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Highlights

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An active network

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WELCOME

A major North American portfolio manager

The Caisse de dépôt et placement du Québec holds among the largest portfolio assets in North America and is the leading public fund manager in Canada.

The largest issuer of public pension funds in North America and a leading public issuer in the U.S.

Assets, Employees and Portfolio

The Caisse was ranked in 2005 31st by the FTSE 100 and 11th by the FTSE 250.

The principal office is in Montreal, a member of the CIBC Group.

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

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The following employees appear in the photographs:

Keith Olson	5
Senior Portfolio Manager - Asia International Stock Markets	
Louise Lachance	5
Secretary, International Stock Markets	
Marc Riel	5
Trader, Stock Markets	
Marcel Paquette	8
Vice-President, Industrial Technologies, Sofinov	
Robert Durocher	8
Director, Administration, Information Systems	
Catherine Lussier	12
Analyst, Bond Investments and Money Market	
Du Nguyen	14
Trainee, Research and Return	

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Note

All figures are expressed in Canadian dollars.

Profile

A portfolio manager, the Caisse de dépôt et placement du Québec invests the funds entrusted to it by Québec public pension and insurance plans and various public bodies. Since its creation by a special act of the National Assembly in 1965, the Caisse has had the objective of achieving optimal financial returns and contributing by its activities to the vitality of the Québec economy, while ensuring the safety of the capital under management.

A team of professionals makes an astute selection of investments and actively manages the Caisse portfolio. In doing so, managers use the best financial vehicles available: bonds, shares and convertible securities, mortgages, real estate and short-term investments, and derivative products. Active on all major financial markets, the Caisse is also the leading provider of risk capital in Québec and in Canada for private investments.

The Caisse is also the leading investor in the Canadian stock market and is an important portfolio manager in North America. Operations are worldwide: the Americas, Europe and Asia. Its principal place of business is in Montréal, a major financial centre, while its Québec regional network Accès Capital has over 10 offices across Québec. The Caisse also shares representative offices in various countries.

Highlights

	1996	1995
	(in millions of dollars)	
Net assets at fair value	57,214	51,185
Total net income	7,636	7,942
Net depositors' holdings	1,607	1,617
Increase in net assets	6,029	6,325
Total return	15.6%	18.2%



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

In 1996, thanks to its investment management teams, the Caisse de dépôt et placement du Québec achieved an overall return of 15.6%, bringing the average annual return for the last two years to 16.9%, the five-year return to 10.8% and the 10-year return to 10.2%.

Income and added value totalled \$15.5 billion for the last two years, \$7.6 billion of which was generated in 1996. Assets rose from \$44.9 billion at year-end 1994 to \$51.2 billion at the end of 1995 and \$57.2 billion at the end of 1996. Withdrawals by depositors were \$1.6 billion in both 1995 and 1996.

The 1996 Caisse results were very much in line with its long-term asset mix objectives. Bonds and other fixed-income instruments remain the largest asset class, while equities continue at the 40% legal limit, lower than most major pension funds and the real estate and mortgage sector represent 8 to 10% of assets.

Overall, this asset mix has proven to be profitable for the domestic market over the last 15 years. In 1996, however, North American stock markets outperformed bond markets by a wide margin, with investor demand pushing up the value of the Canadian equities market by approximately 28% for the year.

On its Québec and Canadian equities, which account for approximately 25% of the portfolio, the Caisse came close to matching the return for the domestic equities market, with one of the lowest portfolio risk levels in recent years. In other words, the Caisse adopted a cautious approach in 1996 in both the domestic and U.S. markets. However, it resisted the temptation — and was proven right — to liquidate its U.S. equity positions, which might have been a justifiable response to the extraordinarily high returns in this market in 1995. Overall, the performance of the foreign equity portfolio exceeded the objectives set.

For their part, real estate investments finally seemed to have emerged from their long slump, with a 1996 return comparable to bond yields. In future years, the Caisse expects real estate investments to make a useful and positive contribution to its returns as a stabilizing force, which is the role they were originally intended to play.

The managers responsible for fixed-income securities, in other words the management of interest rate risk, obtained an excellent performance from their portfolio, once again demonstrating a remarkably high level of expertise.



Mr. Jean-Claude Scraire

The Private Investments Group also turned in noteworthy results. The five subsidiaries formed in 1995 were given the task of executing a \$1.3 billion investment programme in 1996 and 1997. In 1996 alone, they succeeded in carrying out 80% of the programme with investments of \$1.040 billion, generating a 31.5% return on their total portfolio of domestic equities and 20% on foreign securities.

The management and Board of Directors of the Caisse believe such private investments offer long-term potential that, with the added value in the form of talent, expertise, information and networks, may together surpass performance on markets that are increasingly efficient. They also offer opportunities for making a positive impact on the Québec economy, employment and businesses in Québec. Private investments will therefore continue to grow as a proportion of the total portfolio.

In spite of rapid changes in the world of finance, the Caisse remains committed to its original mission: obtaining the best possible financial returns continues to be its fundamental purpose. The second important aspect of its mission, obtaining economic returns, or in other words, securing collateral economic benefits, calls for close and informed partnerships with results-oriented Québec businesses of all sizes and in all sectors and with all participants in Québec's financial and economic life.

The Caisse intends to promote the expansion of high-potential sectors such as technological innovation, communications, telecommunications and biotechnology, without neglecting successful businesses in more traditional sectors, which continue to play an important role both in the economy and in its portfolios. Small, medium-size and large businesses interested in capturing foreign markets are the object of special attention.

It was for this reason that in 1996 the Caisse, in conjunction with other partners, set up Infradev International, a company specializing in infrastructure project financing.

The Caisse also offers financial backing for foreign companies seeking to establish themselves in Québec and supports Québec-based companies in their efforts to expand into foreign markets. The institution worked harder than ever at fostering entrepreneurship and stimulating the creation of new businesses to strengthen the industrial and commercial fabric of its milieu.

In 1996, for example, the Caisse went straight to the heart of local economies by setting up Accès Capital, a business investment network that will operate in every region of Quebec and deliver the full range of financial products as well as the expertise of the Caisse and its partners. A programme for loans of less than \$250,000 was also introduced to support business startups. Sodémex, an investment company specializing in capital for small mining exploration companies, was formed during the year. Parallel to its activities at home, the Caisse continued its expansion abroad to provide services and business opportunities to its partners and thereby enhance the return on its portfolios.

To assure its economic vitality and favourable conditions for business, Montréal, as the engine of economic activity in Québec, must be able to rely on a dynamic and vigorous financial industry. Montréal's strength, effectiveness and success as a financial centre depend on the commitment, determination and involvement of all participants. The presence of strong and efficient local institutions is central to this strategy for increasing financial activity and creating quality employment. The Caisse is resolved to support local institutions by continuing, for instance, to trade on The Montreal Exchange and by actively participating in the derivatives market. Furthermore, it fosters business partnerships which target the same objectives.

In its never-ending pursuit of excellence, the Caisse counts on one of the best teams in the business, made up of creative, innovative specialists who are keenly aware of the stakes not only in their own sector of activity, but also in the world around them. Having a high-calibre team will remain vital to the institution so it can meet the many challenges ahead.

Expertise and information

The economy has become increasingly global in scope and is driven by knowledge and know-how. In a knowledge-based economy, the strategic analysis of information is crucial, and it is this capacity which transforms the institution's partnerships and alliances into a genuine network. It also encourages a winning strategy. Success hinges on having intelligent, efficient, rapid and uninterrupted access to quality information, and the ability to act on it. This is one of the challenges facing our management teams in 1997 and the years leading up to the year 2000.

1996 OVERVIEW

Our business is investing


The Caisse de dépôt et placement du Québec is active in the most competitive financial markets worldwide. Taking advantage of the momentum these markets offer and of its considerable private investments in real estate and corporate financing, the Caisse has achieved over the past two years an average annual return of close to 17% (15.6% in 1996 and 18.2% in 1995), producing earnings of \$15.5 billion which, after net withdrawals of over \$3.2 billion by its depositors, increased its asset base from \$44.9 to \$57.2 billion.

For 1996 alone, in a financial world characterized by very low interest rates and almost non-existent inflation in North America, in dollar terms this return generated earnings of \$7.6 billion. A true yield of 13.6%, the spread between return on investment and inflation rate, is the fifth highest after inflation yield ever achieved by the institution.

Several markets produced unexpected returns, surprising many observers who expected a year of corrections. In the last two years, the U.S. market has expanded by 75% and the Canadian market by 45%. Presented with this market euphoria, the Caisse adopted a cautious approach, taking defensive measures and continuing its strategy of spreading its investments worldwide.

Portfolio managers are rated year over year by their depositors and their peers. Because it is a public-sector institution, the Caisse is also accountable before public opinion. It goes without saying that its return is measured over the long run, and its most important goal is sustained growth. Over the 5-year and 10-year time spans, the average overall return of the Caisse is respectively, 10.8% and 10.2%. Since its first year of operations in 1966, the Caisse has generated investment income of over \$52.9 billion for the benefit of its depositors.

For over 30 years, its depositors have benefited from Caisse strategies and investment decisions, in a financial and economic context of great changes in the major trends and economic orientations.



Caisse de dépôt et placement

our objective.

Our vision is global.

The world is our market place.

I Investments which are strategic, tactical, diversified

The Caisse must seize every opportunity it can of world markets to add to the value of its portfolio.

Three types of decisions can generally contribute in this way. Strategic decisions over a 12 to 18 month horizon, through which managers anticipate the way the markets and economic trends are going to move; tactical decisions, which allow them to take advantage of the volatility of certain short-term assets; and decisions relative to diversifying into the right sector, company, time frame, credit, and so on.

In 1996, for example, the Caisse diversified its portfolio by choosing various forms of investment in different foreign markets, chiefly through stock purchases. The Caisse continued to diversify its real estate portfolio through acquisitions, centred mainly in British Columbia, the United States and the United Kingdom. As for investments in Québec businesses, the Caisse invested over \$1 billion, mostly in small and medium-size companies. This allowed it to continue optimizing its yield in all areas of the major

markets where it is active: stocks, bonds and money markets, as well as private investments in the Americas, Europe and Asia.

Upstream and downstream.

Here and abroad. Wherever

the optimum potential

return is found, a guarantee

for the future.

With a global management outlook, unequalled tools of analysis and a network of select relationships all over the world, the Caisse team of highly qualified and motivated employees is focused on serving the interests of its depositors and of the Québec population as a whole. The Caisse manages its investments with strategic considerations and a view to diversification, aiming to generate yield while contributing to the well-being of its economic environment.

In addition to its dynamic approach to managing its six main categories of assets, the Caisse now has better reaction time thanks to active cash management and the use of various derivatives. Among its innovations, the Caisse has established a neutral portfolio which includes equal shares of secured and unsecured positions.

Compared with the previous year, the overall portfolio shows a marked reduction in the weight of Canadian stocks and bonds, of 2.8% and 1.7% by the end of the year, and their replacement by foreign stocks, which accounted for more than 17%.

Breakdown of investments

Bonds	45.8
Canadian shares	26.3
Foreign shares	17.8
Net real estate holdings	4.0
Short-term investments	3.5
Mortgages	2.6

as at December 31, 1996
fair value - in percentage

Money market, exchange,
stocks and bonds: the big picture

Within the tactical portfolio, in the derivative products sector activity jumped from \$5.6 billion in 1995 to \$23.3 billion in 1996, at nominal value.

As for short-term securities, security lending and borrowing on the bond and money markets for cash management and arbitraging purposes, there was a marked increase and total operations amounted to \$1 billion daily. The fair value of this securities portfolio reached \$2.1 billion by December 31, 1996. The total volume of operations matched the 1995 figure, \$242.5 billion. Québec issues represented 53.1% of the portfolio, or \$834.5 million, representing an annual increase of \$111 million.

The fair value of the bond portfolio, reached \$25.8 billion. The daily volume of operations for the portfolio as a whole was \$438 million.

Transactions of Canadian bonds reached a record volume. The Caisse took advantage of the exceptionally high swings in the U.S./Canada spread and the rate on 10-year Québec bonds dropped by 78 points, from 7.65% to 6.87%.

The Québec/Canada spread decreased by 15 points, going from 63 to 48 and remaining for the entire year below the historical average of 71 points. This strong performance was also reflected in Canadian provincial bonds, with the Québec/Ontario spread shrinking by approximately 10 points on average. The Caisse invested \$1.3 billion on the primary market of Québec and Hydro-Québec issues and negotiated \$13.9 billion on the secondary market.

Returns

	1996	1992-1996 (5 years)	1987-1996 (10 years)
Bonds	12.7	11.1	11.3
Canadian shares	27.1	13.6	10.3
U.S. shares	21.6	-	-
Other foreign shares ¹	13.2	8.5	7.2
Mortgages	12.0	9.7	11.0
Specific real estate investments portfolio	12.2	(2.9)	2.4
Short-term investments	5.4	6.2	-
Total return²	15.6	10.8	10.2
Current rate of return³	11.9	9.0	9.5

in percentage

- 1 Data prior to April 1994 includes U.S. shares.
- 2 The total return includes results of tactical currency transactions, tactical and strategic investments, as well as cash management operations.
- 3 The current rate of return is calculated at cost while the other rates of return are calculated at fair value using the time-weighted method.



Private investments:
the Caisse active on several fronts

Investing in Québec and Canadian companies as well as foreign investment funds allows the Caisse to establish long-term relationships with these companies making a significant contribution to their growth, while maximizing Caisse yields. At the end of 1996, through its affiliates specializing in sectorial investment at various stages of a company's development, the Caisse portfolio of private investments in companies and investment funds included 269 investments with a fair value of \$3.5 billion.

In the last year alone, the Caisse and its affiliates have invested more than \$1 billion in businesses, most of them small and medium Québec companies. With a goal of becoming even more active in this sector, the Caisse took measures to increase its private investments portfolio substantially. To increase its presence in small and medium-size companies, the Caisse launched new products, establishing a support programme for small companies in their starting stages and establishing Accès Capital, a regional network of investment companies with a starting capital of \$60 million which makes available all the products and services offered by the Caisse and its affiliates throughout Québec.

Caisse Private

Investments Group portfolio

Subsidiaries	Investments	
	Number	\$
Capital d'Amérique CDPQ		
Small-capitalizations	61	109
Medium-size businesses	56	275
Large companies	13	1,265
Debt securities	25	301
	155	1,950
Capital CDPQ	29	20
Capital International CDPQ	18	280
Sofinov, Société financière d'innovation	38	303
Capital Communications CDPQ	29	950
Total	269	3,503

as at December 31, 1996
fair value - in millions of dollars

Caisse affiliates were also active on foreign markets and in the high technology, communications and telecommunications fields. New specialized companies such as Sodémex and Infradev International were created to help better meet specialized investment needs. The portfolio of small-cap Québec companies grew appreciably, going from \$42.5 million to \$109 million while the Caisse expanded its portfolio of commercial debt instruments.

The Caisse and its subsidiaries increased their presence on foreign markets offering good possibilities for return as well as a chance to develop its business network to assist Québec companies interested in these promising markets.

The companies of the Caisse Real Estate Group, which include the real estate and mortgage portfolios, were very active in the last few months of the year. Their combined net holdings were \$4 billion, close to 7% of Caisse total investments.

The year 1996 was a turning point for the real estate sector, in terms of profitability, mainly due to the returns on investments outside Québec. The acquisition of a majority block of shares in the Vancouver-based Bentall real estate company was one of the significant events of the year. This company, which owns offices, shopping centres and industrial parks valued at more than \$480 million allowed the Caisse and its affiliate, SITQ Immobilier, to establish a strong foothold in Western Canada. In the United States, we should note investments of \$442 million in four shopping centres, an office building and eight residential buildings or groups of buildings. Real estate activity in Québec did not lag behind, with the purchase of the share held by the City of Montréal and Canada Life in the World Trade Centre Montréal, making the Caisse sole owner of the building.

Caisse Real Estate Group portfolio

Subsidiaries	Value of portfolio ¹	Percentage of the Group's portfolio
Cadim	556.1	13.7
Ivanhoe	1,084.9	26.8
SITQ Immobilier	844.1	20.8
Hypothèques CDPQ and other mortgage subsidiaries	1,566.4	38.7
Total	4,051.5	100.0

as at December 31, 1996
fair value - in millions of dollars

¹ represents the value of the Caisse's net holdings in the company

In total, Caisse real estate companies made acquisitions totalling \$929.1 million in Canada and abroad. On December 31, 1996, the geographical breakdown of the real estate portfolio was as follows: 49.3% in Québec, 23.5% in the rest of Canada and 27.2% outside Canada, compared with 67.0%, 17.1% and 15.9% on December 31, 1995. The return of 13.9% achieved on the amounts invested outside Canada contributed to improving the overall yield of the portfolio.

After bottoming out in 1995, the mortgage market picked up significantly. New loans of \$157.9 million were made in 1996.

The combined and weighted yield of the real estate and mortgage portfolios was exceptional: 12.4%. The current return on the real estate portfolio reached 9.7% and its fair value increased by 2.5%, for a total return of 12.2%.

II Outsourcing and creating companies in hedge funds and management information services

Outsourcing and creating new companies is a favoured strategy of the Caisse as part of its ongoing effort to improve performance.

Solfitech: cutting-edge expertise

The Caisse created Solfitech last September and turned its Management Information Services over to it. The company is owned jointly by Sofinov, the affiliate which invests in new technologies, and CGI, an information technology consulting firm. It offers expert services and the design of portfolio management systems for the North American financial community. This allows it to develop cutting-edge technology and reduce costs while improving its efficiency through economies of scale. Forty-one former Caisse employees now work for Solfitech.

Globagest and Varan: a strategic vision of hedge funds

In collaboration with Gordon Capital, the Caisse has created Globagest, a new tactical management company specializing in the management of derivatives with \$25 million in capital.

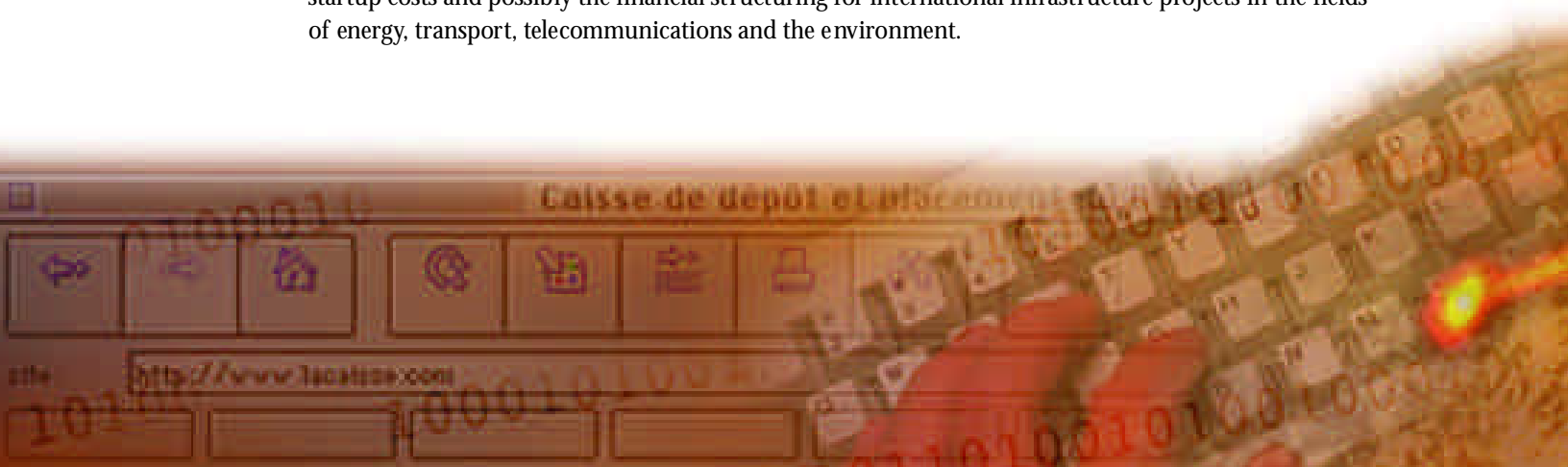
The Caisse has also established the Varan hedge fund, which is destined to play an important part in a new external management partnership with the Northern Trust Global Management Consultants. In addition to Varan, this partnership pools the contribution of three hedge fund managers established in the United Kingdom, Brazil and Hong Kong, allowing it to spread risk over four continents, while drawing on expertise provided by management teams close to their regional markets.

Other new avenues to explore...

Sodémex, a company specialized in investing in junior exploration and mining companies with less than \$125 million in capital, was created in partnership with SOQUEM, a Québec mining exploration company.

The challenge is to do better.

Another financing vehicle was made available with the creation of the investment corporation Infradev International. With an initial capitalization of \$20 million, in partnership with the Royal Bank of Canada, ManuLife and Hydro-Québec International, Infradev will finance startup costs and possibly the financial structuring for international infrastructure projects in the fields of energy, transport, telecommunications and the environment.



III A presence on the international scene

Convinced that export and international trade are the key to a frontierless market, creator of wealth and employment, the Caisse has been diversifying its products and its geographical markets in order to improve yield while limiting risk. In so doing it gives its investments added value, favours the export of Québec goods and services and makes

it easier for foreign companies to establish themselves in Québec.

The Caisse has also expanded its investments in emerging markets. The share of Caisse assets invested in these markets jumped in 1996 from

1% of foreign stock market holdings to more than 9% at the end of the year.

The internationalization of investments creates a plethora of opportunities in terms of market and yield spreads. The Caisse will be there to reap those opportunities through its presence in international financial markets, the active role it plays in various investment funds and companies abroad, and its offices in Mexico, Hanoi and in the future in Warsaw, Manila and Milan.

IV An objective not to be strayed from: the interest of Québec

Despite the growing role it plays internationally, the Caisse remains an economic lever whose first market remains Québec.

Multi-pronged profitability

Across various sectors of the economy and through its efforts to reinforce the economic structure, the Caisse fulfills its mission, by enabling depositors to benefit from its unique perspective on the Québec economic scene.

In the area of high technology, Sofinov made 34 private investments with a combined value of \$94.4 million in, among others, two American companies specializing in biotechnology and wishing to establish themselves in Québec, as well as in a generic drug manufacturer.

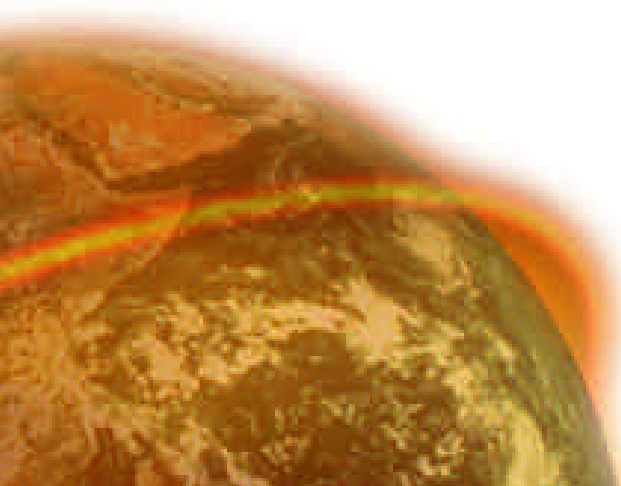
In the strategic niches of telecommunications and communications, Capital Communications CDPQ has, through 24 new investments, increased the fair value of its private investment portfolio by over 50% to reach close to \$950 million. It took part in various technological innovation projects, becoming partners with, among others, consortiums which hold licenses for local multipoint communications systems and investing in leading-edge multimedia companies. It also took part in the establishment of an invest-

ment fund specializing in communications and telecommunications and made reinvestments in other holding companies.

Internationalization

creates a plethora
of opportunities.

The Caisse fulfills its
mission, which is to help
its depositors benefit
from its unique perspective
on the Québec economy.





V Montréal, a financial centre, an economic crossroads

The economic heart of Québec beats in Montréal. This crucial reality motivates all major economic actors to join in its revitalization. Convinced of the need to promote the city's financial excellence and to increase the number of influential positions and functions the city holds, the Caisse plays an active part in this process, encouraging the initiatives of businesses, institutions and public authorities.

Concrete gestures

The Caisse has continued to favour Montréal as a financial centre, making 73% of its stock market transactions through institutions established in the city and performing 88% of its bond portfolio management activities in this city, for transactions totalling \$438 million.

Concrete gestures which favour Montréal as a centre of excellence in international investment.

It was one of the original backers of Montréal International whose aim it is to develop the international activities of Montréal-based companies and to increase links between companies based

here and abroad. The networking efforts of the various Caisse affiliates play a crucial role in establishing international linkages.

Our added value: our human resources

The Caisse relies on a very qualified and diversified human resources group, made up of investment professionals and a very reliable support team. On a total of 224 employees, 123 have university degrees, representing 55% of the whole, 5 of them with PhDs, 54 with master's degrees and 64 with bachelor's degrees. Twenty-nine of these employees bring the leading edge expertise of their Chartered Financial Analyst (CFA) certification. These 117 women and 107 men, all together contribute to the high quality of the financial operations of the institution.

Depositors

	Abbreviation	First deposit	Number of contributors ¹	Depositors' holdings ²
Régie des rentes du Québec	R.R.Q.	1966	3,144,900	15,660.1
Régie des marchés agricoles et alimentaires du Québec	R.M.A.A.Q.	1967	76	2.8
Régie des assurances agricoles du Québec		1968	46,101	-
Régie de l'assurance-dépôts du Québec		1969	1,357	120.1
Commission de la construction du Québec Supplemental Pension Plan for Employees of the Québec Construction Industry	C.C.Q.	1970	95,277	5,567.8
Commission administrative des régimes de retraite et d'assurances Government and Public Employees Retirement Plan	CARRA			
General Retirement Plan for Mayors and Councillors of Municipalities ³	RREGOP	1973	430,000	23,137.2
Individual Plans		1975	-	-
Pension Plan for Elected Municipal Officers		1977	375	142.5
		1989	2,150	136.3
Commission de la santé et de la sécurité du travail	C.S.S.T.	1973	180,000	5,705.3
Société de l'assurance automobile du Québec	SAAQ	1978	4,329,366	5,542.9
Fonds d'assurance-prêts agricoles et forestiers	FAPAF	1978	1	37.4
La Fédération des producteurs de bovins du Québec		1989	25,274	1.9
Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec	R.R.T.A.Q.	1990	3,112	62.5
Office de la protection du consommateur	O.P.C.	1992	-	9.1
Fonds d'amortissement des régimes de retraite gouvernementaux	F.A.R.R.G.	1994	1	1,088.2
Centre de recherche industrielle du Québec	CRIQ	1994	-	-
Société des alcools du Québec	SAQ	1994	-	-

as at December 31,1996

1 estimate

2 fair value - in millions of dollars

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

Cash flows

of depositors in 1996

	Net income allocated	Deposits (withdrawals)	Increase (decrease) in funds available for investment
CARRA - RREGOP	2,178.4	486.0	2,664.4
C.S.S.T.	527.1	4.9	532.0
SAAQ	570.6	(132.4)	438.2
C.C.Q.	556.3	(145.0)	411.3
F.A.R.R.G.	98.3	-	98.3
R.R.Q.	1,709.8	(1,775.1)	(65.3)
Other	41.5	(45.8)	(4.3)

in millions of dollars

Financial highlights as December 31

NET ASSETS (in millions of dollars)

	1996	1995
ASSETS		
Investments at fair value		
Bonds	27,088	24,356
Shares and convertible securities	26,073	20,216
Mortgages	1,567	1,688
Net real estate holdings	2,359	1,815
Short-term investments	2,094	3,070
	59,181	51,145
Accrued investment income and other assets	901	800
	60,082	51,945
LIABILITIES		
Deposits on loans of securities and commitments related to short selling of securities	2,251	422
Derivative financial instruments	304	83
Other liabilities	313	255
	2,868	760
DEPOSITORS' HOLDINGS	57,214	51,185

CHANGES IN NET ASSETS FOR THE YEAR (in millions of dollars)

	1996	1995
INVESTMENT OPERATIONS		
Net investment income	2,819	2,867
GAINS AND LOSSES ON THE SALE OF INVESTMENTS		
Bonds	498	417
Shares and convertible securities	1,761	873
Other investments	(46)	(78)
	2,213	1,212
UNREALIZED INCREASE (DECREASE) IN VALUE		
Investments		
Bonds	550	2,043
Shares and convertible securities	2,242	1,698
Other investments	28	51
	2,820	3,792
Less:		
Liabilities		
Commitments related to short selling of securities and mortgage loans payable	59	24
Derivative financial instruments	157	(95)
	216	(71)
	2,604	3,863
TOTAL INVESTMENT OPERATIONS	7,636	7,942
Excess depositors' withdrawals over deposits	1,607	1,617
INCREASE IN NET ASSETS	6,029	6,325
NET ASSETS, BEGINNING OF YEAR	51,185	44,860
NET ASSETS, END OF YEAR	57,214	51,185

BREAKDOWN OF DEPOSITORS' HOLDINGS

	1996		1995	
	Amount	%	Amount	%
Commission administrative des régimes de retraite et d'assurances - RREGOP	23,137	40.4	19,502	38.1
Régie des rentes du Québec	15,660	27.4	15,361	30.0
Société de l'assurance automobile du Québec	5,543	9.7	4,974	9.7
Commission de la santé et de la sécurité du travail	5,705	10.0	4,962	9.7
Commission de la construction du Québec	5,568	9.7	4,943	9.7
Fonds d'amortissement des régimes de retraite gouvernementaux	1,088	1.9	939	1.8
Other depositors	513	0.9	504	1.0
TOTAL DEPOSITORS' HOLDINGS	57,214	100.0	51,185	100.0

CHANGES IN INVESTMENTS AS PART OF NET ASSETS

(in percentage)

	Fair value				
	1996	1995	1994	1993	1992
Variable-income securities ¹	48.0	43.1	43.6	41.5	41.5
Fixed-income securities ²	52.0	56.9	56.4	58.5	58.5

1 Shares, convertible securities, net real estate holdings

2 Bonds, mortgages, short-term investments, other

SUMMARY OF INVESTMENTS

(in percentage)

	Cost	Fair value				
	1996	1996	1995	1994	1993	1992
Bonds	48.6	45.8	47.6	48.3	48.3	48.7
Canadian equities	20.8	26.3	27.4	29.6	28.1	27.5
Foreign equities	17.6	17.8	12.1	10.4	10.1	10.2
Mortgages	2.9	2.6	3.3	4.1	4.2	5.0
Net real estate holdings	6.1	4.0	3.6	3.6	3.3	3.7
Short-term investments	4.0	3.5	6.0	4.0	6.0	4.9

BREAKDOWN OF INVESTMENTS
(in millions of dollars)

	1996				1995			
	Notional amount	Fair value	Cost	Effective interest rate %	Notional amount	Fair value	Cost	Effective interest rate %
Bonds								
Gouvernement du Québec	9,934	10,633	9,686	8.6	9,509	9,756	9,070	9.0
Government of Canada	5,956	6,685	6,457	6.6	5,378	5,779	5,579	7.5
Other governments	486	501	498	6.6	7	7	7	8.2
Government guaranteed	7,026	7,568	6,609	9.2	8,223	8,413	7,688	9.4
Corporate and other	1,633	1,675	1,727	8.9	376	394	378	8.7
Derivative financial instruments	1,758	26	-	-	1,702	7	1	-
		27,088	24,977	6.8		24,356	22,723	8.7
Shares and convertible securities								
Canada		15,570	10,702			13,990	10,846	
United States		2,556	2,062			2,190	1,765	
Europe		4,020	3,129			2,001	1,714	
Japan		2,167	2,282			1,525	1,399	
Other Asian countries and Oceania		755	583			364	303	
Emerging markets		958	979			93	100	
Derivative financial instruments		47	5			52	-	
		26,073	19,742			20,215	16,127	
Mortgages								
Residential		241	230	9.2	465	478	465	9.1
Commercial and office buildings		1,092	1,038	9.3	971	998	971	10.1
Industrial		234	219	9.1	206	213	206	9.6
		1,567	1,487	9.2		1,689	1,642	9.8
Net real estate holdings								
Canada		1,940	2,721			1,601	2,450	
Abroad		411	420			211	195	
Derivative financial instruments		8	-			3	-	
		2,359	3,141			1,815	2,645	
Short-term investments								
Domestic securities	1,605	1,599	1,600	3.3	2,991	2,954	2,952	5.9
Foreign securities	451	451	446	5.8	100	105	113	5.3
Derivative financial instruments	2,947	44	29		1,767	10	2	
		2,094	2,075	3.8		3,069	3,067	5.9
TOTAL INVESTMENTS		59,181	51,422			51,144	46,204	

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- Financial indices
- Summary of bond portfolio
- Acquisitions of new bonds issued by the Gouvernement du Québec and the Québec public sector in 1996
- Changes in yield on Treasury Bills in 1996
- Changes in the Canadian dollar in 1996
- Private investments realized in 1996
- Changes in private investments
- Breakdown of private investments by amount
- Sectorial distribution of Caisse Real Estate Group portfolio
- Breakdown of real estate portfolio
- Breakdown of real estate holdings
- Geographical breakdown of real estate portfolio
- Breakdown of depositors' holdings
- Changes in depositors' holdings
- Value added to depositors' funds since 1966
- Returns 1966-1996

Financial statements

- Supplementary information
- Summary financial statements for the funds
- Summary financial statements for the specific portfolios

Financial statistics

- Changes in depositors' holdings in 1996
- Annual interest or income paid out on average deposits
- Acquisitions of new bonds issued by the Gouvernement du Québec and the Québec public sector
- Investments in Canadian corporate shares and bonds by sector of activity
- Participation in new bond issues of the Gouvernement du Québec in 1996
- Statement of bonds acquired directly from the Gouvernement du Québec or Hydro-Québec
- Statement of real estate holdings
- Hypothèques CDPQ - Mortgages of \$5 million and over
- Statement of properties held for resale
- Caisse Real Estate Group - Summaries of the specific portfolios
- Investments in shares and bonds of public corporations
- Investments in shares and bonds of private corporations

Ten-year review

- Funds entrusted by depositors
- Summary of depositors' holdings
- Funds' net assets
- Net income allocated to depositors
- Changes in investments as part of net assets
- Summary of investments
- Summary of foreign investments
- Summary of short-term investments
- Changes in private investments
- Breakdown of investments in percentage
- Breakdown of investments in millions of dollars
- Administrative statistics

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