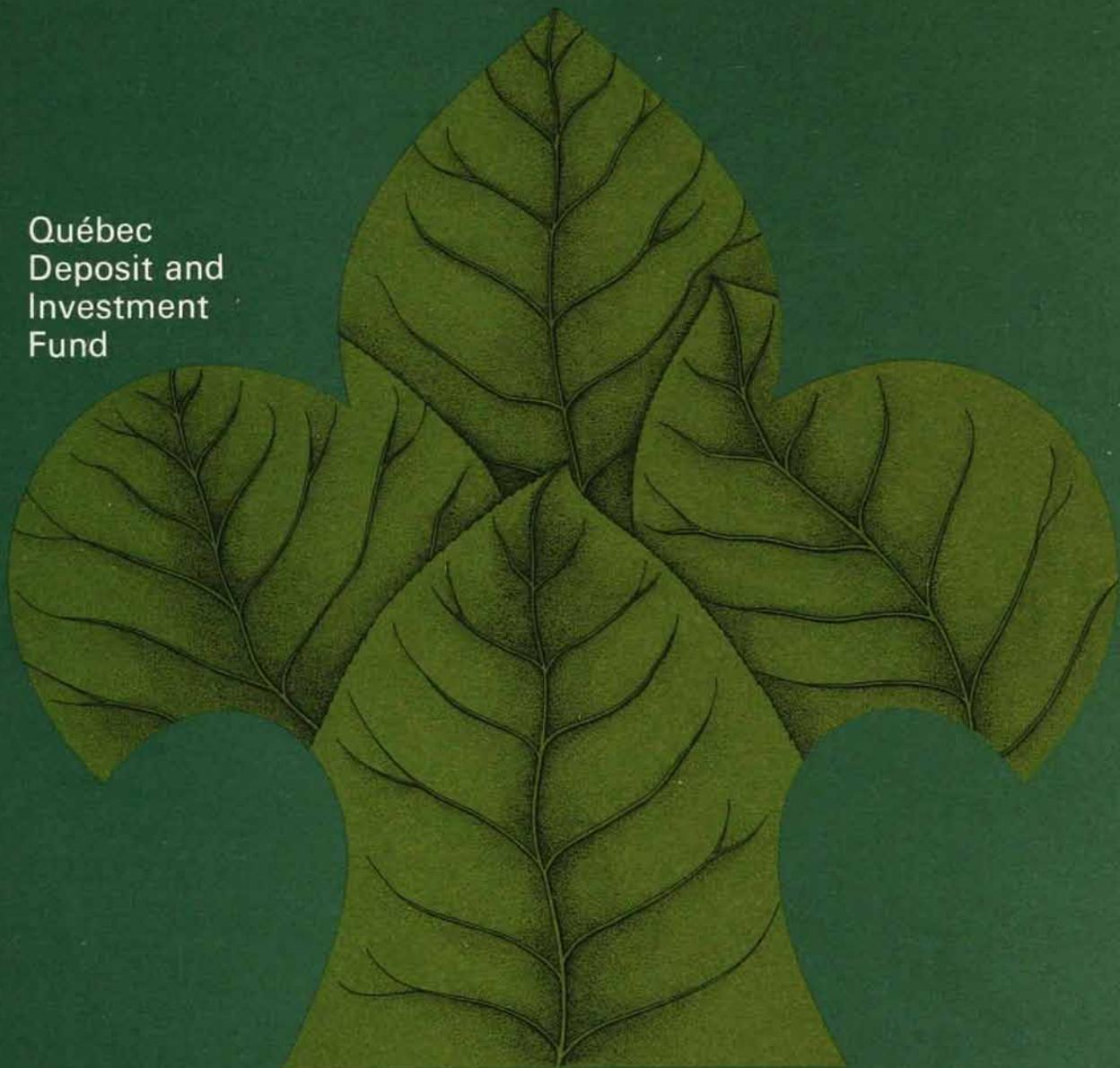


Seventh
Annual Report

Québec
Deposit and
Investment
Fund



1972

Seventh
Annual Report

Québec
Deposit and
Investment
Fund

The Québec Deposit and Investment Fund is a corporation within the meaning of the Civil Code and an agent of the Crown in right of the Province created by a provincial law sanctioned July 15, 1965.

**Bodies authorized by law to deposit moneys with the
Québec Deposit and Investment Fund**

Québec Agricultural Marketing Board
Québec Crop Insurance Board
Québec Deposit Insurance Board
Québec Health Insurance Board
Québec Pension Board

**Other bodies availing themselves of the services of the
Québec Deposit and Investment Fund**

Supplemental pension plans established by collective
agreement decrees

Supplemental pension plan of l'Université du Québec

Supplemental pension plan of the James Bay Development
Corporation

Supplemental pension plan (C.S.N. – A.H.P.Q. – Ministère
des Affaires sociales)

Board of Directors

Claude Prieur, *Chairman*
General Manager
Québec Deposit and Investment Fund

Judge Gill Fortier, *Vice-Chairman*
President
Québec Pension Board

Michel-F. Bélanger
President
Montreal Stock Exchange and
Canadian Stock Exchange

Hervé Belzile
President
Alliance Mutual Life Insurance Company

Pierre Goyette*
Deputy Minister of Finance
Government of Québec

Louis Laberge
President
Québec Federation of Labor

Raymond Lavoie
President and General Manager
Crédit Foncier Franco-Canadien

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

Charles B. Neapole
Business Consultant

Judge John F. Sheehan*
President
Québec Municipal Commission

*Associate member

Management

Claude Prieur, General Manager
Jean-Michel Paris, Assistant General Manager

Investment

Bond department

Roland Lefebvre, Manager
Jean Laflamme, Associate Manager
Hubert Lapierre, Assistant Manager

Stock department

Pierre Arbour, Manager
Etienne J. de Kosko, Associate Manager
Jean Arsenault, Assistant Manager
Pierre Dufresne, Assistant Manager
Georges Gratton, Assistant Manager

Private placement department

Jean C. Lavoie, Manager

Real estate and mortgage department

Gilles Doré, Manager
Patrick O. Wells, Special Adviser

Deposits

Gérard J. Blondeau, Manager

Economics

Pierre Mayer, Assistant Manager

Treasury

Jean-Marie Côté, Treasurer
Guy Rhéaume, Assistant Treasurer

Secretariat

Marcel Camu, Secretary

Chairman of the Board and
General Manager

Quebec City, March 5, 1973

Mr. Raymond Garneau
Minister of Finance
Government of Québec

Dear Sir:

In accordance with the provisions of the charter of the Québec Deposit and Investment Fund, I am transmitting herewith our seventh annual report for the year ended December 31, 1972.

As required under Section 41 of the charter, this report comprises an outline of investment policy, a summary of our activities and statements of accounts duly verified by the Auditor-General of the Province, along with related statistical data.

Yours very truly,



Claude Prieur

Report of Management

During the year ended December 31st, 1972, the assets of the Québec Deposit and Investment Fund rose by some \$450 million, compared with an increase of \$372 million recorded the preceding year, and reached a total of \$2 147 606 602. Income for this seventh year of operation totalled \$137 825 613, compared with \$107 073 448 for the previous year, while the net return on deposits rose from 7.09% to 7.22%. Segregated portfolios and portfolios under management amounted respectively to \$51 695 645 and \$46 088 479 at year-end, bringing total assets managed by the Fund to \$2 245 390 726.

The Canadian economy in 1972

The Canadian economy during 1972 continued the growth trend begun during the preceding year. The main problems confronting the Government were unemployment, the recurrence of inflationary pressures and the strength of the Canadian dollar. Faced with these three concurrent problems, the Canadian Government chose to give priority to employment and a stable exchange rate during 1972. The policy pursued reinforced the economic expansion begun in 1971 but did not contribute to price stability.

In the fiscal field, the Canadian Government, in its budget of May 8th, 1972, granted concessions of the order of one billion dollars. These measures consisted principally in fast write-off incentives for new investment, a reduction in the tax rate on manufacturing profits and an increase in old-age pensions. Towards the close of the year, the Government announced a program of grants to provinces and municipalities to encourage the crea-

tion of temporary employment. Government fiscal policy thus retained the expansionary characteristics it had displayed since early 1970. The total deficit of the three levels of government, disregarding contributions to universal pension plans, increased from \$1.2 billion in 1971 to about \$3 billion in 1972.

The monetary policy of the Bank of Canada continued to be expansionary even beyond previous levels. During the year as a whole, the money supply increased by 16.8%, bank loans by 23.1% and commercial loans by 27.8%. In spite of this marked expansion of the money supply, the increase in bank loans resulted in a decline in liquidity of the chartered banks. No longer subject to a ceiling on interest rates, the chartered banks succeeded, during the first half of 1972, through the issue of certificates of deposit, in attracting a very substantial proportion of the money in circulation outside the banking system. An important part of the market for short-term funds thus was diverted from commercial paper, resulting in a rise in money market rates. This understandably attracted a substantial influx of foreign short-term capital which, in turn, brought embarrassing strength to the Canadian dollar. Following the Winnipeg agreement, the chartered banks on June 12th announced a reduction of rates on certificates of deposit from 6.20% to between 5% and 5½% according to the term. This resulted, during the second semester, in a return to the money market of part of the funds absorbed by the chartered banks through certificates of deposit.



The real increase in the gross national product in 1972 would appear to have been slightly above 5%, compared with 5.5% in 1971 and 2.5% in 1970. Personal consumption and capital expenditures in machinery and equipment were particularly strong during the year; a similar situation prevailed in housing where the exceptional figures of 1971 were exceeded but at a slower rate of growth. Finally, the rate of growth in corporation profits was essentially the same as in 1971.

Again in 1972, the increase in the labor force thwarted the government's attempts to stem unemployment. Wage increases during the year averaged nearly 8% while productivity increased by about only 4%. The consumer price index rose by 4.8%, due in a certain measure to the increase in food prices.

In foreign trade, the rise in imports markedly exceeded the rise in exports with the result that Canada's trade surplus declined by some \$900 million in comparison with the preceding year. After taking into account the traditional deficit in invisibles, the current account moved from a surplus position of \$350 million in 1971 to a deficit of \$650 million in 1972.

Investment policy

The investment policy of the Fund during the year continued to follow the principles and priorities established previously, namely, the protection of capital, the realization of a rate of return in keeping with the risks assumed and an ade-

quate diversification of investments. Furthermore, the Fund has set itself the task of seeking those investments likely to bring a synergetic impact to the economy of Québec. While it may be quite evident that the Fund's portfolio has been designed to meet standards of security, yield, diversification and liquidity, the impact of its investment policy on the Québec economy is not so easily discernible. The benefits which flow from long-term investments are not immediately obvious and are often difficult to assess.

Over the seven-year span of the Fund's operations, it is possible to detect some of the effects of investment policy and to assess its incidence on the economy of Québec. The presence of the Fund has become increasingly manifest in the financial and money markets as well as in private placements, real estate and mortgages. Furthermore, its influence has spread across Canada, principally as a result of its operations on the stock exchanges.

In the short space of five years, the Fund has built up one of the most important equity portfolios in the country. Since 1968, the amount of new money invested in this portfolio actually has exceeded \$60 million a year. Such a rate of acquisition in the Canadian equity market will become increasingly difficult to maintain. In certain industries and in the case of some companies, the level of these investments already has reached, or is about to reach, saturation. Analysis of investments made during the last three years reveals that, notwithstanding net stock purchases totalling \$196 million, the percentage of total assets invested in stocks has remained stationary at ap-

proximately 16%, well below the limit of 30% provided by law.

The Fund of necessity must include in its portfolio the shares of a broad cross-section of the principal Canadian companies. However, the Fund does not overlook companies of more moderate size where the potential is attractive. Particular attention is paid to the growth of those Québec companies whose shares are listed on the stock exchange and to those whose shares are likely to come up for listing in the near future. In 1972, the Fund purchased shares of three such Québec companies newly quoted on the exchange. For some years now, the Fund has been aware of a tendency to regroup companies in Québec and the intention of some to go public. In some instances, this process has been accelerated by the purchase of a privately negotiated debt issue by the Fund. In other instances, the Fund cooperated to facilitate consolidation, acquisition or regrouping of companies.

Finally, in the field of venture capital, the Fund considers that for the present, it should follow the pattern set by other institutions and acquire shares in companies already established in this field rather than commit its own funds directly. Furthermore, it is probable that the availability of such capital is sufficient to supply current demand.

In the area of real estate and mortgage investments, the Fund continues to channel its efforts into the financing of important new residential, commercial and industrial projects likely to generate substantial and immediate economic activity in the areas involved.

While the Fund by itself could undertake the financing of most of the projects which it is shown, it occasionally prefers to join with one or more institutions to carry out the larger projects. In fact, a tendency is developing which points to an ever-increasing size in property developments which will lead to an equally increasing number of joint ventures. Following this trend, the Fund decided in 1972 to undertake half of the financing of a major construction project in Hull, estimated to cost over \$70 million.

Since 1968, the Fund has financed thirteen new commercial centres, eleven of which are located in towns outside the metropolitan areas of Montreal and Quebec. The Fund also is participating in the financing of seven new hotels and has made substantial investments in the construction of commercial and industrial buildings.

A significant part of the property and mortgage investments of the Fund has naturally gone into projects in the large urban centres; however, a great many such investments have been made outside these centres to reach almost all regions of Québec.

Bonds

During 1972, the long-term bond portfolio of the Fund increased by \$302.5 million, reaching a total of \$1 575 million at the close of the year. This amount represented 74.5% of all investments, compared with 76.2% the preceding year.



The average yield of this portfolio increased from 8.03% to 8.10% during the period.

As in the past, the Fund allotted a substantial part of its resources to the purchase of Government of Québec and Hydro-Québec bonds. New issue purchases increased to \$213.3 million of which \$60 million were Hydro-Québec bonds purchased privately in June. These purchases represent 46.2% and 66.4%, respectively, of Government of Québec and Hydro-Québec new issues sold on the Canadian market during 1972. With secondary market purchases of \$60.5 million and sales of \$68.2 million, the total of Government of Québec and Hydro-Québec bonds held by the Fund was increased to \$1 088.5 million with an average yield of 8.07%.

In the category of bonds secured by provincial government grants, the Fund was able to step up substantially its rate of investment by acquiring some \$26.3 million of bonds issued by hospitals, CEGEPs and universities. The portfolio of this category of securities increased by 68%, reaching a total of \$65 million. The yield increased to 8.44%.

Total offerings of municipal and school bonds increased considerably in 1972 but issuing bodies showed a preference for terms under ten years. While the Fund seeks the longer term issues, purchases of some \$14.8 million of such bonds were made during the year. At the close, the portfolio of municipal and school bonds stood at \$121.6 million with a yield of 8.27%, compared with 8.25% the previous year.

The Fund was active throughout the year in the corporate bond market. Purchases of some \$58

million during the year increased total holdings of these bonds to \$244.3 million with a yield of 8.47%.

The portfolio of Government of Canada bonds declined by \$2.1 million during the year to \$55.7 million while the yield rose from 6.13% to 6.23%. The year 1972 closed with a short-term portfolio of \$90.9 million, compared with \$29.4 million at the previous year-end. This liquid position was built up in part to meet commitments due early in the new year and in anticipation of a more favorable market in the first semester.

Stocks

Throughout 1972, North American stock exchanges were extremely active and buoyant. The continuation of the upturn started in 1971 pushed the principal stock indexes to unprecedented heights with the Dow Jones breaking through the psychological 1000 barrier to close the year at 1020.02. As was the case during the previous year, stock market prices were static during the second and third quarters of 1972 but the year-end was marked by a spectacular upward swing.

In the prevailing favorable economic and market conditions, the Fund stepped up its rate of stock purchases from the beginning of the third quarter. Net purchases of stocks amounted to \$71.7 million in 1972, compared with \$68.5 million the previous year, and total stock investment reached a figure of \$352.6 million having a market value of \$425.5 million. Purchases centered mainly in the oils and metals and, to a lesser degree, in public utilities. On the other hand, the percentage of investment in consumer goods and in banking and finance declined slightly in comparison with the preceding year.

At December 31st, 1972, stocks were 16.68% of total investments, compared with 16.81% at the close of 1971. During the year, the excess of market over book value of the stock portfolio increased by \$59.6 million, or 24.33% of the weighted average book value. During the same period, the composite index of the Montreal Stock Exchange, the Toronto Stock Exchange industrial index and the Dow Jones industrial average increased by 26.51%, 21.98% and 14.57%, respectively. The excess of market value over book value excludes dividends amounting to \$9 790 072 received in the course of the year and which represented a yield of 3.39% on the weighted average book value of the portfolio, compared with 3.22% in 1971.

Real estate and mortgages

The real estate and mortgage markets were marked by a steady increase in the availability of funds in 1972. Though the demand for funds increased during the second half of the year, lenders competed actively for good quality loans; towards the close of the year, even preferential rates were quoted on loans for immediate disbursement. Mortgage interest rates, which in 1971 had declined by 1%, remained relatively stable during 1972. The spread between the low point during the first quarter and the high point in the third quarter was less than 1/2% and, at the close of the year, rates were at about the same level as at the beginning.

The change in the economics of the housing industry during the last few years has been very disturbing to lenders. In particular, the strike of elevator industry employees pointed up the weak-

ness and vulnerability of the construction industry. The recent increase in the availability of funds for construction financing does not imply an improvement in the outlook for the industry – the increase in residential investment in 1972 was, in fact, no more than during the previous year.

During 1972, the real estate and mortgage portfolio increased by \$5 million to a total of \$93.1 million. The yield, which had been 9.11% in 1971, increased to 9.28%. This improvement is due to the real estate element of the portfolio on which the return increased from 8.19% to 9.02% during the year.

In addition to the increase of \$5 million, it should be mentioned that \$14.6 million of mortgages were transacted for the segregated portfolio-mortgage account. This total increase of \$19.6 million is less than that of \$32 million recorded in 1971. These amounts do not include real estate financed through the issue of mortgage bonds. Commitments for future disbursement increased in 1972 but at a slower rate than during the previous year.

Private placements

The private placement department negotiates financial transactions of a private nature in contrast with issues offered publicly. As a general rule, such transactions are undertaken with medium-sized firms whose shares are held privately and have a very limited market. In these

negotiations, the Fund may resort to a variety of instruments such as bonds, debentures, preferred stocks, rights and other investment vehicles.

The spread between long-term and short-term interest rates and the easing of bank credit during 1972 led private companies to satisfy their financial requirements through bank loans rather than through long-term financing. This resulted in a slowing down of business in private placement activities during the first three quarters of the year. A reversal of this trend occurred during the closing months of the year when bank credit became less available.

During the year, the Fund completed private placement transactions for a total of \$5.2 million and committed some \$7.5 million for disbursements in 1973. Two of these private placements will assist new companies to establish themselves in Québec.

Return to depositors

In terms of a rate of return on the average balance of deposits during the year, the gross return on investment rose from 7.173% in 1971 to 7.299% in 1972 while the net return reached 7.219%, compared to 7.093% the preceding year; on the same basis of calculation, administration costs remained unchanged at 0.080%.

As a result of the upward movement of the stock markets towards the end of the year, the

stock portfolio enjoyed a marked increase in market over book value. At year's end, the market value of these holdings exceeded book value by \$72.9 million, compared with a corresponding figure of \$13.3 million the previous year. While the bond market closed the year at a somewhat lower level than last year, trading and purchases during periods of weakness in the market helped prevent a substantial drop in the excess of market over book value of the bond portfolio which only declined from \$2.7 million to \$2 million. The average rate of return on the long-term portfolios of the Fund stood at 7.309% at year-end, compared with 7.272% the previous year.

The average balance of demand deposits during 1972 was \$45 329 334. Interest on these deposits was paid in the amount of \$1 917 918 at a rate which varied during the year between 3.69% and 5.14% and averaged 4.23%, compared with 3.97% the previous year. Interest in the amount of \$1 064 030 was paid on term deposits – the average balance was \$20 262 294 – and represented an average rate of 5.25%. The average balance of notice deposits was \$1 822 671 533. The income distributed amounted to \$133 322 639, a return of 7.32% on these deposits, compared with 7.20% in 1971. The average return paid by the Fund on all deposits was thus 7.219% in 1972, compared with 7.093% the preceding year.

Supplemental pension plans

The Fund is authorized, subject to approval of the Lieutenant-Governor in Council, to accept on



deposit moneys originating from any supplemental pension plan to which contributions are made by a school commission or a body which derives more than one half of its resources from the consolidated revenue fund of the Province. The Fund administers these deposits through segregated portfolios in accordance with the requirements of the Act governing supplemental pension plans and is required to keep them separate from its own assets.

In the course of the year, the administrator of the Supplemental Pension Plan of the James Bay Development Corporation and the administrator of the Supplemental Pension Plan C.S.N. – A.H.P.Q. – Department of Social Affairs were authorized by the Lieutenant-Governor in Council to delegate to the Québec Deposit and Investment Fund their "functions as regards the administration of the patrimony" of these supplemental pension plans.

Segregated portfolios

To emphasize the growing importance of the assets administered by virtue of sections 18a and 18b of its charter, the Fund now incorporates in its annual Report of Management the financial statements of the three segregated portfolios. In December, 1972, the Fund established a deposit department which will coordinate the investment services offered to quasi-public bodies and supervise the segregated portfolios and those under management.

Total assets of the three segregated portfolios increased by 85.5% during the year and reached a figure of \$51 695 645 of which \$9 524 867 were demand or term deposits. During this period,

deposits from the four pension plans were applied to purchase units of participation in the segregated bond, stock and mortgage portfolios in the proportions agreed to by the administrators of these supplemental pension funds.

During the year, the book value of investments in the segregated bond portfolio increased from \$7 938 731 to \$12 455 163, an increase of close to 57%. At year-end, excess of market value over cost in this bond portfolio was \$273 417. The value of the unit of participation reached \$1 330.65 compared with \$1 223.83 the preceding year, an annual growth of 8.73%.

In the segregated stock portfolio, the book value more than doubled, reaching a total of \$11 252 410. Market value of these stocks exceeded cost by \$898 119, raising the value of the unit of participation of this portfolio to \$1 256.35, compared with \$1 085.75 in 1971, an increase of 15.71%.

In the case of the segregated mortgage portfolio, total growth was \$9 685 783. At the year-end, the cash value of the unit of participation in the portfolio reached \$1 134.13, or a 6.76% increase over the previous year. This rate reflects the lag between the receipt of funds and their investment in new construction. At the close of the year, the average yield on committed funds was 9.22%.

Portfolios under management

The Fund continued to administer portfolios under management belonging to various supple-

mental pension plans with the object of their eventual liquidation. The book value of these portfolios at year-end was \$46 088 479, compared with \$50 232 994 the preceding year. Proceeds from the disposal of securities of these portfolios are applied to the purchase of units of participation in the segregated portfolios of the Fund. During the year, a net profit of \$497 837 was realized from sale of these securities. The net profit on these sales since February, 1970, stands at \$1 048 147.

New legislation

The National Assembly of Québec at the close of the year amended the Workmen's Compensation Act. These amendments became law January 1st, 1973, and provide for administration by the Québec Deposit and Investment Fund of the securities held by the Workmen's Compensation Board. Furthermore, any amounts for which the Board does not have an immediate need to meet its administrative costs or payment of indemnities or compensation shall be deposited immediately with the Fund.

The Board of Directors

During the year, Mr. Justice John F. Sheehan was appointed to the Board of Directors of the Québec Deposit and Investment Fund to replace Mr. Maurice Turgeon, who has retired.

The Board of Directors expresses its thanks to Mr. Turgeon for his effective participation in the discussions of the Board and for the invaluable assistance he brought to the management of the Fund since its inception.

Staff

The achievements of the past year speak highly for the efforts made by Management, the officers and the employees of the Fund. The Board wishes to express its sincere appreciation for the resourcefulness and dedication demonstrated in the discharge of their duties.

The Fund has not yet succeeded, despite repeated efforts, in recruiting in sufficient numbers the officers, specialists and supporting administrative personnel who are essential to cope with the growth of its assets and the ever-widening responsibilities with which it is entrusted by law. This situation results from the fact that in matters of appointment and remuneration of personnel, the Fund, by its charter, is subject to regulations clearly unsuited to the milieu in which it operates.

The Board has informed the authorities of this serious predicament and has received the assurance that the problem will be considered immediately.

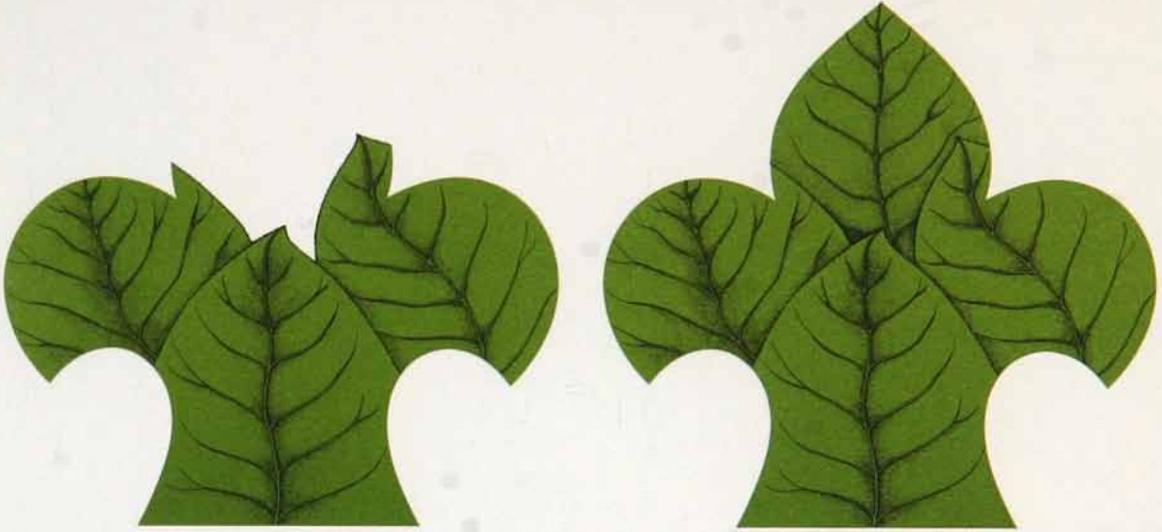
On behalf of the Board of Directors,


Chairman

Quebec City, March 5, 1973







Financial statements

Balance sheet

as at December 31, 1972

Assets

	1972	1971
Investments (Note 1)		
Bonds	\$ 1 575 065 706	\$ 1 272 600 570
Shares	352 591 887	280 888 515
Mortgages	72 880 962	67 233 165
Real estate	20 221 998	20 883 931
Assets under lease	1 740 320	—
Short-term investments	90 875 167	29 362 823
	\$ 2 113 376 040	\$ 1 670 969 004
Cash	\$ 357 508	\$ 175 400
Investment revenue receivable	32 870 314	26 371 482
Fixed assets, at amortized cost	256 668	207 358
Other assets	746 072	83 254
	\$ 2 147 606 602	\$ 1 697 806 498

Note 1 Shares, land and short-term investments are at cost while other investments are at amortized values.

Note 2 Notice deposits consist of units of participation giving their holders a proportional share in the net assets and the net income of the Fund.

Note 3 The general reserve is made up of net profit on the sale of investments and is used as an adjusting account on withdrawals of notice deposits.

On behalf of the Board of Directors

Claude Prieur
Gill Fortier

Liabilities

	1972	1971
Deposits		
Notice deposits (Note 2)	\$ 2 002 310 035	\$ 1 583 969 897
Term deposits	19 000 000	6 000 000
Demand deposits	54 444 753	58 115 026
	<u>\$ 2 075 754 788</u>	<u>\$ 1 648 084 923</u>
Accrued interest on deposits	\$ 37 378 265	\$ 29 475 988
Other liabilities	1 122 997	573 818
	<u>\$ 2 114 256 050</u>	<u>\$ 1 678 134 729</u>
General reserve (Note 3)	\$ 33 350 552	\$ 19 671 769
	<u>\$ 2 147 606 602</u>	<u>\$ 1 697 806 498</u>

Auditor's Report

In accordance with Section 43 of the Québec Deposit and Investment Fund Act, I have examined the balance sheet and Investment Fund Act, I have examined the balance sheet of the Fund as at December 31, 1972, and the related statement of income and expenditure for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary.

In my opinion, the investments and the operations of the Fund were made in compliance with the Act; the accompanying balance sheet and statement of income and expenditure present fairly the financial position of the Québec Deposit and Investment Fund as at December 31, 1972, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Quebec City, March 5, 1973

Statement of income and expenditure

for the year ended December 31, 1972

Income	1972	1971
Investment income		
Interest on bonds	\$ 113 346 690	\$ 89 469 728
Dividends	9 790 072	7 952 668
Interest on mortgages	6 738 969	5 035 418
Real estate and leased assets revenue	1 953 618	1 380 367
Net interest on short-term investments	5 556 918	3 211 971
	\$ 137 386 267	\$ 107 050 152
Other income	439 346	23 296
	\$ 137 825 613	\$ 107 073 448
Expenditure		
Directors' fees and expenses	\$ 4 635	\$ 5 807
Salaries and benefits	984 962	800 818
Travelling expenses	46 742	38 579
Legal, professional and bank charges	120 784	85 490
Premises and office equipment expenses	330 759	249 276
Documentation and stationery	50 976	39 621
Other expenses	49 359	32 882
Less: Reimbursements*	(67 191)	(60 770)
	\$ 1 521 026	\$ 1 191 703
Net operating income	\$ 136 304 587	\$ 105 881 745
Less: Interest on demand and term deposits	2 981 948	2 056 341
Net income	\$ 133 322 639	\$ 103 825 404

*Administrative costs charged to supplemental pension plans managed by the Fund.

**Summary of allocation
of net operating income**

	Interest on deposits		
	Demand and term deposits	Notice deposits	Total
Balance of accrued interest at the beginning of the year	\$ 293 801	\$ 29 182 187	\$ 29 475 988
Net operating income	2 981 948	133 322 639	136 304 587
	\$ 3 275 749	\$ 162 504 826	\$ 165 780 575
Transfers to deposit accounts	2 856 694	125 545 616	128 402 310
Balance of accrued interest at the end of the year	\$ 419 055	\$ 36 959 210	\$ 37 378 265

**Deposit accounts
Summary of transactions**

	Deposits		
	Demand and term deposits	Notice deposits	Total
Balance at the beginning of the year	\$ 64 115 026	\$ 1 583 969 897	\$ 1 648 084 923
Deposits	299 267 555	—	299 267 555
Transfers	(292 794 522)	292 794 522	—
Interest	2 856 694	125 545 616	128 402 310
Balance at the end of the year	\$ 73 444 753	\$ 2 002 310 035	\$ 2 075 754 788

General reserve	1972	1971
Balance at the beginning of the year	\$ 19 671 769	\$ 7 420 885
Net profit on sale of investments	13 678 783	12 250 884
Balance at the end of the year	\$ 33 350 552	\$ 19 671 769

Statistical information

Yield on deposits

	Amount	Yield equivalence on average deposits*
Gross income	\$ 137 825 613	7.299%
Expenditures	1 521 026	0.080%
Net operating income	\$ 136 304 587	7.219%

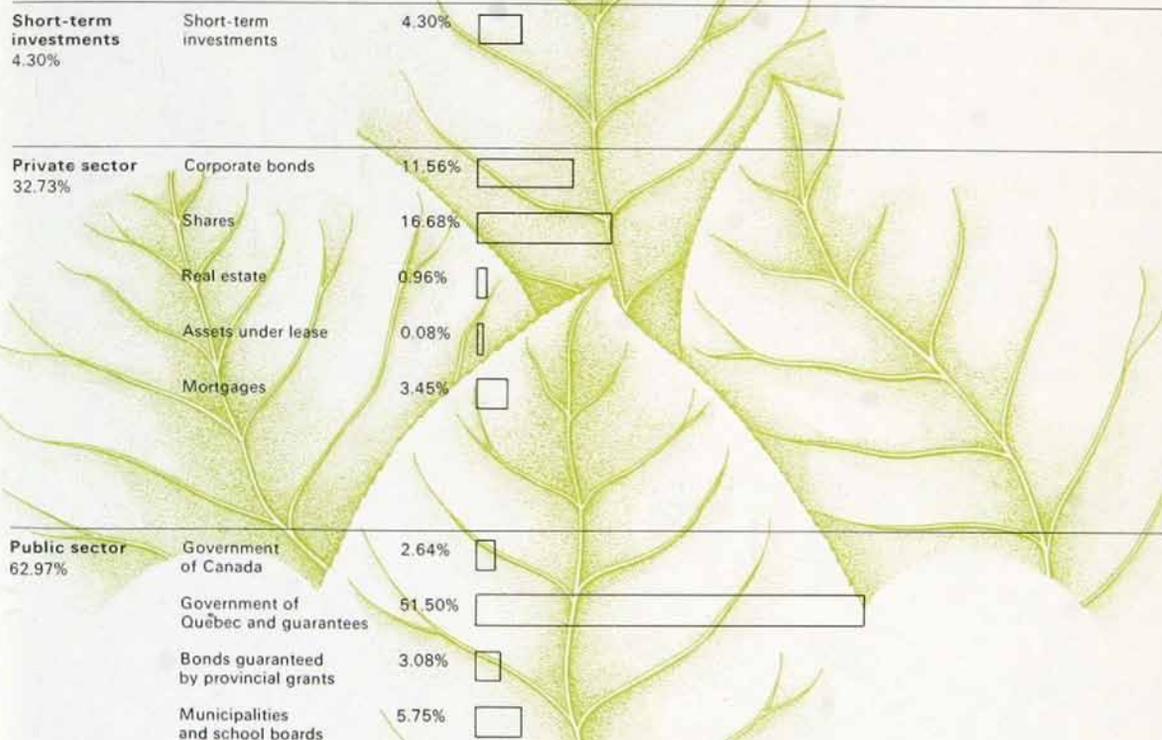
*Average balance of deposits amounted to \$ 1 888 263 161

Average interest rate paid on deposits

	Average deposits	Interest paid or due	Average yield
Demand deposits	\$ 45 329 334	\$ 1 917 918	4.231%
Term deposits	20 262 294	1 064 030	5.251%
Notice deposits	1 822 671 533	133 322 639	7.315%
Total	\$ 1 888 263 161	\$ 136 304 587	7.219%

Distribution of investments

as at December 31, 1972



Summary of investments as at December 31, 1972

% Book value		Nominal value
74.53%	Bonds	
	Government of Canada	\$ 58 445 000
	Government of Québec and guarantees	1 122 490 500
	Guaranteed by provincial grants	67 368 000
	Municipal and school	128 182 000
	Corporate	247 190 000
		<u>\$ 1 623 675 500</u>
16.68%	Stock	
	Public utilities	
	Banks and financial	
	Consumer goods and services	
	Heavy and secondary industries	
	Oil and gas	
	Mines and metals	
	Forest products	
3.45%	Mortgages	
0.96%	Real estate	
0.08%	Assets under lease	
4.30%	Short-term investments	
100.00%	Total investments	

Note At December 31, 1972, the net cumulative profit on sales of investments was \$ 33 350 552

Book value	Percentage	Weighted average yield	Market value
\$ 55 724 506	3.54%	6.23%	\$ 53 598 688
1 088 461 739	69.10%	8.07%	1 091 209 909
64 994 315	4.13%	8.44%	65 929 727
121 563 889	7.72%	8.27%	120 702 774
244 321 257	15.51%	8.47%	245 605 061
<u>\$ 1 575 065 706</u>	<u>100.00%</u>	8.10%	<u>\$ 1 577 046 159</u>
\$ 68 391 255	19.40%	4.32%	\$ 67 785 690
54 297 794	15.40%	5.27%	84 413 600
42 465 454	12.04%	2.35%	51 754 756
68 373 856	19.39%	2.71%	84 735 926
52 710 100	14.95%	1.46%	70 266 465
46 462 282	13.18%	3.29%	44 636 162
19 891 146	5.64%	1.56%	21 946 965
<u>\$ 352 591 887</u>	<u>100.00%</u>	3.25%	<u>\$ 425 539 564</u>
\$ 72 880 962	78.28%	9.36%	\$ 72 880 962
20 221 998	21.72%	9.02%	20 221 998
<u>\$ 93 102 960</u>	<u>100.00%</u>	9.28%	<u>\$ 93 102 960</u>
\$ 1 740 320		8.00%	\$ 1 740 320
\$ 90 875 167		5.48%	\$ 90 875 167
<u>\$ 2 113 376 040</u>			<u>\$ 2 188 304 170</u>

**Statement of immovables held as at December 31,
1972, and rented under long-term leases**

<i>Towns and cities</i>	<i>Land and buildings</i>	<i>Cost</i>	<i>Amortized value</i>
Baie d'Urfé	Lots (327-1, part 58-1 and part 343) Parish of Ste-Anne	\$ 831 813	\$ 808 998
Dorval	Lots (87 and 88) Parish of Pointe-Claire	725 000	703 404
Laval	Lot (613-3) Parish of St-Martin	900 000	835 464
Laval	Lots (616-7, 617-3) Parish of St-Martin	892 710	861 536
Pointe-Claire	Lot (130-17) Parish of Pointe-Claire	580 000	550 064
Pointe-Claire	Lots (116-7, 117-6) Parish of Pointe-Claire	1 300 000	1 238 430
Ste-Foy	Lots (86-51, 87-122, 91-48) Parish of Ste-Foy	653 000	620 615
St-Laurent	Lots (477-3, 475-413) Parish of St-Laurent	1 400 000	1 348 620
Town of Mount Royal	Lot (577-4) Parish of St-Laurent	1 844 000	1 830 318
		\$ 9 126 523	\$ 8 797 449

Land

Alma	Lots (36-B-1, 37-1 range 4) Labarre District	\$ 300 000	\$ 300 000
Baie Comeau	Lots (9-240,241) Town of Laflèche, Saguenay	40 000	40 000
Cap-de-la-Madeleine	Lots (552-5, 6, 7, 553-4, 5, 6, 554-21, 22) City of Cap-de-la-Madeleine	200 000	200 000
Côte St-Luc	Lot (101-141) Municipality of the Parish of Montreal	80 000	80 000
Dollard-des-Ormeaux	Lots (242-271 and 277) Parish of Ste-Geneviève	36 500	36 500
Dollard-des-Ormeaux	Lot (244-145) Parish of Ste-Geneviève	53 000	53 000
Hull	Lots (345, 346, 355) Subdivision five	150 000	150 000
Hull	Lots (244-626, 244-363, 364, 365, 366, 244-408, 409, 410, 244 part 595) Subdivision one	560 000	560 000

<i>Towns and cities</i>	<i>Land</i>	<i>Cost</i>	<i>Amortized value</i>
LaSalle	Lot (995-3519) Parish of Lachine	\$ 55 000	\$ 55 000
Laval	Lots (654-20 to 654-23 and part 654-57) Parish of St-Martin	84 000	84 000
Longueuil	Lot (parts 68-69) Parish of St-Antoine	500 000	500 000
Montreal	Lots (425-191 and 6) Parish of Sault-au-Récollet	70 000	70 000
Montreal	Lots (182-1 and 2) District of St-Laurent	250 000	250 000
Montreal	Lots (10-274A to 277A, 275 to 277, part 278, part 287, 291 and 294, 291A to 293A, and part 294A) of the Incorporated Village of Côte St-Louis	230 000	230 000
Montreal	Lot (366-16) Parish of St-Laurent	125 000	125 000
Montreal	Lot (335A-7-1) Parish of Longue-Pointe	560 000	560 000
Montreal	Lots (163 part S.E. 130, 163 part S.E. 133, 163-226, 163-227, 163-366) of the Incorporated Village of Côte-des-Neiges	297 000	297 000
Montreal	Lots (1275 to 1279) Parish of St-Antoine	600 000	600 000
Montreal	Lots (1286 to 1290, (-1-6) 1297A, 1297B, 1297B-1, 1297C, 1297D, 1901) Parish of St-Antoine	1 275 000	1 275 000
Montreal North	Lot (13-85) Parish of Sault-au-Récollet	60 000	60 000
Montreal North	Lot (13-94) Parish of Sault-au-Récollet	60 000	60 000
Quebec	Lots (509-1058-2, 509-1085, 1104 and 1105) Parish of St-Roch Nord	32 000	32 000
Quebec	Lots (509-1092, 1106, 1107) Parish of St-Roch Nord	26 000	26 000
Quebec	Lot (part 417-4) Parish of St-Roch Nord	66 680	66 680
Quebec	Lots (227 N.S., 227-379, 380, 381, 227-382, 227-361-3) Parish of St-Colomb of Sillery	3 415 886	3 415 886

<i>Towns and cities</i>	<i>Land</i>	<i>Cost</i>	<i>Amortized value</i>
Quebec	Lots (585-46, 585-54-3, 585-54-7, 585-54-4, 585-49-2, 585-49-1, 585-53-4-4) Parish of St-Roch Nord	\$ 85 000	\$ 85 000
Quebec	Lot (part 47) Parish of Quebec, Suburb	275 000	275 000
Rimouski	Lot (548-56-101) Parish of St-Germain	163 000	163 000
Rivière-du-Loup	Lots (202-255, 246, 247, 248, 239-240) Town of Fraserville	155 000	155 000
Ste-Foy	Lot (61-55) Parish of Ste-Foy	100 000	100 000
Ste-Foy	Lots (63-11, 69-12) Parish of Ste-Foy	37 000	37 000
Ste-Foy	Lots (403-540) Parish of Ste-Foy	40 000	40 000
Ste-Foy	Lots (283-8-2, 283-8-2-1, 283-13, 283-12) Parish of Ste-Foy	168 000	168 000
Ste-Foy	Lot (110-1) Parish of Ste-Foy	78 029	78 029
Ste-Foy	Lots (214-258, 259, 260) Parish of Ste-Foy	73 790	73 790
St-Lambert	Lots (271-538-1 and 2) Parish of St-Antoine de Longueuil	29 280	29 280
St-Lambert	Lots (271-537-1, 271-538-5) Parish of St-Antoine de Longueuil	29 280	29 280
St-Lambert	Lots (271-538-3, 4) Parish of St-Antoine de Longueuil	29 280	29 280
St-Lambert	Lots (271-537-2, 537-3, 538-6, 538-7, 538-8) Parish of St-Antoine de Longueuil	65 500	65 500
St-Laurent	Lots (part 555 and part 557) Parish of St-Laurent	412 324	412 324
Sept-Iles	Lots (16-1-38 and 16-1-39 and part N.S. 2660) Range 2, Village of Sept-Iles, Letellier District	280 000	280 000
Sept-Iles	Lot (497 part 2) range 2, Village of Sept-Iles, Letellier District	71 500	71 500

<i>Towns and cities</i>	<i>Land</i>	<i>Cost</i>	<i>Amortized value</i>
Sept-Iles	Lots (1842-1, 1493-1) range 2, Village of Sept-Iles, Letellier District	\$ 31 500	\$ 31 500
Val d'Or	Lots (58-B-4 to -12, -16, -17, -19 to -27 and -34) range 8, Dubuisson District, Abitibi County	175 000	175 000
		<u>\$ 11 424 549</u>	<u>\$ 11 424 549</u>
		<u>\$ 20 551 072</u>	<u>\$ 20 221 998</u>



Segregated portfolios

Balance sheet

as at December 31, 1972

Assets

	1972	1971
Investments, at cost (Market value \$12 728 580; 1971, \$ 8 185 075)	\$ 12 455 163	\$ 7 938 731
Demand deposits	1 522 142	1 146 879
Term deposits	3 000 000	—
Cash	583	83
Accrued interest	214 846	169 776
	<u>\$ 17 192 734</u>	<u>\$ 9 255 469</u>
Participants' equity		
13 126 units of participation (1971, 7 764 units)	\$ 15 379 199	\$ 8 588 387
Retained earnings	1 813 535	667 082
	<u>\$ 17 192 734</u>	<u>\$ 9 255 469</u>

On behalf of the Board of Directors

Claude Prieur
Gill Fortier**Auditor's Report**

I have examined the balance sheet of the Segregated Portfolio-Bonds of the Québec Deposit and Investment Fund as at December 31, 1972, and the statement of earnings and retained earnings for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Bonds of the Québec Deposit and Investment Fund as at December 31, 1972, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Quebec City, March 5, 1973

Statement of earnings and retained earnings

for the year ended December 31, 1972

	1972	1971
Investment income		
Interest on bonds	\$ 786 516	\$ 467 654
Interest on demand deposits	79 935	19 142
Interest on term deposits	99 215	—
	\$ 965 666	\$ 486 796
Profit on sale of securities	180 787	115 357
Net earnings for the year	\$ 1 146 453	\$ 602 153
Balance of retained earnings at the beginning of the year	667 082	64 929
Balance of retained earnings at the end of the year	\$ 1 813 535	\$ 667 082

Balance sheet

as at December 31, 1972

Assets

	1972	1971
Investments, at cost (Market value \$ 12 150 529; 1971, \$ 5 462 946)	\$ 11 252 410	\$ 5 244 594
Demand deposits	1 332 103	2 142 463
Term deposits	1 000 000	—
Cash	499	149
Accrued interest and dividends receivable	21 477	5 524
	<u>\$ 13 606 489</u>	<u>\$ 7 392 730</u>
Participants' equity		
11 545 units of participation (1971, 7 010 units)	\$ 12 433 850	\$ 7 129 351
Retained earnings	1 172 639	263 379
	<u>\$ 13 606 489</u>	<u>\$ 7 392 730</u>

On behalf of the Board of Directors

Claude Prieur
Gill Fortier

Auditor's Report

I have examined the balance sheet of the Segregated Portfolio-Stocks of the Québec Deposit and Investment Fund as at December 31, 1972, and the statement of earnings and retained earnings for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Stocks of the Québec Deposit and Investment Fund as at December 31, 1972, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Quebec City, March 5, 1973

Statement of earnings and retained earnings

for the year ended December 31, 1972

	1972	1971
Investment income		
Dividends	\$ 250 413	\$ 69 326
Interest on demand deposits	73 699	98 094
Interest on term deposits	91 769	—
	\$ 415 881	\$ 167 420
Profit on sale of securities	493 379	61 220
Net earnings for the year	\$ 909 260	\$ 228 640
Balance of retained earnings at the beginning of the year	263 379	34 739
Balance of retained earnings at the end of the year	\$ 1 172 639	\$ 263 379

Balance sheet

as at December 31, 1972

Assets

	1972	1971
Mortgages	\$ 18 086 942	\$ 3 432 523
Demand deposits	2 670 622	7 754 414
Cash	553	188
Accrued interest	138 305	23 514
	<u>\$ 20 896 422</u>	<u>\$ 11 210 639</u>
Participants' equity		
18 425 units of participation (1971, 10 558 units)	\$ 19 317 677	\$ 10 788 540
Retained earnings	1 578 745	422 099
	<u>\$ 20 896 422</u>	<u>\$ 11 210 639</u>

On behalf of the Board of Directors

Claude Prieur
Gill Fortier**Auditor's Report**

I have examined the balance sheet of the Segregated Portfolio-Mortgages of the Québec Deposit and Investment Fund as at December 31, 1972, and the statement of earnings and retained earnings for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary.

In my opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of the Segregated Portfolio-Mortgages of the Québec Deposit and Investment Fund as at December 31, 1972, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Quebec City, March 5, 1973

Statement of earnings and retained earnings

for the year ended December 31, 1972

	1972	1971
Investment income		
Interest on mortgages	\$ 696 580	\$ 93 190
Interest on demand deposits	188 601	287 736
Interest on term deposits	271 465	—
Net earnings for the year	\$ 1 156 646	\$ 380 926
Balance of retained earnings at the beginning of the year	422 099	41 173
Balance of retained earnings at the end of the year	\$ 1 578 745	\$ 422 099

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