin inc.	purchase options		X	X	A
Deus Ex Machina Inc.	purchase options		X	X	A
Distributions Alimentaires Le Marquis	class A		X	X	A
Dream Mechanics Inc.	purchase options		X	X	A
Dubuc Mode de Vie inc.	purchase options		X	X	A

13 INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
Écolux inc.			X			A
Ecoval Inc.			X			A
Enterprise Planning Systems Inc.			X			A
Entreposage Maska Ltée	class A		X		X	A
Gecko Électronique Inc.					X	A
Gemmar Systems International Inc.	class A		X			A
	preferred B		X			A
Génération.Net inc., Les Services			X		X	A
GéniMédic inc.	purchase options		X		X	A
Géo-3D inc.	purchase options		X		X	A
Gestion Capital 07 Enr., Société en commandite		X				A
Gestion Groupe RT (1996) Itée	class A		X			A
Hemera Technologies Inc.	class D		X		X	A
	purchase options		X			A
I dex inc.	class A		X		X	A
Industrivel inc.	purchase options		X		X	A
Investissements 3L (Laval-Laurentides-Lanaudière) S.E.C.		X				A
Laminage Lamcom Inc.				X		A
Mechtronix Systems Inc.	class A		X		X	A
Mégatrak Lab Inc.	purchase options		X		X	A
MerzCom Inc.	purchase options		X		X	A
Meunier Inc., John	class A		X			A
Montréal Mode Inc. ²			X		X	A
Office Perks inc., Service de café Gourmet	class A		X			A
Pêcheries Marinard Ltée	class A		X		X	A
Phenogene Thérapeutiques Inc.	purchase options		X		X	A
Placage R.T. Plating Ltée					X	A
Placetel inc.			X	X		A
Planon Téléexpertise inc.	purchase options		X		X	A
Resort One Inc.			X			A
Rewind inc., Les Vêtements	purchase options		X		X	A
Société d'investissements Capimont Enr.		X				A
Société en commandite Capidem Enr.		X				A
Société en commandite Capital de l'Estrie Enr.		X				A
Société en commandite Capital Montérégie Enr.		X				A
Société en commandite Investissements Mauricie-Bois-Francis-Drummond		X				A
Solvision Inc.	purchase options		X		X	A
St-Jean Ltée, Emballage			X			A
Studio Thomas Wallace Inc.	class A, C		X		X	A
Sydsons Inc., Groupe			X		X	A

Synercard Corporation		purchase options			X	A
Systèmes d'enseignes Electrobits inc.		class A			X	A
Techno Diesel inc.					X	A
Vinya Plastiques Inc.		purchase options			X	A
Volaille Giannone inc.		class A			X	A
		preferred F, I			X	A
3095-7757 Québec Inc. (Multimax)		class B			X	A
3458032 Canada Inc. (Inox-Tech Canada inc.)		class A			X	A
9013-8082 Québec Inc. (Verity Audio Inc.) ²		class B			X	A
		purchase options			X	A
9027-7054 Québec inc. (Groupe Rivalair)		class B			X	A
9039-0246 Québec Inc. (Paradox)		purchase options			X	A
9039-2911 Québec Inc.					X	A
9045-1287 Québec Inc. (Ike & Dean)		purchase options			X	A
9046-1120 Québec inc. (Société de gestion Énard)					X	A
Capital Communications CDPQ¹						
Accel IV L.P.	X					C
B & B Jocus Inc.					X	A
BG Media Investors L.P.	X					B
Cable Satisfaction International Inc.				X		B
Callahan Associates International LLC					X	C
Canal des Affaires inc., Le					X	A
Centennial Fund IV, L.P.	X					C
Com 2i et Cie SCA	X					A
Corporation Telexis			X			A
Dolphin Communications Fund, L.P.	X					A
Elyps Communications Inc.		class A	X	X		A
Fundy Communications Inc.		preferred C	X			B
GSM Capital Limited Partnership	X					A
Groupe Image Buzz Inc.		class A	X			A
		preferred E	X			A
		class A	X			A
Hybride Technologies Inc.						A
Innovacom 3	X					A
MaxLink Communications Inc.		class A, B	X		X	A
NetStar Communications Inc.		class A, B	X	X	X	E
Newbury Ventures Associates, L.P.	X					A
Northam Inc.			X		X	A
Omni Science IV - V, Société en commandite	X					A
Proxima Systems Ltd.			X	X		A
Public Technologies Multimédia (PTM) inc. ²		class A	X			A
RDL Commercial Technologies Corporation		preferred C	X			B
RDL Photonic Integrated Chip Corporation		warrants	X			A
SSIG Group Inc.		warrants	X			A
		class A	X	X		A
Société en commandite d'affichage Omni	X					B
Société Européenne d'Investissement CFI/CDPC	X		X			A

13 INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
Spanish Telecommunications Limited	class A		X	X		D
Tandem Wireless Investments L.P.		X				E
	preferred F		X			C
Téléystème Itée	class A		X			H
	preferred E		X			E
Téléystème, Corporation financière ³	class A		X	X		G
	preferred D		X			A
Toon Boom Technology Inc.	class A		X	X		A
Vantagepoint Communications Partners L.P.		X				A
Vision Régionale Inc.	class A		X			A
VS & A Communications Partners III, L.P.		X				A
West End Systems Corp.				X		A
3163199 Canada Inc. (NetStar Communications)	class A		X			A
	preferred B		X	X	X	B
3321118 Canada Inc. (CF Télévision inc.)			X			C
3420582 Canada Inc. (QPS Technology Inc.)	class A		X	X		A
Capital d'Amérique CDPQ¹						
Ajax Magnethermic Corporation					X	C
Albums DF Ltd.	class A		X		X	A
	purchase options		X			A
Almiria Capital Corporation	class A		X			A
Altamira Investment Services Inc.	class B		X			A
	preferred X		X		X	D
			X			A
Alter Moneta Corporation						A
Ares Leveraged Investment Fund, L.P.		X				D
Ares Leveraged Investment Fund II, L.D.C.		X				C
Artel Inc.	class A		X	X	X	B
Artopex International Inc.					X	A
BC European Capital VI		X				B
Bail Montmorency Ltée					X	A
Bail St-Jérôme Limitée					X	A
Beacon Group Energy Investment Fund II, L.P.		X				C
Biogénie S.R.D.C. Inc.	class A		X			A
Biothermica Énergie Inc.	class B		X		X	A
Blackstone Offshore Capital Partners III, L.P.		X				B
Blue Mountain Wallcoverings Inc.	class A		X	X		B
CAI Capital Partners & Co., L.P.		X				B
Camelot Technologies Ltd. ²			X		X	A
Canadian Pension Equity and Company, L.P.		X				A
Caravelle Investment Fund, L.L.C.	participating notes E		X			E
Cavalier Textiles Group L.P.		X			X	C

Chapais Énergie, Société en commandite		X			X	C
Château des Laurets S.A.S.			X		X	B
	purchase options		X			A
Chemin de fer Charlevoix Inc.					X	A
Chemins de fer du Québec Inc., Société des			X			A
Cimbec Inc.					X	B
CiviGenics, Inc.	preferred B		X			B
Cobra International Systèmes de Fixations Cie			X	X	X	A
Commercial Alcohols Inc.			X	X		B
	special		X			A
Companhia de Participações Alpha	preferred		X			B
Corporation de Commercialisation			X			A
des Centres d'appels du Québec	preferred		X			A
Cramex, Société en commandite					X	A
Culinar inc.			X			B
Davidson Inc., Les Industries	class A		X		X	C
Domaine d'Iberville (Est) Limitée					X	A
Drolet Inc., Groupe			X		X	A
Duopac Inc., Emballages			X		X	A
Énergie CDPQ (1996) Inc. ¹			X			A
Environmental Private Equity Fund II, L.P.		X				B
Environmental Research and Development Capital, L.P.		X				A
Équipements de Sécurité Arkon Inc., Les ²	class A		X		X	C
F.M.E. Corporation					X	C
Financière Neopost S.A.					X	C
Finoblig S.A. & Cie					X	D
GBA Industrial Equipment Inc.			X			A
Generac Portable Products Inc.			X			C
Générale de Services Santé N.A. Inc. ²			X		X	B
Grands Moulins de Paris			X		X	B
Hidroeléctrica Rio Lajas, S.A.					X	B
Hydromega Inc., Développement					X	B
Hydromega I, Société en commandite					X	A
Infrastructure and Environmental Private Equity Fund III, L.P.		X				B
Innergex Hydro Inc.					X	C
JM Asbestos inc.			X			A
	preferred		X		X	C
John Lewis Industries Ltd.			X		X	A
KW Gaspe and company, L.P.					X	C
L.I.I. Holdings Corp.	class A		X	X		A
LR Jet Corporation					X	E
LaGran Canada Inc.					X	C
LaGran Textiles, L.P.		X				A
Leica Microsystems International Holdings GmbH					X	G
MG Stratum Fund II, L.P.		X				A
Magnus Poirier Inc.					X	A

13 INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
Microcell Telecommunications Inc.					X	B
Miralta Capital Inc.	class A		X		X	A
Miralta Teramira Inc.	class A		X		X	A
Mobicom inc., Capital			X			A
	preferred A, B, C		X			D
Mont-Tremblant Resorts and Company, Limited Partnership					X	E
Moore's Retail Group Inc.	class B, C, D		X		X	C
Novacap Inc., Investissements	class A		X			C
Noverco Inc.			X			A
Novergaz inc.			X			A
Omega Lumber Ltd.					X	A
Optimum Inc., Groupe	class A, B		X			B
Orleans General Insurance Company ²	class A		X			A
Papeteries Lafayette Limitée			X			A
Partic CDPQ inc. ¹			X		X	B
Pêcheries Marinard Ltée	class A		X		X	A
Pine Falls Paper Compagny Limited					X	C
Premier Caskets Corporation	class C		X			A
Prémoulé inc.	class A		X	X		A
Previc Corporation, Les Cercueils	class C		X			A
R & M Metaltek Inc.	class A, B		X		X	A
R.S.P. Hydro inc.					X	C
Ronor Innovations Inc.			X	X		A
SLM International Inc.					X	G
SOQUIP Inc., Exploration	preferred		X			A
Sabex inc.			X			A
	preferred A, G		X		X	B
Schroders II , Fonds d'acquisitions canadien		X				A
Société en commandite Gazmont					X	B
Société en commandite hydro-électrique Buckingham		X				A
Sodémex, Société en commandite		X				A
Sodémex inc., Gestion	class A, B		X			A
Sodémex II, Société en commandite		X				B
Tour de Mons SA, La			X		X	C
	purchase options		X			A
Trak inc.			X		X	A
Usines Huntingdon (Canada Ltée), Les	class A		X			A
Vacances Air Transat A.T. Inc.					X	C
Vic Royal Inc., Les Cercueils	class E		X			A
Victoriaville Ltée, Cercueils	class A		X			A

2318-4518 Québec Inc. (Réserves d'hydrocarbure)					X				A
	preferred				X				A
3189180 Canada Inc. (EMC ²)					X		X		A
9003-3291 Québec Inc. (Subsidiary of ADS Inc.)	class B				X		X		A
9059-5182 Québec inc.							X		A
Capital International CDPQ¹									
AXA Asset Management Private Equity					X				A
AXA Private Equity Fund		X							B
Advent Private Equity Fund II, L.P.		X							A
Asia Equity Infrastructure Fund, L.P.		X							B
Asia Pacific Growth Fund II, L.P.		X							C
BC European Capital V		X							D
BC European Capital VI		X							B
BVP Europe, L.P.		X							A
Blackstone Offshore Capital Partners II, L.P.		X							E
Blackstone Offshore Capital Partners III, L.P.		X							B
Brazil Private Equity Fund L.P., The		X							A
CVC European Equity Partners II (Jersey) L.P.		X							C
China Renaissance Industries, L.P.		X							C
Corporate Partners, L.P.		X							A
Exxel Capital Partners V, L.P.		X							D
Groupe Expordev ²					X				A
Harbour Group Investments III, L.P.		X							B
Infradev International		X							A
Japan/U.S. Venture Partners		X							A
KKR 1996 Fund, L.P.		X							C
Martin-Maurel, Compagnie financière					X				B
Partic International US Inc.		X							A
Partim International I Inc. (Capimex, société en commandite)		X			X				A
Polish Enterprise Fund, L.P.		X							C
Renaissance Funds LDC, The		X							C
Schroder UK Buy-Out Fund III, L.P.		X							D
Schroder Ventures European Fund, L.P.		X							C
TA/Advent VIII, L.P.		X							B
3i UK Investment Partners		X							C
3i UK Investment Partners II, L.P.		X							C
Services financiers CDPQ¹									
@rgentum Management and Research Corporation		X							A
Addenda Capital inc.	class A, B, C				X				B
Alain, Guilmette and associates		X					X		B
Avantages Services Financiers inc.							X		A
Avix Mutual Funds Inc.					X		X		A
CTI Fonds Mutuels Inc.		X			X				C
Cartier Mutual Funds Limited Partnership		X			X				A
COTE 100 Inc.		X							C
Courvie inc., Gestion	class A				X				A

13 INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
Crystalline Arbitrage Management				X	X	A
Evolution FM inc.		X				A
Fonds SSQ Obligations		X				A
Holdun Investment Management Inc.	class A, B		X			A
Nova Bancorp Group (Canada) Ltd. ²	class A		X			B
Québec Gross Fund Inc.		X				A
Talvest Canadian Equity Grow Fund		X				A
Talvest Small Cap Canadian Equity Fund		X				A
Teraxis Capital Inc. ²			X			A
Valorem Obligations canadiennes de valeur		X				A
Valorem Tendances démographiques		X				A
Sofinov, Société financière d'innovation¹						
AIKS Inc., Technologies Innovations			X			A
AXA Asset Management Private Equity			X			A
AXA Private Equity Fund		X				A
Aerospace Research Technologies Inc. (ART)	class B		X			C
Agrimage inc.	class A		X	X		A
Air Data inc.			X	X	X	A
Alex Informatique Inc.	class A		X			A
Anapharm inc. ²	warrants		X			A
	class A		X			A
Angiogène inc.			X			A
	warrants		X			A
Apoptogen inc.	preferred B		X			A
Atlas Venture Fund III, L.P.		X				C
Atrion International Inc.	class C		X	X		B
Auriga Ventures		X				A
Balisoft Technologies Inc.	warrants spéciaux		X			A
Bio-Recherches Ltée, Laboratoires			X			A
Biovector Therapeutics SA	class D		X			A
BondFace Technologies inc.			X			A
CML Technologies Inc.	class A, B, C		X			A
	preferred A		X			A
Camelot Technologies Ltd. ²			X		X	A
Chronogen Inc.	class A		X			A
Corporation Locus Dialogue Inc.	class C		X			A
CryoCath Technologies Inc.			X			A
Dentalmatic Technologies inc.	class C		X			A
Domain Partners III, L.P.		X				B
Domain Partners IV, L.P.		X				A

Exogène Neurosciences inc.	warrants		X		A
	preferred A		X		A
GL & VH - Hydrogen Technologies Inc.	class A, B		X	X	A
Galea Network Security Inc.			X	X	A
Galen Partners International II, L.P.		X			C
GeminX Biotechnologies inc.	warrants		X		A
	preferred		X		A
GeneChem Technologies Venture Fund L.P.		X			B
H. Power Enterprises of Canada Inc.			X		A
HPower Corporation			X		A
	preferred C		X		C
HexaVision Technologies Inc.	class A		X	X	A
Hydrogen Systems N.V.	class B		X		A
J.L. Albright Venture Partners Inc.		X			C
LM Soft inc.			X	X	A
Lexicon Genetics Inc.	preferred A		X		A
Life Imaging Systems Inc.	warrants		X		A
	preferred D		X		A
Logibro inc.	class A		X	X	B
	purchase options		X		A
MDS Health Ventures Capital Corp.			X		A
MDS Health Ventures Inc.			X		A
MDS Health Ventures (PC) Inc.			X		A
MDS Life Sciences Technology Fund L.P.		X			A
MethylGene Inc.	class A		X		B
Minacom International Inc.	class A		X		A
Morphometrix Technologies Inc.	warrants		X		A
	preferred A		X		B
Motus Technologies inc.	class A		X	X	A
Nertec Design inc.			X		B
Neurochem Inc.	warrants		X		A
	preferred A		X		B
Neuroscience Partners, L.P.		X			B
Neuroscience Pharma (NPI) Inc.			X		A
	warrants		X		A
	preferred		X		B
New Enterprise Associates VIII, L.P.		X			A
Nexia Biotechnologies inc.	class A		X		A
	preferred A		X	X	A
Onset Enterprise Associates, L.P. (OEA III)		X			A
Organogel Canada Ltée	purchase options		X		A
	class A		X	X	A
Pharma Laser Inc.	warrants		X		A
	class A		X		A
Phoenix Gas Systems LLC (PGS)		X			A
Phoenix Hydrogen Systems LLC (PHS)		X			A

13 INVESTMENTS IN SHARES AND BONDS OF PRIVATE CORPORATIONS (continued)
as at December 31, 1998
(fair value - in millions of dollars)

CORPORATIONS	Designation	Units	Shares	Convertible securities	Bonds	Investment amounts
PlannSoft Management Solutions Inc.	class A		X	X		A
PROCREA Biosciences Inc.			X			A
	purchase options		X			A
Pyderion Management Limited	class B		X			A
PyroGenesis inc.	class A		X		X	A
Reflux Cell			X			A
RTP Pharma Inc.	warrants		X			A
			X			C
Sabex inc.			X			A
	preferred A, H		X		X	C
Sanderling Venture Partners IV, L.P.		X				A
Scriptgen Pharmaceutical Inc.	preferred E		X			C
Semantix Inc. ²			X			A
Services CartoGraphiques 2+1 Inc., Les	class A		X			A
ServiceWare Corporation ²	class A		X	X	X	A
Silonex Inc. ²	class A, B		X			A
Société de développement du magnésium (SDM)		X				A
Softecmag inc.			X			A
Spinex International Inc.	class A, B		X			A
	preferred C		X			A
Surface Modification Technologies Inc. ²			X			A
Sweet Electronics Inc.	class A		X			A
TA Associates - Advent VII, L.P.		X				B
T ² C ² Bio, Limited Partnership		X				A
T ² C ² Info, Limited Partnership		X				A
Technocap Inc., Fonds	preferred		X			C
Technologies M4 Inc.			X			A
Tetra Technologies inc. ²	class A		X			A
Theralipids Inc.	warrants		X			A
	preferred B		X	X		A
Touchtunes Digital Jukebox inc.	class B, C		X	X		C
Triton Électronique International Inc., Groupe	class A, B, C, E		X			A
Valadeo Technologies Corp. ²			X	X		A
Ventures West B.C. Technology Investment Fund, The		X				A
Virtual Prototypes Inc.	class A, D		X			A
2860-9600 Québec inc.	class A		X			A

Difference between investments reflected in the annual list and those on record at the Caisse: 7 debentures convertible files into class A, B and C public company shares

¹ Investment made or held by the Caisse or one of its subsidiaries pursuant to the first four paragraphs of subsection 37.1 of the *Act Respecting the Caisse*.

² Investment made or held by the Caisse or one of its subsidiaries pursuant to the last paragraph of the *Act Respecting the Caisse*.

³ The Caisse holds and manages, through its Canadian Stock Markets team, convertible securities of Telesystem Financial Corporation for an amount of \$108.4 million in 1998.

In this table are listed the major investments in shares and bonds of private corporations. This table does not account for the hedging of foreign exchange risks. This table is subject to the disclosure standards applicable to the annual list of such investments.

The annual list must not provide any information deemed to be detrimental to the operations of the Caisse, to its economic interests or competitiveness or which may reveal an intended transaction, a transaction or series of transactions in process or which may cause prejudice to a company. Consequently, there may occasionally exist differences between the investments in the annual list and those recorded in the books of the Caisse, at December 31. However, whenever possible and without transgressing the above standards, the annual list states the total amount of these differences.

The specific value of investments in any closed company (according to the definition of the Québec Securities Act) does not appear in this list unless the company has agreed to such disclosure.

14 ADMINISTRATIVE STATISTICS
as at December 31
(fair value - in millions of dollars)

	1998	1997	1996	1995	1994
Total assets under management	83,327	70,524	61,333	52,699	46,038
Investment management expenses and administrative expenses	45.9	36.2	35.4	35.9	35.7
Amount in basis points	5.5	5.1	5.8	6.8	7.8
Total assets under management per employee	357.6	323.5	273.8	191.6	144.8
Number of depositors	20	19	18	18	18
Number of employees	233	218	224	275	318

The Caisse establishes the general orientations concerning the management of global assets, as well as the investment policies and optimal allocation of the various asset classes for the Groupe financier Caisse as a whole. In addition, the Caisse manages directly certain core portfolio investments.

15 ADMINISTRATIVE STATISTICS - EXTERNAL MANAGEMENT
as at December 31
(fair value - in millions of dollars)

	1998	1997	1996	1995	1994
Caisse					
Investments in foreign shares at fair value ¹	15,589	12,044	10,499	6,184	4,639
Expenses related to international consultants, securities handling and safekeeping	10.4	13.1	12.5	5.9	5.5
Amount in basis points	6.7	10.9	11.9	9.5	11.9
Caisse Private Investments Group					
Private investments at fair value ¹	6,912	4,621	3,503	2,817	2,288
Investment management expenses and administrative expenses	17.7	12.1	9.0	7.4	6.5
Amount in basis points	25.6	26.2	25.7	26.3	28.4
Caisse Real Estate Group					
Real estate investments and mortgages at fair value ¹	10,206	6,765	5,559	4,755	4,431
Investment management expenses and administrative expenses	25.1	20.1	18.5	17.1	15.1
Amount in basis points	24.6	29.7	33.3	36.0	34.1

¹ Included in total assets under management.

External management is based on management orientations for global assets, and on investment policies and optimal allocation of various asset classes as determined by the Caisse.

DEPOSITORS' FUNDS
as at December 31
(fair value - in millions of dollars)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Commission administrative des régimes de retraite et d'assurances										
Government and Public Employees Retirement Plan (unionized level)										
Funds entrusted	25,555	22,781	19,828	16,690	13,706	13,524	10,728	9,939	8,206	7,940
Net income allocated*	1,577	1,233	1,863	1,181	874	1,059	784	785	577	743
Deposits (withdrawals)	469	343	444	481	479	634	417	381	389	335
Funds available for investments	2,046	1,576	2,307	1,662	1,353	1,693	1,201	1,166	966	1,078
Percentage of total funds available for investments	61.4	54.7	56.6	67.8	74.4	78.8	64.7	49.3	41.3	31.4
Régie des rentes du Québec										
Funds entrusted	15,831	15,838	15,660	15,361	14,409	16,401	15,201	15,887	14,650	15,411
Net income allocated*	1,294	1,097	1,710	1,392	1,021	1,522	1,262	1,521	1,157	1,546
Deposits (withdrawals)	(1,548)	(1,680)	(1,775)	(1,606)	(1,565)	(1,561)	(1,352)	(1,240)	(820)	(903)
Funds available for investments	(254)	(583)	(65)	(214)	(544)	(39)	(90)	281	337	643
Percentage of total funds available for investments	(7.6)	(20.3)	(1.6)	(8.7)	(29.9)	(1.8)	(4.8)	11.9	14.4	18.7
Commission de la santé et de la sécurité du travail										
Funds entrusted	7,644	6,883	5,705	4,961	4,219	4,315	3,835	3,986	3,558	3,523
Net income allocated*	489	364	527	401	278	352	332	395	275	341
Deposits (withdrawals)	65	414	5	(16)	-	(213)	(314)	(262)	(19)	388
Funds available for investments	554	778	532	385	278	139	18	133	256	729
Percentage of total funds available for investments	16.6	27.0	13.0	15.7	15.3	6.4	1.0	5.6	10.9	21.2
Commission de la construction du Québec										
Supplemental Pension Plan for Employees of the Québec Construction Industry										
Funds entrusted	6,637	6,128	5,568	4,943	4,264	4,360	3,753	3,565	3,008	2,816
Net income allocated*	533	382	556	356	289	322	281	276	234	271
Deposits (withdrawals)	(127)	(133)	(145)	(45)	(65)	(44)	41	76	153	78
Funds available for investments	406	249	411	311	224	278	322	352	387	349
Percentage of total funds available for investments	12.2	8.7	10.1	12.7	12.3	12.9	17.3	14.9	16.5	10.1
Société de l'assurance automobile du Québec										
Funds entrusted	6,436	6,028	5,543	4,974	4,692	5,710	5,328	5,393	4,886	5,136
Net income allocated*	426	356	571	439	360	528	438	514	389	501
Deposits (withdrawals)	(193)	(211)	(132)	(501)	(867)	(578)	(296)	(329)	(275)	(35)
Funds available for investments	233	145	439	(62)	(507)	(50)	142	185	114	466
Percentage of total funds available for investments	7.0	5.0	10.8	(2.5)	(27.8)	(2.3)	7.6	7.9	4.9	13.6

**Commission administrative des régimes de
retraite et d'assurances**

Government and Public Employees Retirement Plan

(non-unionized level)

Funds entrusted	4,057	3,722	3,309	2,812	2,340	2,393	2,167	2,035	1,674	1,652
Net income allocated*	268	205	315	199	150	181	153	160	122	160
Deposits (withdrawals)	(37)	(14)	42	53	(4)	(154)	60	80	36	10
Funds available for investments	231	191	357	252	146	27	213	240	158	170
Percentage of total funds available for investments	6.9	6.6	8.8	10.3	8.0	1.3	11.5	10.1	6.8	4.9

**Fonds d'amortissement des régimes
de retraite gouvernementaux**

Funds entrusted	1,359	1,232	1,088	939	803	-	-	-	-	-
Net income allocated*	89	66	98	64	(13)	-	-	-	-	-
Deposits (withdrawals)	-	-	-	-	850	-	-	-	-	-
Funds available for investments	89	66	98	64	837	-	-	-	-	-
Percentage of total funds available for investments	2.7	2.3	2.4	2.6	46.0	-	-	-	-	-

Other depositors

Funds entrusted	1,049	999	513	505	427	414	295	248	271	168
Net income allocated*	68	40	42	34	24	25	19	22	21	13
Deposits (withdrawals)	(38)	417	(46)	17	7	76	32	(15)	99	(9)
Funds available for investments	30	457	(4)	51	31	101	51	7	120	4
Percentage of total funds available for investments	0.8	16.0	(0.1)	2.1	1.7	4.7	2.7	0.3	5.2	0.1

Total depositors

Funds entrusted	68,568	63,611	57,214	51,185	44,860	47,117	41,307	41,053	36,253	36,646
Net income allocated*	4,744	3,743	5,682	4,066	2,983	3,989	3,269	3,673	2,775	3,575
Deposits (withdrawals)	(1,409)	(864)	(1,607)	(1,617)	(1,165)	(1,840)	(1,412)	(1,309)	(437)	(136)
Funds available for investments	3,335	2,879	4,075	2,449	1,818	2,149	1,857	2,364	2,338	3,439

* As of January, 1997, gains and losses on the sale of investments in the specific portfolios are reinvested

17 **BREAKDOWN OF DEPOSITORS' HOLDINGS**
as at December 31
(fair value - in percentage)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Commission administrative des régimes de retraite et d'assurances - RREGOP ¹	37.3	35.8	34.6	32.6	30.6	28.7	26.0	24.2	22.7	21.7
Régie des rentes du Québec										
Fonds du Régime de rentes du Québec	23.1	24.9	27.4	30.0	32.1	34.8	36.8	38.7	40.4	42.1
Commission de la santé et de la sécurité du travail	11.1	10.8	10.0	9.7	9.4	9.2	9.3	9.7	9.9	9.7
Commission de la construction du Québec	9.7	9.6	9.7	9.7	9.5	9.3	9.1	8.7	8.3	7.7
Société de l'assurance automobile du Québec	9.4	9.5	9.7	9.7	10.5	12.1	12.9	13.1	13.5	14.0
Commission administrative des régimes de retraite et d'assurances - RREGOP ²	5.9	5.9	5.8	5.5	5.2	5.1	5.2	5.0	4.6	4.5
Fonds d'amortissement des régimes de retraite gouvernementaux	2.0	1.9	1.9	1.8	1.8	-	-	-	-	-
Other depositors	1.5	1.6	0.9	1.0	0.9	0.8	0.7	0.6	0.6	0.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Unionized level.

² Non-unionized level.

18 **FUNDS' NET ASSETS**
as at December 31
(in millions of dollars)

	Cost	Fair value									
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
General Fund	13,329.7	16,277.8	16,317.6	21,253.0	20,391.4	19,493.6	21,945.0	20,263.8	20,957.8	19,379.1	20,318.4
Individual Funds											
301	20,606.7	25,121.8	22,524.3	19,264.3	16,356.7	13,464.8	13,169.7	10,557.4	9,691.6	8,049.4	7,739.6
302	3,225.3	3,974.7	3,658.6	3,204.0	2,751.5	2,295.4	2,305.5	2,126.4	1,979.2	1,634.2	1,608.3
303	142.9	166.1	154.5	138.6	124.0	109.5	103.8	41.2	39.9	35.6	35.0
304	-	-	-	-	-	-	-	-	14.2	23.6	24.4
305	135.4	165.2	151.2	131.9	113.8	96.1	93.7	77.4	55.5	27.5	-
306	77.1	88.9	75.4	60.7	46.9	-	-	-	-	-	-
307	5,223.7	6,400.2	5,964.6	-	-	-	-	-	-	-	-
308	1,127.4	1,332.1	1,218.2	1,056.1	920.8	794.1	-	-	-	-	-
311	2,429.3	3,008.7	3,032.3	2,810.5	2,586.4	2,351.6	2,468.6	2,247.7	2,255.5	2,063.5	1,962.3
312	2,186.3	2,587.6	2,223.7	1,903.6	1,675.3	1,397.1	1,350.9	1,090.8	949.2	679.0	636.0
313	803.2	906.9	796.7	686.3	594.0	445.4	425.0	345.2	286.9	204.5	148.5
330	6,428.8	7,660.5	7,036.2	5,535.7	4,808.0	4,151.8	4,198.1	3,761.1	3,888.7	3,487.5	3,438.7
	42,386.1	51,412.7	46,835.7	34,791.7	29,977.4	25,105.8	24,115.3	20,247.2	19,160.7	16,204.8	15,592.8
	55,715.8	67,690.5	63,153.3	56,044.7	50,368.8	44,599.4	46,060.3	40,511.0	40,118.5	35,583.9	35,911.2

19 NET INCOME ALLOCATED TO DEPOSITORS
as at December 31
(in millions of dollars)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Participation deposits										
General Fund	1,315.8	1,107.7	2,274.8	1,824.2	1,384.0	2,042.4	1,668.1	2,008.6	1,520.3	2,027.2
Individual Funds										
301	1,576.9	1,232.4	1,863.3	1,180.0	873.3	1,058.7	783.8	785.0	576.4	741.8
302	267.1	204.8	314.1	197.6	149.2	180.1	152.8	158.7	121.0	159.2
303	10.7	8.0	13.0	8.5	7.0	5.9	3.0	3.4	3.1	3.8
304	-	-	-	-	-	-	-	1.5	2.1	2.6
305	10.5	9.0	13.0	8.0	5.5	7.5	5.5	4.2	1.0	-
306	5.4	4.0	5.1	3.0	-	-	-	-	-	-
307	423.3	355.5	-	-	-	-	-	-	-	-
308	88.6	66.4	98.3	63.6	(13.1)	-	-	-	-	-
311	290.2	194.2	300.0	181.0	169.4	192.0	174.7	183.9	162.8	196.0
312	177.4	135.7	192.8	133.9	91.3	95.8	79.1	68.6	53.7	62.3
313	65.8	52.2	63.4	40.8	28.4	33.8	27.4	23.1	16.9	13.0
330	493.2	364.2	526.1	399.5	277.9	351.5	331.2	394.2	268.9	331.0
	3,409.1	2,626.4	3,389.1	2,215.9	1,588.9	1,925.3	1,557.5	1,622.6	1,205.9	1,509.7
Demand and term deposits	18.8	9.1	18.1	25.4	10.3	21.5	44.2	41.9	48.7	38.5
	4,743.8	3,743.2	5,682.0	4,065.5	2,983.2	3,989.2	3,269.8	3,673.1	2,774.9	3,575.4

20 SUMMARY OF INVESTMENTS
as at December 31
(in percentage)

	Cost	Fair value									
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Short-term investments	6.4	5.7	2.3	3.5	6.0	4.0	6.0	4.9	4.5	5.0	6.8
Mortgages	2.3	2.1	2.2	2.6	3.3	4.1	4.2	5.0	5.2	5.5	5.3
Bonds and securities acquired under reverse repurchase agreements	43.7	41.9	46.9	44.8	47.6	48.3	48.3	48.7	48.4	48.3	46.7
Fixed-income securities	52.4	49.7	51.4	50.9	56.9	56.4	58.5	58.6	58.1	58.8	58.8
Canadian shares	19.4	22.3	25.1	25.7	27.4	29.6	28.1	27.5	28.3	27.6	28.0
Foreign shares	18.0	19.0	17.3	17.4	12.1	10.4	10.1	10.2	9.3	8.6	8.2
Real estate holdings	10.2	9.0	6.2	6.0	3.6	3.6	3.3	3.7	4.3	5.0	5.0
Variable-income securities	47.6	50.3	48.6	49.1	43.1	43.6	41.5	41.4	41.9	41.2	41.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Figures prior to 1997 have not been restated to conform with the presentation of 1998

**BREAKDOWN OF INVESTMENTS IN PERCENTAGE
as at December 31**

INVESTMENTS	Cost	Fair value									
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Bonds											
Domestic securities											
Gouvernement du Québec	14.2	14.0	15.6	17.6	19.1	22.1	21.8	20.0	21.6	24.3	23.7
Government of Canada	6.1	5.4	13.6	11.1	11.3	6.5	4.3	5.7	2.8	2.0	3.0
Other governments	0.7	0.7	0.9	-	-	0.4	0.1	-	0.2	-	-
Guaranteed by gouvernement du Québec	6.0	6.4	7.6	9.0	12.0	12.8	14.5	12.7	11.3	9.6	7.0
Guaranteed by other governments	0.4	0.4	0.5	0.2	0.2	0.3	0.4	0.4	0.6	0.5	0.6
Guaranteed by grants	1.2	1.2	1.5	1.7	2.2	2.4	2.6	2.6	3.0	3.5	3.7
Municipalities and school boards	1.2	1.2	1.5	1.7	2.1	2.6	2.6	2.6	2.9	3.1	2.8
Corporate	2.8	2.5	1.8	0.5	0.5	0.3	0.3	0.4	0.4	0.4	1.1
	32.6	31.8	43.0	41.8	47.4	47.4	46.6	44.4	42.8	43.4	41.9
Foreign securities											
U.S. Government	5.4	4.8	1.1	0.8	-	0.9	1.7	1.4	2.0	2.2	4.1
Government of France	-	-	-	-	-	-	-	1.2	1.7	1.4	0.6
Government of Germany	-	-	-	-	-	-	-	1.3	1.0	1.0	-
Government of the United Kingdom	-	-	-	-	-	-	-	0.2	0.8	0.3	-
Other	2.3	2.2	0.5	0.2	0.2	-	-	0.2	0.1	-	0.1
	7.7	7.0	1.6	1.0	0.2	0.9	1.7	4.3	5.6	4.9	4.8
	40.3	38.8	44.6	42.8	47.6	48.3	48.3	48.7	48.4	48.3	46.7
Shares and convertible securities											
Domestic securities											
Metals and minerals	1.0	0.7	1.1	1.9	2.2	2.4	2.1	1.9	1.7	1.6	1.9
Gold and silver	1.2	0.9	1.0	2.2	2.2	2.3	1.9	1.4	1.5	1.9	1.8
Oil and gas	1.7	1.3	2.4	2.9	2.9	2.9	2.7	2.2	2.0	2.3	2.0
Paper and forest products	1.1	0.9	1.4	1.7	1.9	2.0	1.6	1.0	0.8	0.9	0.9
Consumer products	1.2	1.5	1.5	1.7	1.9	1.9	2.1	2.8	2.5	2.3	2.7
Industrial products	3.0	3.6	3.6	3.5	3.7	4.2	3.3	3.3	3.0	2.5	2.6
Real estate and construction	1.2	1.0	1.5	0.7	0.6	0.8	0.6	0.2	0.4	0.2	0.2
Transportation and environmental services	0.7	0.6	1.0	0.7	0.6	0.8	0.6	0.7	0.7	1.0	1.0
Pipelines	0.5	0.5	0.4	0.2	0.4	0.3	0.4	0.5	0.6	0.6	0.5
Utilities	1.8	2.8	2.6	2.8	2.6	2.8	2.6	2.8	3.0	3.2	3.1
Communications	0.9	1.9	2.0	1.8	1.9	2.1	2.4	2.7	2.4	2.2	2.0
Distribution and services	1.2	1.2	1.3	1.1	1.6	1.6	1.7	1.4	2.0	2.1	2.0
Financial services	3.3	4.7	4.5	3.9	3.9	4.3	4.7	5.0	6.0	5.3	5.6
Conglomerates	0.3	0.4	0.5	0.6	1.0	1.2	1.4	1.5	1.6	1.5	1.7
Index participation units - TSE 35	0.3	0.3	0.3	-	-	-	-	0.1	0.1	-	-
	19.4	22.3	25.1	25.7	27.4	29.6	28.1	27.5	28.3	27.6	28.0

Foreign securities												
External funds	8.2	8.2	8.5	7.2	5.7	5.4	3.8	4.5	5.4	6.0	5.6	
Internal funds	9.8	10.8	8.8	10.2	6.4	5.0	6.3	5.7	3.9	2.6	2.6	
	18.0	19.0	17.3	17.4	12.1	10.4	10.1	10.2	9.3	8.6	8.2	
	37.4	41.3	42.4	43.1	39.5	40.0	38.2	37.7	37.6	36.2	36.2	
Mortgages												
Canada	2.1	1.9	2.0	2.4	3.2	4.1	4.2	5.0	5.2	5.5	5.3	
United States	0.2	0.2	0.1	0.2	0.1	-	-	-	-	-	-	
	2.3	2.1	2.1	2.6	3.3	4.1	4.2	5.0	5.2	5.5	5.3	
Real estate holdings												
Canada	4.8	3.8	3.5	4.5	3.2	3.4	3.3	3.7	4.3	5.0	5.0	
Abroad	5.3	5.2	2.7	1.5	0.4	0.2	-	-	-	-	-	
	10.1	9.0	6.2	6.0	3.6	3.6	3.3	3.7	4.3	5.0	5.0	
Total long-term investments	90.1	91.2	95.3	94.5	94.0	96.0	94.0	95.1	95.5	95.0	93.2	
Short-term investments												
Domestic securities	5.3	4.7	1.5	2.7	5.8	3.3	5.8	4.3	4.3	3.9	5.2	
Foreign securities	1.1	1.0	0.8	0.8	0.2	0.7	0.2	0.6	0.2	1.1	1.6	
	6.4	5.7	2.3	3.5	6.0	4.0	6.0	4.9	4.5	5.0	6.8	
Securities acquired under reverse repurchase agreements												
Domestic securities	1.0	0.9	1.5	1.2	-	-	-	-	-	-	-	
Foreign securities	2.5	2.2	0.9	0.8	-	-	-	-	-	-	-	
	3.5	3.1	2.4	2.0	-	-	-	-	-	-	-	
Total short-term investments	9.9	8.8	4.7	5.5	6.0	4.0	6.0	4.9	4.5	5.0	6.8	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Breakdown of long-term investments												
Public sector	40.5	38.7	44.7	44.5	50.1	50.0	51.1	50.7	50.3	50.3	49.0	
Private sector	59.5	61.3	55.3	55.5	49.9	50.0	48.9	49.3	49.7	49.7	51.0	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Figures prior to 1997 have not been restated to conform with the presentation of 1998

BREAKDOWN OF INVESTMENTS IN MILLIONS OF DOLLARS
 as at December 31

INVESTMENTS	Cost		Fair value								
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Bonds											
Domestic securities											
Gouvernement du Québec	10,375.6	11,497.9	10,835.3	10,649.2	9,735.3	9,830.3	10,158.6	8,173.2	8,771.1	8,773.8	8,717.7
Government of Canada	4,418.4	4,453.9	9,497.9	6,684.8	5,778.9	2,900.2	1,988.4	2,304.3	1,125.7	713.8	1,105.4
Other governments	532.8	565.3	652.9	14.7	7.2	176.8	44.2	18.1	65.9	14.8	-
Guaranteed by gouvernement du Québec	4,388.4	5,236.2	5,305.5	5,436.3	6,110.9	5,717.0	6,762.5	5,190.2	4,588.2	3,454.7	2,573.1
Guaranteed by other governments	299.7	326.1	364.0	110.0	104.8	133.4	177.9	175.5	228.3	154.7	215.9
Guaranteed by grants	870.1	989.0	1,009.2	1,017.5	1,107.0	1,086.9	1,217.5	1,076.2	1,264.5	1,266.6	1,393.6
Municipalities and school boards	849.9	985.5	1,013.2	1,004.1	1,090.1	1,124.8	1,230.7	1,051.8	1,174.8	1,121.7	1,028.3
Corporate	2,014.2	2,013.9	1,243.9	301.4	246.7	138.9	121.7	146.9	169.8	150.6	421.2
	23,749.1	26,067.8	29,921.9	25,218.0	24,180.9	21,108.3	21,701.5	18,136.2	17,388.3	15,650.7	15,455.2
Foreign securities											
U.S. Government	3,949.7	3,958.5	715.1	495.8	0.2	390.6	775.7	580.8	813.4	777.0	1,491.8
Government of France	-	-	-	-	-	-	10.1	508.6	669.9	497.2	244.2
Government of Germany	-	-	-	-	-	-	3.6	528.9	423.4	374.8	-
Government of the United Kingdom	-	-	-	-	-	-	-	69.3	326.2	93.3	-
Other	1,631.0	1,771.1	364.5	122.4	84.0	-	14.8	72.5	48.7	-	26.2
	5,580.7	5,729.6	1,079.6	618.2	84.2	390.6	804.2	1,760.1	2,281.6	1,742.3	1,762.2
	29,329.8	31,797.4	31,001.5	25,836.2	24,265.1	21,498.9	22,505.7	19,896.3	19,669.9	17,393.0	17,217.4
Shares and convertible securities											
Domestic securities											
Metals and minerals	673.3	539.9	745.1	1,118.3	1,143.9	1,071.1	966.5	773.8	722.3	563.0	700.7
Gold and silver	909.3	750.7	721.0	1,295.4	1,122.3	1,025.0	882.0	590.2	590.4	693.8	661.1
Oil and gas	1,261.6	1,024.2	1,692.5	1,773.5	1,482.3	1,312.9	1,272.1	898.5	792.0	845.8	741.1
Paper and forest products	773.9	730.7	966.2	1,026.5	958.6	888.8	752.4	426.8	322.2	325.6	331.3
Consumer products	867.4	1,245.6	1,086.1	1,029.4	942.8	837.5	988.8	1,141.6	1,030.4	822.3	1,006.7
Industrial products	2,220.1	2,951.1	2,524.2	2,135.9	1,905.1	1,861.7	1,522.0	1,340.4	1,210.5	901.6	946.0
Real estate and construction	892.3	830.7	1,041.8	450.3	319.6	339.8	295.7	91.5	151.3	63.5	77.0
Transportation and environmental services	479.3	456.5	665.1	414.0	323.1	332.1	272.1	294.9	268.6	351.3	373.5
Pipelines	387.3	418.2	259.1	138.8	180.0	135.9	176.2	213.5	255.8	207.7	181.5
Utilities	1,307.5	2,287.3	1,808.3	1,674.1	1,312.6	1,258.1	1,197.5	1,134.1	1,224.0	1,153.8	1,141.6
Communications	641.2	1,597.2	1,381.4	1,090.5	986.1	945.0	1,139.4	1,089.8	963.7	811.6	724.8
Distribution and services	844.8	1,006.7	877.6	686.0	842.7	705.5	798.0	581.7	826.0	760.3	748.9
Financial services	2,435.5	3,859.0	3,154.4	2,379.3	1,969.4	1,905.8	2,191.3	2,056.6	2,439.7	1,925.0	2,069.2
Conglomerates	238.4	350.5	338.1	361.2	502.1	540.7	661.8	605.5	645.4	556.4	591.2
Index participation units - TSE 35	202.7	217.3	215.5	-	-	-	-	28.7	28.8	8.9	-
	14,134.6	18,265.6	17,476.4	15,573.2	13,990.6	13,159.9	13,115.8	11,267.6	11,471.1	9,990.6	10,294.6

Foreign securities												
External funds	5,987.3	6,753.0	5,930.4	4,357.4	2,913.1	2,415.3	1,769.5	1,852.7	2,184.4	2,179.2	2,050.4	
Internal funds	7,181.8	8,835.9	6,113.4	6,141.9	3,271.2	2,223.9	2,896.2	2,343.7	1,573.1	953.2	940.8	
	13,169.1	15,588.9	12,043.8	10,499.3	6,184.3	4,639.2	4,665.7	4,196.4	3,757.5	3,132.4	2,991.2	
	27,303.7	33,854.5	29,520.2	26,072.5	20,174.9	17,799.1	17,781.5	15,464.0	15,228.6	13,123.0	13,285.8	
Mortgages												
Canada	1,538.6	1,563.9	1,398.0	1,445.7	1,659.8	1,842.0	1,957.9	2,047.4	2,104.9	1,984.0	1,969.2	
United States	168.0	196.1	98.8	121.6	28.5	-	-	-	-	-	-	
	1,706.6	1,760.0	1,496.8	1,567.3	1,688.3	1,842.0	1,957.9	2,047.4	2,104.9	1,984.0	1,969.2	
Real estate holdings												
Canada	3,510.1	3,120.3	2,413.3	2,679.8	1,634.2	1,527.4	1,517.2	1,519.0	1,744.0	1,788.0	1,836.3	
Abroad	3,892.2	4,230.1	1,868.2	930.5	210.6	74.0	-	-	-	-	-	
	7,402.3	7,350.4	4,281.5	3,610.3	1,844.8	1,601.4	1,517.2	1,519.0	1,744.0	1,788.0	1,836.3	
Total long-term investments	65,742.4	74,762.3	66,300.0	57,086.3	47,973.1	42,741.4	43,762.3	38,926.7	38,747.4	34,288.0	34,308.7	
Short-term investments												
Domestic securities	3,830.1	3,830.2	1,084.3	1,599.3	2,954.7	1,471.1	2,692.6	1,763.5	1,733.5	1,404.1	1,928.2	
Foreign securities	818.6	846.3	533.4	494.2	114.1	323.9	101.6	224.9	70.0	416.0	592.0	
	4,648.7	4,676.5	1,617.7	2,093.5	3,068.8	1,795.0	2,794.2	1,988.4	1,803.5	1,820.1	2,520.2	
Securities acquired under reverse repurchase agreements												
Domestic securities	724.8	724.8	1,025.7	770.7	-	-	-	-	-	-	-	
Foreign securities	1,857.8	1,857.8	642.9	481.7	-	-	-	-	-	-	-	
	2,582.6	2,582.6	1,668.6	1,252.4	-	-	-	-	-	-	-	
Total short-term investments	7,231.3	7,259.1	3,286.3	3,345.9	3,068.8	1,795.0	2,794.2	1,988.4	1,803.5	1,820.1	2,520.2	
Total	72,973.7	82,021.4	69,586.3	60,432.2	51,041.9	44,536.4	46,556.5	40,915.1	40,550.9	36,108.1	36,828.9	
Breakdown of long-term investments												
Public sector	26,606.5	28,954.6	29,632.1	25,412.4	24,018.4	21,360.0	22,384.0	19,749.4	19,500.1	17,242.4	16,796.2	
Private sector	39,135.9	45,807.7	36,667.9	31,673.9	23,954.7	21,381.4	21,378.3	19,177.3	19,247.3	17,045.6	17,512.5	
Total	65,742.4	74,762.3	66,300.0	57,086.3	47,973.1	42,741.4	43,762.3	38,926.7	38,747.4	34,288.0	34,308.7	

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23 **SUMMARY OF SHORT-TERM INVESTMENTS**
as at December 31
(in percentage)

	Fair value	Par value									
	1998	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Treasury bills	20.2	20.6	27.6	48.6	50.4	52.3	53.3	56.7	67.2	45.8	33.5
Financial institution paper	43.0	43.8	24.9	31.3	31.0	21.8	17.6	13.0	15.8	10.5	29.4
Government corporation notes	11.2	9.5	7.7	9.2	14.4	16.7	16.7	18.1	12.3	20.9	12.3
Commercial paper	25.6	26.1	39.8	10.9	4.2	9.2	12.4	12.2	4.6	22.3	23.5
Other commercial paper	-	-	-	-	-	-	-	-	0.1	0.5	1.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

24 **SUMMARY OF FOREIGN INVESTMENTS**
as at December 31
(in millions of dollars)

	Fair value										
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	
Bonds and securities acquired under reverse repurchase agreements	7,587	1,723	1,100	84	391	804	1,760	2,282	1,742	1,762	
Shares and convertible securities	15,589	12,044	10,499	6,184	4,639	4,666	4,196	3,757	3,132	2,991	
Mortgages	196	99	122	29	-	-	-	-	-	-	
Real estate holdings	4,230	1,868	930	211	74	-	-	-	-	-	
Short-term investments	846	534	494	114	324	102	225	70	416	592	
Foreign investments	28,448	16,268	13,145	6,622	5,428	5,572	6,181	6,109	5,290	5,345	

Figures prior to 1997 have not been restated to conform with the presentation of 1998.

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