

Annual Report 1979

CAISSE  
DE DÉPÔT  
ET PLACEMENT  
DU QUÉBEC

The illumination of the new corporate signature of the Caisse de dépôt et placement du Québec on the cover is designed to reflect both the allegiance of the Caisse to the objectives which were set for it by the legislator as well as the dynamic approach it has adopted in fostering the best interests of the community.

CAISSE  
DE DÉPÔT  
ET PLACEMENT  
DU QUÉBEC

(R.S.Q., chapter C-2)

Monsieur Jacques Parizeau  
Ministre des Finances  
Gouvernement du Québec

Monsieur le Ministre,

Conformément aux dispositions de la Loi sur  
la Caisse de dépôt et placement du Québec,  
j'ai l'honneur de vous soumettre notre  
quatorzième rapport de gestion de l'exercice  
terminé le 31 décembre 1979.

Le président du conseil d'administration et  
directeur général,



Marcel Cazavan

**Table of contents**

2	Highlights of the year
3	Board of Directors
4	Report of the Board of Directors
6	Management staff
7	Report of the General Manager
10	The economy
12-47	Operations
49-63	Financial statements

# Highlights of the year

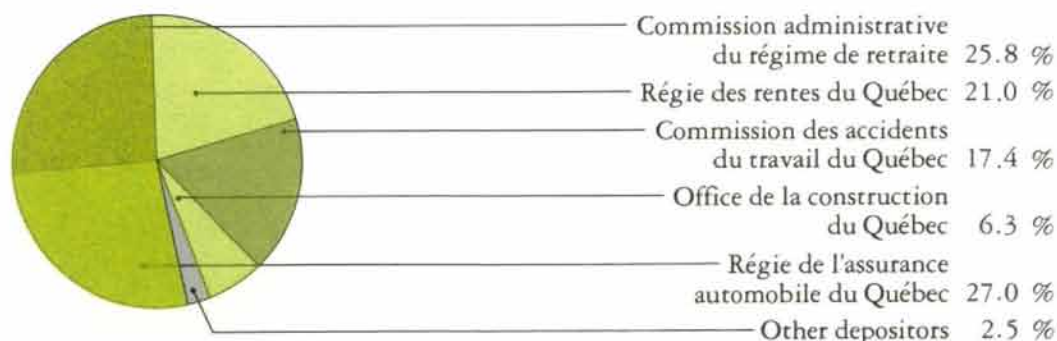
(in millions of dollars)

		1979	1978	Increase
<b>Total funds</b>	Assets under management	9 753.7	7 988.1	22.1%
	Investments	9 773.5	7 919.0	23.4%
	Long-term investments	9 019.3	7 027.9	28.3%
	Administrative expenditures	7.1	5.9	21.0%
	Net income	836.8	627.2	33.4%
	Net contributions	862.6	865.6	(0.3%)
	Number of depositors	14	17	—
	Number of employees	134	114	—
<b>General Fund</b>	Assets (1)	6 909.7	5 872.8	17.7%
	Income to be paid out to participation deposit holders	580.2	455.9	27.3%
	Net contributions	437.4	475.9	(8.1%)
	Yield on average deposits	9.69%	8.99%	—
<b>Segregated funds</b>	Combined assets	1 909.6	1 411.2	35.3%
	Income	180.3	117.7	53.2%
	Net contributions	275.0	257.2	6.9%
<b>Individual Fund</b>	Assets	750.4	503.6	49.0%
	Income	63.0	37.9	66.2%
	Net contributions	185.0	155.0	19.4%
<b>Portfolios under management</b>	Combined assets	184.0	200.5	(8.2%)
	Income	13.3	15.7	(15.3%)
	Net contributions	(34.8)	(22.5)	—

(1) For purposes of this presentation, assets of the General Fund do not reflect, demand and term deposits of the segregated funds and the Individual Fund, which are included with their total assets.

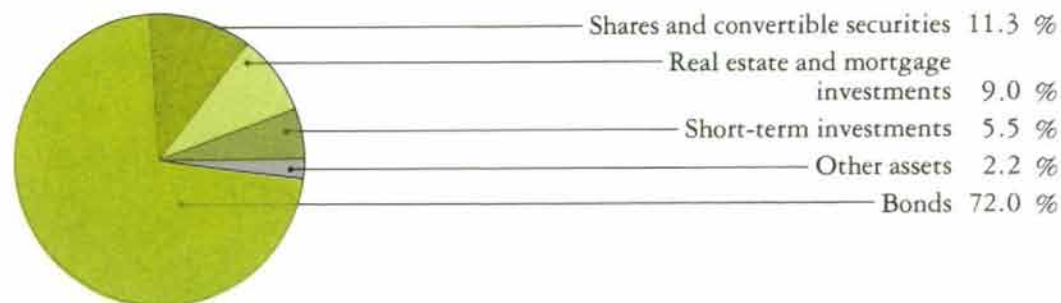
## Net contributions by depositors in 1979

(percentage)



## Breakdown of assets under management as at December 31st, 1979

(percentage)



# Board of Directors

**Marcel Cazavan**, Chairman  
General Manager  
Caisse de dépôt et placement du Québec

**Judge Gill Fortier**, Vice-Chairman  
President  
Régie des rentes du Québec

**Judge Richard Beaulieu\***  
President  
Commission municipale du Québec

**Michel Caron\***  
Deputy Minister  
Ministère des Finances

**Hon. Eric Kierans, P.C.**  
Professor of economics  
Université McGill

**Louis Laberge**  
President  
Fédération des travailleurs du Québec

**Georges Lafond\***  
Treasurer  
Hydro-Québec

**André Marier**  
President and General Manager  
Centre de recherche industrielle du Québec

**Fernand Paré**  
General Manager  
La Solidarité, Compagnie d'assurance  
sur la vie

**Pierre Péladeau**  
President  
Quebecor Inc.

**Gaston Pelletier**  
Assistant General Manager  
Crédit Foncier

**Alfred Rouleau**  
Chairman and Chief Executive Officer  
La Confédération des caisses populaires  
et d'économie Desjardins du Québec

\* Associate member

The Caisse is administered by a Board made up of its General Manager, the President of the Régie des rentes du Québec, and of seven other members named for a three-year term by the government. The latter establishes, as the case may be, the salary, additional salary, fees or allowances of each of them.

Of the seven members, two are chosen among the officers of the government or the directors of one of its agencies, a third among representatives of associations of employees, and a fourth among directors of cooperative associations.

The Board also includes three associate members, appointed by the government, who sit without voting privileges.

During the year, the Board of Directors held fifteen meetings, ten in Montréal and five in Québec. The members' attendance record at the meetings is 80 per cent.



# Report of the Board of Directors

The Board of Directors of the Caisse de dépôt et placement du Québec held eleven regular meetings and four special meetings during the year 1979.

The regular meetings of the Board take place the third Monday of each month, with Québec and Montréal serving as alternate sites. Transactions carried out since the previous meeting as well as activities and questions requiring the attention of the Board are reviewed. A major part of the meetings centres on studying investment proposals which, because of their scope or special nature, are subject to approval by the Board. In this way, the Board in 1979 authorized transactions totalling \$226 million — the subscription of two corporate bond issues in an amount of \$90 million, 13 corporate investments totalling \$53.9 million, and 12 mortgage investments amounting to \$82.1 million.

The Board also devotes part of its meetings to the discussion and evaluation of investment policies, strategies, and objectives, without, of course, neglecting the administrative decisions and approvals which are inevitable. At its regular meeting in February, the Board each year adopts an investment program which then is reviewed in September.

In keeping with the announcement made by the General Manager in his 1978 report, intensive meetings were held in April with the purpose of pinpointing the orientation of the Caisse in the 1980s. Investment policy and objectives were especially discussed at length. The Board agreed the Caisse, since it began operations, has carried out its role of trustee effectively and that its operating results, in terms of profitability, testify to excellent performance as well as to the meaningful support it provides for public and private corporations alike.

While recognizing the soundness of the goals pursued until now, the Board considers that the Caisse henceforth must direct its resources increasingly towards Québec's economic development, without, however, limiting the importance of its participation in the financing of the public sector. In the opinion of the Board, the stature of the agency enables it and indeed dictates that it play a true leadership role, that it innovate, and that it act as a catalyst in major undertakings, particularly by intensifying its activity in the financing of Québec corporations and by seizing opportunities to cooperate with other agents of economic development.

With this end in mind, the Board especially advocates that substantial funds be earmarked to establish equity positions in corporations, public or private, located in Québec. More specifically, it believes it essential that the Caisse seek to increase its degree of ownership in corporations whose activity is deemed strategic to the Québec economy.

However, one should not expect that the new goals set by the Board be transformed into radical changes which would be immediately perceptible in the makeup of its investment portfolios. Mainly, it will be through the emphasis the Caisse places on investments with an economic incidence that it will achieve the objectives it has set for itself over the next decade and that it will fully realize its potential for contributing to the economic growth of Québec.

During the year, the Board approved regulations governing personnel management, contained in the *Norms and standards of remuneration as well as other working conditions of the officials and other employees of the Caisse de dépôt et placement du Québec*, as well as the salary policy arising from it. In conformity with provisions of the regulations, the Board, on the recommendation of the General Manager, confirmed members of the management staff in their respective duties.

On behalf of the Board of Directors,



Marcel Cazavan  
Chairman

Montréal, February 19th, 1980

## Tribute to Mr. Marcel Cazavan

At the regular meeting of the Board January 21st, 1980, Mr. Marcel Cazavan informed his colleagues that the Government, a few days earlier, had accepted his resignation as Chairman of the Board and General Manager of the Caisse de dépôt et placement du Québec. He took the opportunity to emphasize that personal reasons had prompted the decision and that he would continue to hold office until such time as his successor had been appointed.

The decision having been taken shortly after the close of operations for the year 1979, the members of the Board deemed it appropriate to underline, as part of their fourteenth annual report, the great contribution Mr. Cazavan had made, first as a member of the Board from 1966 to 1972 and then as Chairman of the Board and General Manager since October 1st, 1973.

The report of the General Manager submitted today testifies eloquently to the achievements of the Caisse. The Board is indeed pleased to express its appreciation for the manner in which Mr. Cazavan carried out his duties and to pay tribute to his dedication to the goals which had been set, his sense of fairness, the wisdom of his judgment, as well as his human qualities. After a successor has been appointed, Mr. Cazavan will continue to serve the Caisse as a special advisor to the Chairman of the Board and General Manager.

On behalf of the Board of Directors,



Gill Fortier  
Vice-Chairman

# Management staff

---

## **Direction générale**

Marcel Cazavan  
General Manager

Jean-Michel Paris  
Chief Deputy General Manager

- *Secrétariat*  
Marcel Camu, Secretary
- *Bureau de la vérification interne*  
Serge Desjardins, Chief
- *Département des études économiques*  
Pierre Mayer, Director and Chief Economist

---

## **Département des placements en obligations**

Jean M. Laflamme  
Director

- Serge Leclerc, Chief - Service de la recherche
- Robert Lacroix, Portfolio Manager

---

## **Département des investissements en actions**

Raymond R. Lacourse  
Director

- André Bineau, Portfolio Manager
- Claude L. Langevin, Portfolio Manager
- Philippe Girard, Chief - Service de la recherche  
Pierre Dufresne, Senior Investment Analyst
- Reynald N. Harpin, Senior Analyst

---

## **Direction des financements**

Jean C. Lavoie  
Deputy General Manager

- *Département des financements d'entreprises*  
Jacques Doiron, Director  
Jean Longpré, Chief Negotiator
- *Département des placements hypothécaires - région ouest*  
Pierre Galarneau, Director  
Bernard Ranger, Chief - Service juridique
- *Département des placements hypothécaires - région est*  
Dominique Colard, Director
- Gilles Doré, Director - Mortgage Investment Planning

---

## **Direction des communications**

Gérard J. Blondeau  
Deputy General Manager

- *Département des services aux déposants*  
Jacques Roy, Director

---

## **Direction de l'administration**

Pierre E. Langlois  
Deputy General Manager

- *Département des services administratifs*  
Gody Lienhard, Director  
Alain Tessier, Chief - Service de la comptabilité
- *Département du personnel*  
Louise M. Zakaib, Director
- Georges Hébert, Chief - Service de l'informatique
- Guy Rhéaume, Special Assistant



# Report of the General Manager,

Mr. Marcel Cazavan

Major achievements in 1979 reaffirmed the scope of the role the Caisse de dépôt et placement du Québec has carried out during its 14 years of activity. The present report highlights various aspects of these achievements and sets them in their proper perspective.

*According to a Canadian Business study, the Caisse is the fifth most important State corporation in Canada.*

## On the \$10 billion threshold

Assets under management of the Caisse totalled \$9.75 billion at December 31st, 1979, an increase of 22.1 per cent in comparison to the previous year. The first quarter of 1980 will therefore see assets entrusted to management of the Caisse top the \$10 billion mark. Furthermore, during its fifteenth year, total assets will have doubled in relation to the comparable figure at the close of 1976. Certainly, this is a phenomenal rate of growth for the capital entrusted to the Caisse by various agencies and pension funds of the public sector. According to a survey published in July, 1979, by the magazine *Canadian Business*, the Caisse, based on its assets at December 31st, 1978, stood in fifth place among the twenty largest governmental corporations in Canada; only the Bank of Canada, Ontario Hydro, Hydro-Québec, and the Canadian Mortgage and Housing Corporation surpassed it. By the same token, the \$627.2 million in net income gained from overall funds entrusted to Caisse management during 1978 in effect places it second in this regard, led only by the Bank of Canada.

## Diversification of clients

At the dawn of the 1970s, assets under management of the Caisse totalled \$990 million, consisting almost exclusively of capital of the Régie des rentes du Québec, one of the four depositors of the time. Since then, six agencies and seven supplementary pension plans have been empowered to entrust funds or securities to the Caisse. Three of them — the Régie de l'assurance-maladie du Québec, the Supplemental pension plan of the Société de développement de la Baie James, and the Supplemental pension plan (C.S.N. - A.H.P.Q. - M.A.S.) — subsequently withdrew the whole of their deposits — \$122 million.

Over the years, amendments to the Act respecting the Caisse de dépôt et placement du Québec as well as to its regulations enabled it to establish structures better suited to the needs of its clients. On the one hand, the creation of segregated funds in 1970 made it possible to ensure that supplemental pension funds be managed distinctly from the Québec Pension Plan; the latter is not subject to the Supplemental Pension Plans Act. On the other hand, the Caisse was authorized in 1977 to accept deposits in an individual fund when it is required to satisfy the special needs of a depositor.

The diversification of clients, especially since 1973, gave a new thrust to the operations of the Caisse as well as ensuring it, for a number of years, of a regular and appreciable source of deposits for long-term investment. It thus attenuated the effect of the anticipated contraction of new funds to be contributed by the Régie des rentes.

Indeed, an actuarial analysis of the Québec Pension Plan at December 31st, 1978, made public in June, 1979, gives rise to serious thought on the lower net contributions likely to be entrusted to the Caisse between now and 1986. Failing changes in the Plan, it may be foreseen that the relative share of net contributions by the Régie des rentes in the overall operations of the Caisse will continue to diminish until such time as it becomes negligible after 1984.

## Main changes since 1973

By Order in council 3258 dated September 12th, 1973, the government appointed a successor to the first Chairman of the Board and General Manager of the Caisse, Mr. Claude Prieur, who died April 11th of the same year. The appointment came soon after the government had taken two major decisions in respect of the Caisse: to entrust it with management of the funds of the Commission des accidents du travail du Québec and of funds of the new Government and public employees retirement plan.



***Failing changes in the Québec universal pension plan, net contributions by the Régie des rentes will become negligible after 1984.***

Considering the rapid expansion which was to follow within a short time, it was essential that four problems in particular be dealt with promptly: the fact that the agency was subject to requirements of the Civil Service Act as regards the appointment and remuneration of personnel; the need to rationalize relations with brokers, given the increase in the volume of stock transactions; the opportunity to establish a system promoting a broadening of the delegation of power in regard to investments; and, finally, the apparent desirability of resolving the question of financial information obtained by the staff in the course of Caisse operations.

As a result of amendments to its constituent Act, the Caisse since April, 1979, has assumed an important role in the management of its personnel. Secondly, it applies well-defined policies governing the distribution of its business among different stock brokers; these policies are based on such criteria as periodic evaluation by portfolio managers, research consultants and traders of the Département des investissements en actions of the Caisse in regard to the quality, diversity, and availability of the services provided, the location of the head office of a brokerage firm, the place of residence of the principal partners, etc. Thirdly, the Caisse now has investment committees for each of its three major sectors of activity — bonds, stocks, and corporate financing and mortgage investments. These committees report regularly to the Investment Steering Committee, whose recommendations are submitted to the Board of Directors in respect of transactions whose amount or special nature require the latter's approval. Since February, 1974, all employees of the Caisse each quarter submit a report of their personal security transactions for purposes of control. Finally, since March 1st, 1976, clearly-defined directives have been in force governing transactions in which employees may engage. In particular, the directives prohibit purchase of securities of public corporations in which the Caisse has an interest, with the exception of those which could be the object of a stock savings plan.

**Personnel management**

During the 1970s, the Caisse set up a management team to cope with the growing number of challenges to be faced. Total assets under management grew almost tenfold during the period while the staff less than tripled. The results obtained are all the more impressive viewed against the fact that the Caisse was hard hit by numerous departures at every level of administration. By way of example, it should be mentioned that 48 persons — 13 members of the executive staff and 35 professionals in the field of investment — gave up their posts during the past 10 years. In 1979 alone, there were eight departures. It is therefore not surprising that among the 29 executives in office at December 31st, 1979, only four had been part of management for more than ten years. The constant erosion which occurred at the management and specialized staff level had the effect of reducing to less than seven years the average length of service of Caisse executives; the age of the latter averaged slightly under 44 years at the close of 1979.

At the higher level, human resources were particularly taxed if one considers the fact that average assets per executive rose from \$100 million to \$335 million during the decade. Though the Caisse has succeeded until now in adding to its management team through judicious recruiting on a market which is especially difficult because it is so limited, the bitter struggle among financial institutions for the best brains threatens to complicate more than ever before the recruiting of highly qualified and experienced personnel which the Caisse will urgently need, if one envisages the fact that its assets should double within five years.

In keeping with Order in council 1031 of April 11th, 1979, the Caisse since that date has assumed responsibility for the management and remuneration of its staff. In this connection, it should be recalled that employees who acquired permanent status pursuant to the Civil Service Act before December 22nd, 1977, retain acquired rights at that date.

The virtual lack of recruiting since the Autumn of 1977 and the resignations which occurred in 1978 brought about a reduction of staff during that year. However, the vigorous recruiting program undertaken in June, 1979, coupled with confirmation of staff occupying posts on an interim basis at the close of 1978, made it possible for the Caisse to bring its staff to 134 at December 31st, 1979, as against 114 the previous year.

### **New administrative structure**

Following adoption of the new administrative structure, appointment of senior staff was confirmed May 23rd, 1979: Mr. Jean-Michel Paris was appointed Chief Deputy General Manager; Mr. Gérard J. Blondeau, as Deputy General Manager, was named to head the new Direction des communications; Mr. Raymond R. Lacourse continues to assume the duties of Director of the Département des investissements en actions and Mr. Jean M. Laflamme, those of Director of the Département des placements en obligations; Mr. Pierre E. Langlois was promoted to the post of Deputy General Manager — Direction de l'administration; Mr. Jean C. Lavoie became Deputy General Manager — Direction des financements, thus assuming responsibility for overall activity in the sectors of mortgage and real estate investments as well as corporate financing.

This new administrative structure not only reflects the major growth of Caisse activity but also the need to consolidate its expansion in regard to investments in projects likely to contribute to Québec's economic expansion during the coming years.

### **Financial progress**

The operating results of the Caisse accent the fact that the net yield on average deposits in the General Fund progressed regularly and significantly during the 1970s, increasing from 6.63 to 9.69 per cent. As for the segregated funds and the Individual Fund, whose yield until now has been calculated on a basis different from that of the General Fund, reports of an independent valuation firm establish that their performance compares most favorably with that of similar funds.

In short, the Caisse, by its strategies in regard to the choice of securities, by its mix of securities with fixed and variable income and public and private sector investments, and by skillful operations on the money and stock markets, has applied a sound and dynamic investment policy which has continued to meet the expectations of its depositors in every way while respecting the spirit of the trusteeship mandate it received from the legislator.

### **Disclosure of financial results**

As activity increased, annual reports of the Caisse have sought to ensure broader disclosure of its operations: a more detailed analysis of investments of funds and portfolios, financial statements accompanied by explanatory notes which heighten understanding, consolidation of investments in corporate bonds and stocks, detailed statements of acquisition of new bonds issued or guaranteed by the Gouvernement du Québec, etc. This year, a financial retrospective of the past five years is published for each of the six largest depositors.

The overall data published in this report are such as to satisfy the curiosity of a vast public which, as a result of the focus on the question of channelling and use of the capital of Quebecers, is increasingly interested in Caisse operations.

### **Tribute to staff**

As outgoing General Manager, may I be permitted to express in my own name as well as in that of the Board of Directors my feelings of gratitude to all members of the staff for the devotion, the spirit of initiative, and the understanding they manifested during the past year — a year marked by several changes in regard to personnel management and organization. I should also like to express to all those who have worked at the Caisse since the start of my mandate my appreciation for the support they gave me and the efforts they made so that our institution might become what it is today.

Montréal, February 19th, 1980



# The economy

With the tight situation of prior years persisting in 1979, restrictive economic policies curbed the growth of the Canadian economy.

## Monetary policy

While deploring what it deemed excessive price and bank credit increases, the Bank of Canada was influenced largely by foreign requirements. Faced with the necessity of protecting the precarious level of Canadian currency, Canadian monetary authorities followed the example of the United States and pushed interest rates upward.

## Budget policies

Governments maintained the expenditure control policies adopted in recent years and actual government expenses did drop slightly in 1979. Government of Canada revenue growth exceeded expenditures, thus stemming the deficit increase and reducing financial needs which nevertheless remain high indeed.

In Québec, government budget policy focused mainly on reducing the taxpayers' burden and cutting the rate of growth of government expenses. Two important tax measures were introduced in 1979. The selective sales tax abolition, initiated in April 1978, became permanent in the textile, clothing, and shoe sectors. The second provision was the creation of the Québec Stock Savings Plan, whereby Québec residents may purchase new shares of Québec corporations and deduct the cost from their taxable income. This new tax credit had a considerable impact on the availability of venture capital for Québec-based companies. Other significant tax measures, such as indexation of individual income exemptions and the reform of municipal taxation, became effective in January 1980.

## Canadian economic situation

In spite of the stringent stabilization policies and of the worsening economic situation in the United States, the Canadian economy experienced satisfactory growth in 1979 and avoided acceleration of inflationary trends.

Growth rate of the Gross National Product volume should approximate 3.0% in 1979 compared with 3.4% in 1978, while consumer price increases should remain the same as in 1978, that is, 9.0%. Encouraged by significant profit increases and improved production capacity utilization, companies played a determining role in this performance by pursuing vigorous and comprehensive investment programs while accumulating considerable inventories. On the other hand, lower purchasing power and marked increases in interest rates negatively affected consumer spending and residential construction. Finally, in a climate of budgetary austerity, the rate of growth of public expenses remained slow while exports were quick to feel the effect of the American economic slowdown.

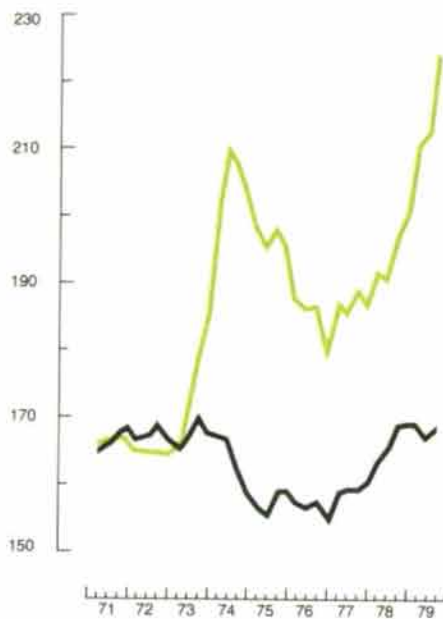
This overview of the 1979 economic situation highlights trends which are likely to influence the growth profile in the immediate future. On the one hand, the explosive profit increases of 1979, as shown in Graph 1, mainly stem from a marked firming of prices, especially export prices, in relation to unit costs. Under the circumstances, profit improvements remain vulnerable to rapid changes which could result from possible salary and wage increases or a drop in world prices for raw materials. However, as shown in Graph 2, accelerated by this strengthened profitability and higher capacity production, the recent recovery of productive investments is such that, based on the experience of former cycles, a strong surge in capital expenditures may be expected during the next two or three years. Finally, faced with a reduction in private and public consumer spending, the Canadian economy would be hard hit by an eventual slowdown in international trade.



**1****Business profitability**

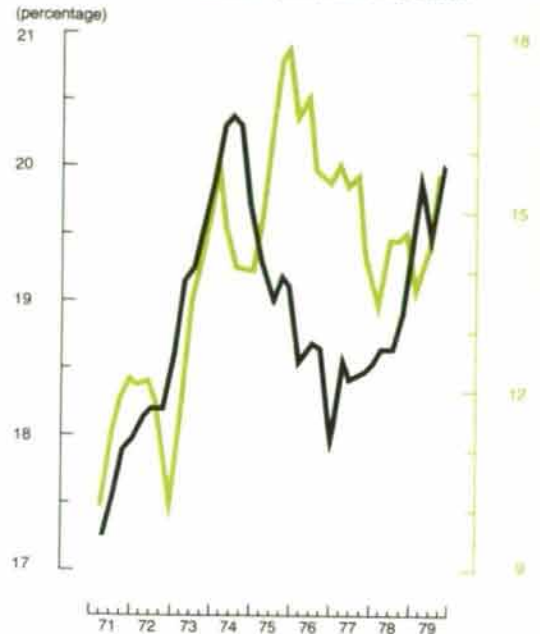
- Foreign profitability:  
export prices to unit labor costs
- Domestic profitability:  
consumer prices to unit labor costs

Sources: Statistics Canada and Caisse de dépôt et placement du Québec

**2****Profits and investments**

- Profits:  
ratio of profit before taxes to final demand excluding government wages and salaries
- Investments:  
ratio of private productive investments to gross national product

Sources: Statistics Canada and Caisse de dépôt et placement du Québec

**Québec economic situation**

Growth of the Québec gross domestic product virtually paralleled that of the Canadian economy. Overall employment increased at an annual rate of 3.2%, due in part to a good performance in the secondary sector. External demand was an important factor in this improvement. Québec exports of manufactured goods increased at a faster pace than Canadian exports since the drop in American demand was mainly felt in the automobile industry, concentrated in Ontario.

Despite low growth in available household income, consumer goods demand was strong in 1979, and the increase in retail sales was 2% higher in Québec than in the rest of Canada. However, a downturn in sales became apparent during the last quarter and it is most doubtful whether consumer spending will remain as strong in 1980.

The situation was not as favorable in the construction industry due to the drop in real housing expenditures and the reduction in the growth rate of public investments. The increase in corporate investments, mainly in the secondary sector, was not sufficient to offset this slowdown. The housing market situation and the high rate of production capacity utilization during 1979 should, however, be conducive to a general upswing in investments during the next expansion phase.

## Bonds

**The Caisse acquired \$1.09 billion in new bonds issued or guaranteed by the Gouvernement du Québec in 1979.**

The Département des placements en obligations manages all bond investments included in the General Fund, segregated funds "O" and "G", the Individual Fund as well as in the portfolios under management of the Commission des accidents du travail du Québec, the Office de la construction du Québec, and the Government and public employees retirement plan. It also manages short-term investments. At December 31st, 1979, investments under its jurisdiction totalled \$7.57 billion, or 77.4% of overall Caisse investments — an increase of \$1.34 billion over the previous year.

## Market situation

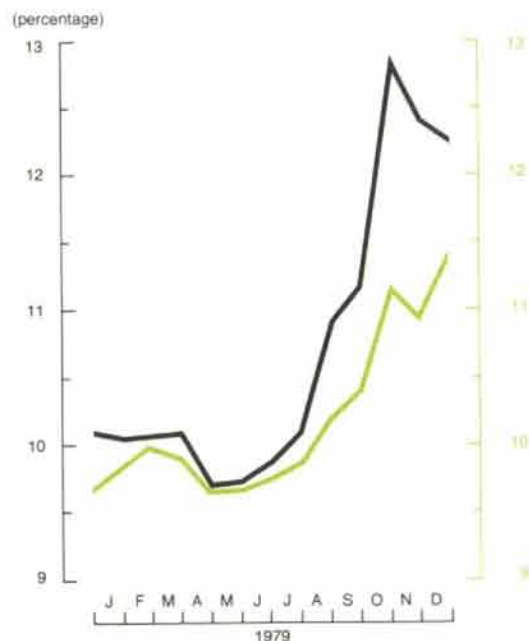
A volatile market in fixed income securities in 1979 reemphasized the interdependence of national economies. Indeed, because of the continuing deterioration of Canada's balance of payments, the Bank of Canada was compelled to adopt a monetary policy conducive to an inflow of capital and, *ipso facto*, maintain the value of the Canadian dollar. While countries dominating the world economic scene faced inflationary surges mainly attributable to increasing energy costs, direct and significant interventions by the Bank of Canada on the long-term bond market were designed to bring Canadian interest rates in line with those of other Western economies.

**3**

### Average bond yields

- █ Securities with maturity of 10 years and more: average yields on long-term Government of Canada bonds
- █ Securities with 1-to 3-year maturity: average yields on short-term Government of Canada bonds

Source: Bank of Canada Review

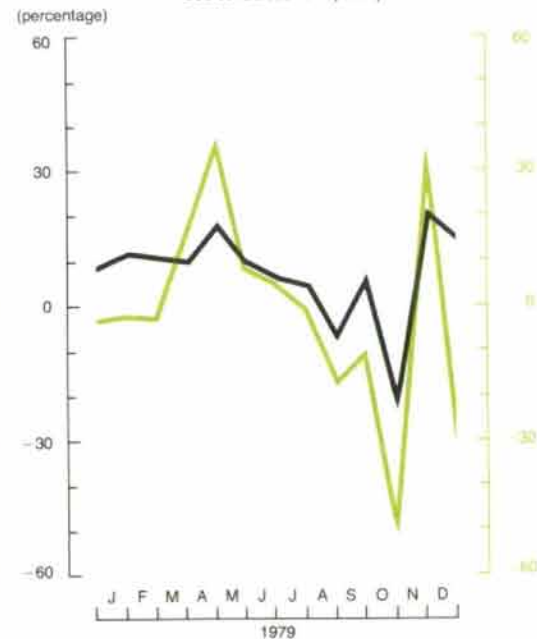


**4**

### Realized bond yields

- █ Securities with maturity of 10 years and more: realized yields for monthly periods at an annual rate on long-term Government of Canada bonds
- █ Securities with 1-to 3-year maturity: realized yields for monthly periods at an annual rate on short-term Government of Canada bonds

Source: Caisse de dépôt et placement du Québec





## 5

**Acquisition by the Caisse of new bonds issued or guaranteed by the Gouvernement du Québec on Canadian market in 1979\***

(in millions of dollars)

	Amounts of issues			Amount acquired by the Caisse	
	Public	Private	Total	Amount	Percentage of total
Gouvernement du Québec	150	910	1 060	775	73
Hydro-Québec	600	335	935	315	34
<b>Total</b>	<b>750</b>	<b>1 245</b>	<b>1 995</b>	<b>1 090</b>	<b>55</b>

\*Excluding savings bonds.

In such a context, the reversal of the yield curve persisted during the entire year. As shown in Graph 4, the changes, on an annual basis, in realized yields of securities purchased at the beginning of one month and sold at the end of the same month, illustrate the volatility of short- and long-term markets. Realized yields reflect the income and variances in the market value of securities. Yields on long-term Government of Canada bonds fluctuated between -50.7% and 35.6% while one- to three-year bond yields varied from -21.1% to 21.8%, mainly during the latter part of the year.

**Long-term bonds**

In the public sector, the Caisse purchased \$1.09 billion of Gouvernement du Québec and Hydro-Québec bonds on the primary market, as shown in tables 5 and 6. This figure represents 55% of total issues of such securities floated in Canada; this percentage approximates the average of the last ten years.

*On the secondary market of long-term bonds, the Caisse negotiated a volume of some \$5.5 billion in 1979.*

Financing of these two institutions on the Canadian market was substantially higher in 1979 than in 1978 despite narrower yield spreads between these securities and Government of Canada as well as Province of Ontario bonds. During the year, \$90.1 million in municipal, school board and grant-guaranteed bonds were acquired, compared with \$61.8 million the previous year. Despite a relative dearth of major issuers' securities and a slowdown in the pace of borrowings by these organizations, the Caisse purchased 9.4% of the issues on the primary market compared with 5.8% in 1978, increasing its holdings in mid-term bonds.

In the private sector, new issues remained limited due to a major rise in corporate profits as a whole and a preference for short-term financing during the year. Yield spreads among securities of different quality remained narrow in relation to their historical trend even though spiralling interest rates during the last quarter widened the spread. Notwithstanding the apparent sluggishness of the sector, the Caisse accelerated its rate of acquisition on the primary market through private and semi-private placements amounting to \$125 million.

During 1979, the secondary long-term bond market favored greater participation by the Caisse which negotiated a volume of about \$5.5 billion. Such transactions, along with those carried out on the primary market, resulted in an increase of the weighted average yield at maturity of bond investments. For example, the yield for the General Fund rose to 9.87%, an improvement of 0.37%.

## 6

**Participation in new issues of the Gouvernement du Québec and Hydro-Québec on Canadian market in 1979**

Date of issue	Nature	Amount in nominal value	Date of maturity	Redeemable on or after	Interest rate	Yield to maturity	Price	Amount purchased by the Caisse (nominal value)
					%	%		
January 31st	Private	150 000 000	December 15th, 2002	December 15th, 1998	10.00	10.55	95.21	150 000 000
March 27th	Private	150 000 000	April 17th, 2003	April 17th, 1998	10.625	10.654	99.75	150 000 000
April 3rd	Private	60 000 000	May 1st, 1999	May 1st, 1994	10.70	10.70	100.00	50 000 000
May 29th	Private	150 000 000	June 15th, 2002	June 15th, 1997	10.35	10.35	100.00	150 000 000
September 6th	Private	125 000 000	September 24th, 2004	September 24th, 1999, retractable in 1991	10.90	10.90	100.00	125 000 000
September 27th	Private	75 000 000	October 17th, 1994	N/A	11.25	11.25	100.00	75 000 000
November 27th	Private	75 000 000	December 27th, 2004	December 27th, 1998	11.70	11.70	100.00	75 000 000
<b>Total — Gouvernement du Québec</b>								<b>775 000 000</b>
February 27th	Public	150 000 000	March 27th, 2004	March 27th, 1998	10.75	10.75	100.00	45 000 000
April 25th	Public	150 000 000	May 15th, 2003	May 15th, 1998	10.25	10.375	98.875	40 000 000
June 28th	Public	150 000 000	May 15th, 2003	May 15th, 1998	10.25	10.45	98.25	40 000 000
September 17th	Public	150 000 000	October 15th, 2004	October 15th, 1999	11.00	11.03	99.75	55 000 000
November 26th	Private	135 000 000	March 27th, 2004	March 27th, 1998	10.75	11.68	92.50	135 000 000
<b>Total — Hydro-Québec</b>								<b>315 000 000</b>
<b>Grand total</b>								<b>1 090 000 000</b>

## 7

**Breakdown of amounts acquired by the Caisse of new bonds issued or guaranteed by the Gouvernement du Québec on Canadian market**

(in millions of dollars)

Years ended December 31st	General Fund	Segregated funds	Individual Fund	Total	Issues	
					Private	Public
1966-1969	443.3	—	—	443.3	135.0	308.3
1970	167.5	—	—	167.5	90.0	77.5
1971	162.5	—	—	162.5	120.0	42.5
1972	214.5	0.5	—	215.0	60.0	155.0
1973	209.2	0.8	—	210.0	50.0	160.0
1974	292.5	12.5	—	305.0	175.0	130.0
1975	381.4	17.9	—	399.3	238.0	161.3
1976	378.8	45.2	51.0	475.0	255.0	220.0
1977	375.0	120.0	65.0	560.0	450.0	110.0
1978	555.5	89.0	125.5	770.0	585.0	185.0
1979	837.0	121.0	132.0	1 090.0	910.0	180.0
<b>Total</b>	<b>4 017.2</b>	<b>406.9</b>	<b>373.5</b>	<b>4 797.6</b>	<b>3 068.0</b>	<b>1 729.6</b>

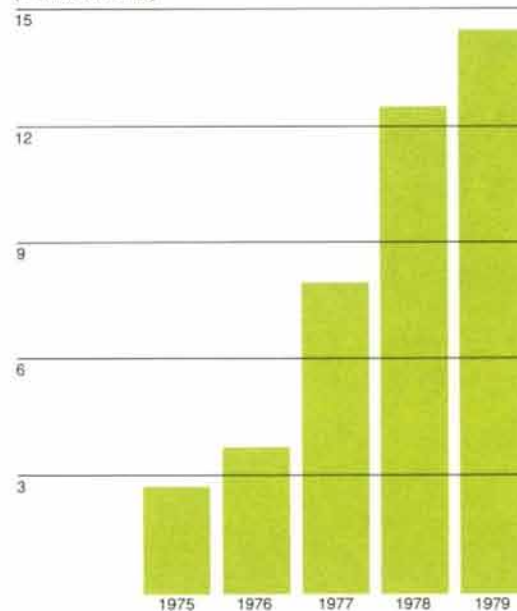
*The volume of transactions carried out by the Caisse on the money market in 1979 totalled some \$14.5 billion.*

## 8

**Volume of transactions by the Caisse on Canadian money market****Money market**

The reversal of the yield curve as well as uncertainty on the money market intensified activity in short-term securities. Annual volume reached a \$14.5 billion level in 1979, as shown in Graph 8. Short-term securities held rose to a monthly average of \$932.3 million in 1979 compared with \$731 million in 1978; the year-end balance totalled \$535.5 million, most long-term investments having been made during the second semester.

(in billions of dollars)





## Stocks

The overall market value of stock and convertible security portfolios managed by the Département des investissements en actions amounted to \$1,616.1 million, or \$510.4 million more than book value, at December 31st, 1979.

**The market value of all stock investments stands at \$1.62 billion.**

For the General Fund stock portfolio and the Segregated Stock portfolio (Fund "A"), tables 25 and 31 provide data as to cost, market values, weighted average yields, and net changes in 1979 for each of the fourteen sectors of activity, based on TSE 300 classifications.

### Stock markets

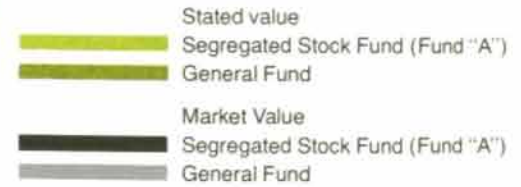
The upward trend of the Canadian stock market intensified in 1979 in relation to the preceding year. Despite a slight slowdown to about 3% in real growth of the economy, the stabilization of inflation at about 9%, and the increase in interest rates in the second semester, stock prices increased steadily during most of the year. The Montréal Stock Exchange General Index and the TSE 300 Index advanced by 38.2% and 38.4% respectively in the wake of significant increases of 23.2% and 23.6% respectively in 1978.

This surge in stock prices was interrupted only in October 1979 by a deep and sharp market drop following the October 6th announcement by the President of the United States Federal Reserve Board that restrictive measures would be adopted to control, among other things, the volume rather than the cost of credit. These measures were deemed necessary to cool inflation and strengthen the American dollar which had been losing ground on exchange markets.

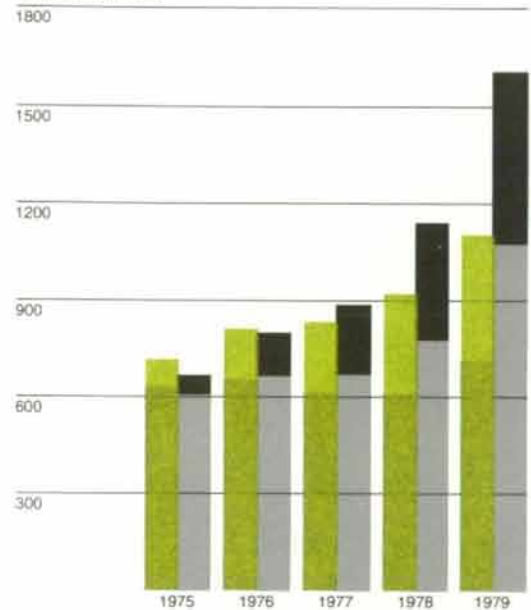
The scope and length of the upward phase of the current stock market cycle is of interest. It started in December 1974 and still appeared strong at the close of 1979. Thus, over a period of sixty months, the TSE 300 Index rose by 121%, from its lowest level of 821 in December 1974 to 1,813 at the end of last December. This hike in the index and the length of the market expansion phase are the greatest recorded, at least since the TSE 300 Index figures became available in January 1956. Approximately one half of the index advance during this period occurred during the past two years, it should also be noted.

9

### Stock and convertible security investments



(in millions of dollars)



In the United States, the trend was mixed. Improvement in blue chip securities was rather slow, as shown by the Dow Jones industrial average and Standard & Poor's 500 composite index which rose by 4.2% and 12.3% respectively. However, secondary and more speculative stocks followed the same trend as Canadian securities. This was illustrated by the American Stock Exchange index which recorded a spectacular increase of 64.1%.

***The market value of all stocks and bonds held in 279 corporations at year-end totals \$2.46 billion.***

The excellent showing of the Canadian stock market in 1979 is largely attributable to the unexpected performance of the American economy, which maintained a higher pace than had been forecast, substantial profits recorded by Canadian corporations, numerous improvements in dividends, and Canada's privileged energy position.

Moreover, the Québec Stock Savings Plan introduced in March by the *Ministre des Finances* prompted several eligible companies to issue Treasury shares. It is estimated Quebecers invested over \$75 million in such stocks. It would appear demand was so strong that more shares could have been issued.

Canadian corporations generally reported impressive increases in profits while maintaining their competitive position on international and domestic markets due to the consistently low exchange value of the Canadian dollar.

Sustained increases in world oil prices and intense oil exploration activities in the Beaufort Sea regions, on the Atlantic coast, and in Western Canada are two factors which served to underline the importance of Canada's energy potential. Canadian and foreign investors, reassured by the more conciliatory attitude of the new federal government towards the private sector, were quick to grasp this preferential position. Their enthusiasm for Canadian oil stocks pushed prices upward significantly.

As in 1978, numerous corporate take-over bids and a number of company mergers favored the maintenance of a strong and active market. However, a renewed trend towards speculation emerged and this could lead some investors to exercise greater caution.

All in all, despite political tensions at the international level, numerous increases which brought interest rates to new highs, and a drop below potential in the growth of the Canadian economy, Caisse activities in stock investments proved excellent in 1979. For example, the internal rate of return of the General Fund stock portfolio was 37.8%. Unrealized capital appreciation advanced by \$191.2 million during the year while net realized appreciation reached a record level of \$67.8 million, mainly as a result of the acceptance of take-over bids. Capital appreciation is therefore equivalent to 32.8% to which income, mainly dividends whose yield was 5.0% in 1979, must be added.

## Corporate investments

This section of the annual report analyzes corporate securities held by the Caisse, mortgage and real estate investments excluded. Table 19 shows the distribution of the \$2,051.6 million in corporate securities held in funds and portfolios at December 31st, 1979. Total market value of such securities amounted to \$2,463.6 million. Investments of \$118.2 million in Sidbec securities are not included above but are shown under bonds issued or guaranteed by the *Gouvernement du Québec*.

In relation to the previous year, the book value of these investments increased by \$453.8 million, or \$185.6 million in shares and \$268.2 million in bonds. This is an increase of 28.4% and an improvement over the 23.4% rise in overall Caisse investments during 1979. Corporate securities represented 22.7% of all long-term investments held by the Caisse at December 31st, 1979.

### Status of corporations

Table 10 indicates \$1,860.4 million were invested in 202 companies listed on stock exchanges or in their subsidiaries, while \$191.2 million were invested in 77 private, public, or cooperative organizations. This table also shows 98.8% of the \$1,105.7 million invested in shares or convertible securities were in listed companies while fixed income securities of private, public, or cooperative firms accounted for 92.9% of investments.



## 10

**Summary of corporate investments**  
 as at December 31st, 1979

(in millions of dollars)

Status of corporations	Number of corporations	Shares and convertible securities	Bonds	Total	
				Stated value	Percentage
Corporations and subsidiaries whose shares are listed on stock exchanges	202	1 092.2	768.2	1 860.4	90.7
Private corporations	57	12.3	96.6	108.9	5.3
Public corporations and cooperatives	20	1.2	81.1	82.3	4.0
<b>Total</b>	<b>279</b>	<b>1 105.7</b>	<b>945.9</b>	<b>2 051.6</b>	<b>100.0</b>

Nearly 80% of the \$108.9 million invested in 57 private companies were concentrated in "Industrial products", "Real estate and construction", "Consumer products" and "Merchandising" sectors. On the other hand, 83% of the \$82.3 million invested in 20 public companies and cooperatives were distributed in the "Metals and minerals", "Utilities", "Industrial products" and "Paper and forest products" sectors.

Investments in Sidbec-Normines Inc., Churchill Falls (Labrador) Corporation Limited, Donohue Inc., Les Placements Immobiliers La Laurentienne Inc., Marine Industrie Limitée, Howard-Bienvenu Inc., Delta-des Gouverneurs Inc., Netcom Inc. and Didier - Corporation de produits réfractaires provide an indication of the most important interests in private and public

*The Caisse held 23 per cent of the common shares of Domtar Inc. at December 31st, 1979.*

companies; they represent 57.5% of the \$191.2 million invested in these 77 corporations.

**1979 advances**

Table 11 analyzes the changes which occurred in 1979 in each of the major sectors of activity, based on TSE 300 classifications. It shows significant increases in shares and bonds under three headings: "Financial services" (\$205 million), "Utilities" (\$103 million), and "Consumer products" (\$50.9 million). The net change recorded in these three sectors corresponds to 79% of the total.

The rise in "Paper and forest products" stems in large part from the jump of \$78.3 million invested in shares as a result of purchase of a block of 2.8 million Domtar Inc. common shares, at \$27, for a total of \$75.6 million. On the heels of this transaction with MacMillan Bloedel Limited July 13th, 1979, the Caisse became the largest Domtar Inc. shareholder; it now holds 23% of its outstanding common shares.

However, the reduction in investments in shares resulted in drops of \$23.7 million and \$15.2 million in the "Pipelines" and "Metals and minerals" sectors respectively.

## 11

**Shares and corporate bonds**  
 as at December 31st, 1979

(in millions of dollars)

Sector of activity	Shares and convertible securities		Bonds		Total		Net change in 1979 (stated value)
	Stated value	Net change in 1979	Stated value	Net change in 1979	Number of corporations	Stated value	
Metal and minerals	164.8	(16.2)	48.9	1.0	15	213.7	(15.2)
Gold	2.5	(2.0)	—	—	1	2.5	(2.0)
Oil and gas	103.6	(2.0)	49.1	(0.2)	15	152.7	(2.2)
Paper and forest products	119.0	78.3	26.6	(2.5)	21	145.6	75.8
Consumer products	100.3	32.0	70.9	18.9	37	171.2	50.9
Industrial products	116.8	10.5	122.1	17.3	52	238.9	27.8
Real estate and construction	5.0	(1.2)	65.8	4.8	20	70.8	3.6
Transportation	43.7	2.0	13.0	1.9	9	56.7	3.9
Pipelines	15.0	(17.4)	13.7	(6.3)	5	28.7	(23.7)
Utilities	143.7	50.1	175.5	52.9	16	319.2	103.0
Communications and media	26.7	14.7	3.9	1.1	6	30.6	15.8
Merchandising	40.8	(5.3)	39.5	10.5	35	80.3	5.2
Financial services	197.2	36.3	314.2	168.7	41	511.4	205.0
Investment companies	26.6	5.8	2.7	0.1	6	29.3	5.9
<b>Total</b>	<b>1 105.7</b>	<b>185.6</b>	<b>945.9</b>	<b>268.2</b>	<b>279</b>	<b>2 051.6</b>	<b>453.8</b>

***There were 53 companies in 1979 in which total investment of the Caisse exceeded \$10 million.***

#### Greater concentration

At December 31st, 1979, the Caisse held securities of 279 corporations compared with 292 the previous year, distributed as follows: shares of 139 companies and fixed income securities of 205 firms. The reduction in the number of corporations came about through liquidation of the securities of 32 companies, 15 of them resulting from disposal of securities in portfolios under separate management. Acceptance of public take-over bids, along with liquidation of small holdings, resulted in the elimination of 17 securities held in the General and segregated funds. The addition of 19 new securities was mainly attributable to transactions concluded by the Département des financements d'entreprises.

#### Investments in order of importance

As shown in Table 12, nearly 80% of the \$2,051.6 million investments held by the Caisse were distributed among 53 companies. The concentration in investments exceeding \$10 million increased in 1979. Not only did the number of corporations increase by two but the proportion of such investments also rose from 75% to 80% during the year.

Investments of over \$10 million in fixed income securities of 22 companies amounted to \$607.3 million, while shareholdings of comparable amounts in 31 companies totalled \$844.6 million.

Finally, it may be said investments in corporate securities were concentrated mainly in large Canadian corporations, many of which have substantial operations in Québec or are part of the group of companies employing over 1,000 persons. It is appropriate to underline the fact that business financing concluded directly with 68 Québec companies accounted for \$148.6 million at December 31st, 1979.

These results reflect the investment policy followed by the Caisse since the start of its operations and which arises from four basic criteria: protection of capital, diversity of investments taking into account availability and marketability of securities on the Canadian market, optimization of yield, and promotion of economic growth.

# 12

### Distribution of corporate investments in shares and bonds by order of importance as at December 31st, 1979

(in millions of dollars)

Category	Number of corporations	Total	
		Stated value	Percentage
To 10 million	226	419.7	20.4
10 to 20 million	21	263.9	12.9
20 to 30 million	13	325.9	15.9
30 to 40 million	8	274.9	13.4
40 to 50 million	4	176.7	8.6
50 million and more	7	590.5	28.8
<b>Total</b>	<b>279</b>	<b>2 051.6</b>	<b>100.0</b>

***88.4 per cent of all corporate bond and stock investments are in companies whose operations are deemed important to Québec.***

#### Québec operations

The Caisse estimates 88.4% of its total investments in corporate bonds and shares, or \$1,813.8 million, involve 215 companies with operations deemed important to Québec. Bond investments in these companies represented 95.4% of the total shown in Table 11. Additionally, shares held in these companies totalled 82.4%. This relatively smaller proportion is explained by Caisse shareholdings in seven large Canadian companies whose total weighted average represents 6.5% of the overall TSE 300 Index but which have virtually no operations in Québec.

A study published in the September 1976 issue of the *Revue Commerce* reveals there were 104 companies at that time employing over 1,000 employees in Québec. At December 31st, 1979, Caisse interest in 62 of the 65 companies of the group whose securities were available totalled \$978.9 million. Finally, head offices of 161 of the 279 companies in which it acquired securities were located in Québec at year-end.



## Corporate financing and mortgage investments

During 1979, the Caisse created the Direction des financements to coordinate and intensify its overall corporate financing and mortgage investment activities and to reflect the growth in these fields which, over the past five years, has been greater than that recorded for total assets under Caisse management.

Operations of the Département des financements d'entreprises and of the Département des placements hypothécaires are carried out with commercial and industrial organizations as well as with real estate developers with whom financing agreements are negotiated directly. Greater coordination of efforts and broader decision-making powers have placed these departments in a better position to meet the financial needs of entrepreneurs, thus enabling the Caisse to play a more important role in the development of the Québec private sector.

During the year, outlays of the departments involved totalled \$317 million compared with \$195 million in 1978. On a cumulative basis, outlays consequently increased to \$1.2 billion while the stated value of such investments amounted to \$1.03 billion at December 31st, 1979. These funds were invested in Québec, mainly in medium-sized companies, and residential, commercial and industrial mortgage and real estate investments. The Direction des financements expects a decrease in its 1980 activities due to a drop of about \$35 million in the anticipated allotment to the Segregated Mortgage Fund (Fund "H"). However, an increase of slightly more than 10% is expected in business financing and mortgage investment outlays in the General Fund.

### Business financing

In 1979, an unprecedented number of transactions were concluded — 33 financings totalling \$67.8 million — while outlays reached the record sum of \$65.3 million. These results indicate activity has doubled in relation to the preceding year and reflect great interest in corporate financing.

*The Direction des financements had placed \$1.03 billion in mortgage and real estate investments, immoveables, and investments in Québec corporations of medium size at December 31st, 1979.*

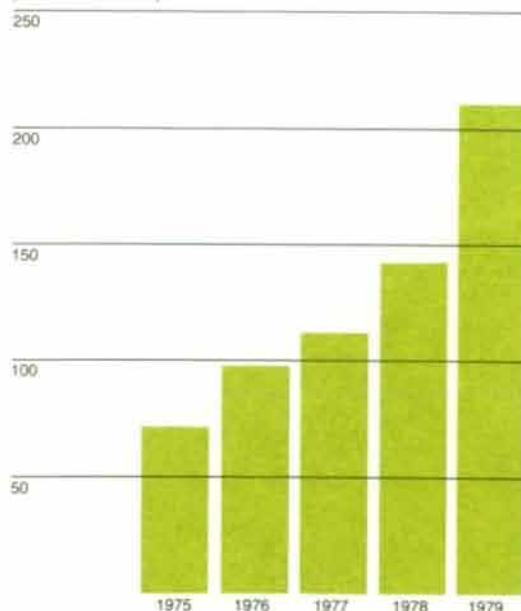
During the year, 51 financing applications totalling some \$122 million were considered; a total of \$80.6 million in financing proposals was submitted to 39 companies. The great majority of these offers involved expansion and acquisition projects costing between \$200,000 and \$10 million.

Transactions completed by the department are recorded, depending on their nature, in General Fund bond, share or mortgage investment, and real estate portfolios. Their total of \$148.6 million at December 31st, 1979 and their weighted average yield of 11.98% compared favorably with \$98.3 million and 10.62% respectively in 1978. Outstanding commitments of \$29.5 million on transactions concluded during the year will be disbursed in 1980. Graph 13 shows cumulative commitments since 1967 totalled \$210 million at year-end.

13

Cumulative commitments — Corporate Financing Department

(in millions of dollars)



**33 corporate financing arrangements were entered into in 1979 for an amount of \$67.8 million. Cumulative commitments in this sector now total \$210 million.**

Notwithstanding high interest rates, the improvement in company profit margins as a whole spurred expansion projects and contributed to a demand for new capital. However, in view of sharp rises in interest rates as well as of inflation, industrialists in certain cases showed great reluctance to commit themselves to fixed long-term borrowing costs. This situation led the Caisse to offer business financing formulae involving floating interest rates.

During 1980, the Caisse will redouble its efforts to promote the range of services available through its Département des financements d'entreprises. It also will seek to increase the number of equity participations in private companies with an excellent growth potential and a strong management team.

### Mortgage investments

**A record amount of \$252 million was disbursed for mortgage and real estate financing in Québec in 1979.**

Mortgage and real estate investment outlays during the year reached the record sum of \$252 million, 83% of which was allocated to the residential sector and 17% invested in the commercial and industrial sectors. At December 31st, 1979, the book value of these investments amounted to \$881.2 million, including \$416.7 million in the General Fund and \$463.8 million in the Segregated Mortgage Fund (Fund "H"). Graph 14 outlines the growth in investments, outlays, and their balance over the past five years. During this period, amounts spent totalled \$718.8 million, most of which were used to finance new construction projects. In addition, outstanding commitments at the end of 1979 totalled \$89 million with \$71 million intended for buildings under construction.

At year-end, the total yield of General Fund mortgage and real estate investments as well as real estate was 10.08% and that of Segregated Fund "H", 10.56%. Their breakdown was as follows: 56.6% in the residential sector and 37.3% and 6.1% in the commercial and industrial fields respectively.

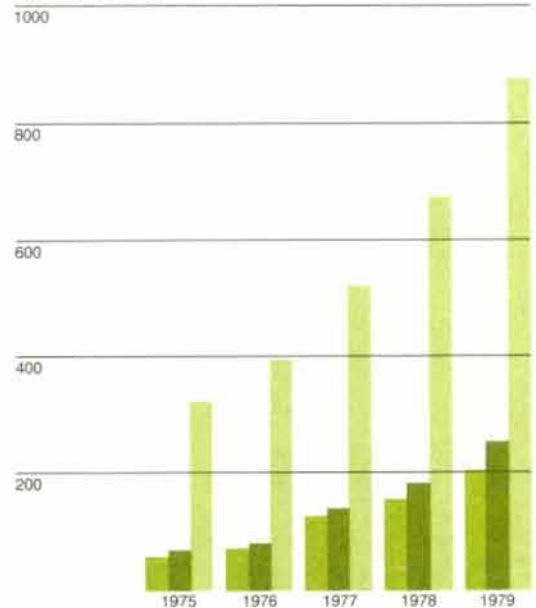
The construction decline which began in 1977 persisted. While the number of housing starts in Québec reached 65,000 in 1976, it was limited to 42,000 in 1979. As for the number of hours worked, a decline of 12% was recorded for the first three quarters of 1979 in relation to the corresponding period of the previous year. In point of fact, 1979 was the worst year of the decade for the Québec construction industry.

14

### Mortgage and real estate investments — General Fund and Fund "H"

Net increase  
Disbursements  
Balance at year-end

(in millions of dollars)



Taking the above-mentioned deterioration into account, the Caisse intensified its efforts on the secondary mortgage market. This activity enabled it to fully meet the specific needs of depositors while acquiring a sizeable portfolio of residential mortgages. It also was able to negotiate certain agreements whereby a good portion of the funds so invested enabled other lending institutions to continue to finance residential construction.

Even though the Caisse does not expect a significant recovery in the construction industry in 1980, it nevertheless intends to remain active on the mortgage market, mainly in the field of new construction, renovation, or expansion of existing buildings. It also will strive to cooperate closely with other institutions or agencies serving real estate market sectors which it does not itself cover directly.



## Communications

*Withdrawals from retirement plans brought about net outlays of \$14.7 million; net contributions of depositors dropped by some \$3 million in 1979, totalling \$862.6 million.*

The Direction des communications was created in May 1979. It consists of the Département des services aux déposants, established at the end of 1972, the Service du traitement de textes, set up in 1974, and information staff. It is responsible for the development and implementation of communications policy with respect to depositors, public or private bodies, the general public, and Caisse personnel. Development, production, and distribution of the annual report and interim quarterly reports are among its major functions. It also is responsible for administration of the corporate identity program; the first concrete achievement in this area involved selection of the new logo appearing on the cover of this report. Application of this signature will be extended gradually in 1980.

The Service du traitement de textes is now equipped with two word processors and high-speed printers. Staffed by highly qualified operators, it provides invaluable administrative support, adding to the overall efficiency of Caisse operations through timely, high-quality reports to depositors.

### Depositors' net contributions

Despite loss of the supplemental pension plans of the Société de développement de la Baie James and of the Municipalité de la Baie James as well as the C.S.N. - A.H.P.Q. - Ministère des Affaires sociales, and the withdrawal of their assets of \$14.7 million, net depositors' contributions totalled \$862.6 million in 1979, a decline of some \$3 million from the corresponding 1978 figure.

The Régie de l'assurance automobile du Québec remained the largest depositor again during the year with net contributions of \$233.1 million in 1979. Net deposits of the Government and public employees retirement plan totalled \$222.3 million, up \$40.5 million over last year.

## 15

### Net contributions by depositors

(in millions of dollars)

Depositors	1979	1978	1977	1976	1975
Régie de l'assurance automobile du Québec	233.1	261.8	—	—	—
Commission administrative du régime de retraite					
Government and public employees retirement plan					
Contributions of unionized employees	175.0	150.7	144.9	101.0	67.7
Contributions of non-unionized employees and of employers	47.3	31.1	64.2	38.9	13.7
	<u>222.3</u>	<u>181.8</u>	<u>209.1</u>	<u>139.9</u>	<u>81.4</u>
Régie des rentes du Québec	180.6	212.0	236.1	298.7	254.4
Commission des accidents du travail du Québec	150.2	132.5	83.1	72.5	22.1
Office de la construction du Québec	54.5	68.9	74.8	84.2	86.8
Supplemental pension plan of the Université du Québec	3.5	3.1	2.6	1.8	1.0
Others	18.4	5.5	(76.3)	(4.3)	1.1
<b>Total</b>	<b>862.6</b>	<b>865.6</b>	<b>529.4</b>	<b>592.8</b>	<b>446.8</b>

Net contributions are made up of deposits received less withdrawals.

Régie des rentes du Québec contributions have dropped consistently over the past three years. As shown in Table 15, they declined from \$298.7 million in 1976 to \$180.6 million in 1979, the lowest level since the universal plan came into force in 1966. The same situation applies with regard to the Office de la construction du Québec whose 1979 remittances dropped to \$54.5 million compared with \$68.9 million the previous year. Contributions from other depositors during the year totalled \$21.9 million.

Total net contributions received were allocated as follows: \$437.4 million to the General Fund, \$275 million to segregated funds, and \$150.2 million to the Individual Fund and portfolios under separate management.

Tables 36 and 38 to 42 provide a five-year financial retrospective of the funds entrusted to Caisse management by each of its six major depositors. Table 43 summarizes the market value of all depositors' holdings at December 31st, 1979.

## Administration

Established in May 1979, the Direction de l'administration encompasses the activities related to administrative services, personnel, data processing, accounting, and securities handling.

Financial statements of the General, four segregated and Individual funds, all duly audited by the Vérificateur général, in accordance with Section 48 of the Act respecting the Caisse de dépôt et placement du Québec, appear on pages 49 and following. The Board of Directors approved these statements at its meeting of February 11th, 1980.

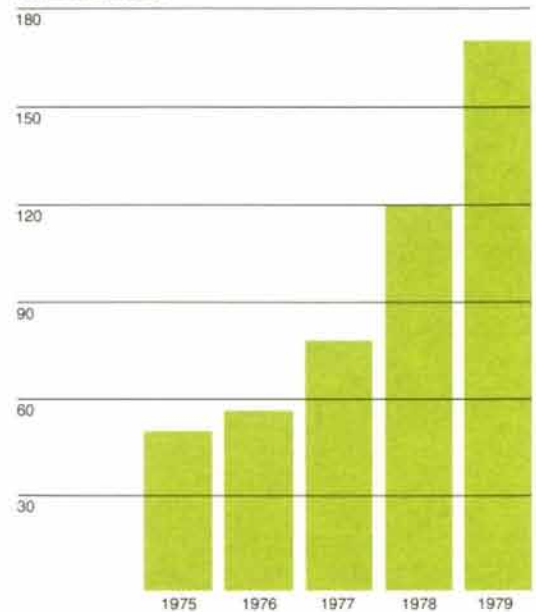
Combined assets of these funds, added to those of portfolios under separate management, total \$9,753.7 million, not including segregated and Individual fund demand and term deposits in the General Fund. According to present practice, liquid assets of all Caisse funds and portfolios are managed through the General Fund. Consequently, the figures appearing under the segregated and Individual fund financial statement heading "Deposits in General Fund" represent the liquid assets required either to meet the needs of their participants or to make timely long-term investments.

The 1979 increase of \$1,765.6 million in assets under management stems mainly from net contributions of \$862.6 million, reinvestment of virtually all the net income of \$836.8 million from overall funds and portfolios, and net profits of \$50.7 million realized on sale of securities. The latter increased the General Fund general reserve account to \$170.2 million, as shown in Graph 16.

16

Accumulated net gains  
on sale of investments —  
General Fund

(in millions of dollars)



The 1979 General Fund Income and Expenditure Statement indicates administrative expenditures of \$7,129,000 compared with \$5,890,000 in 1978, an increase of 21%. Salaries and fringe benefits represent 49% of this total.

Graph 17 shows changes in staff since 1975. There were 134 employees at December 31st, 1979. Graph 18 illustrates the trend in average assets per employee during the decade; it advanced from \$17.4 million to \$72.8 million, reflecting a significant improvement in productivity.

*Average assets per employee  
totalled \$72.8 million at  
December 31st, 1979.*

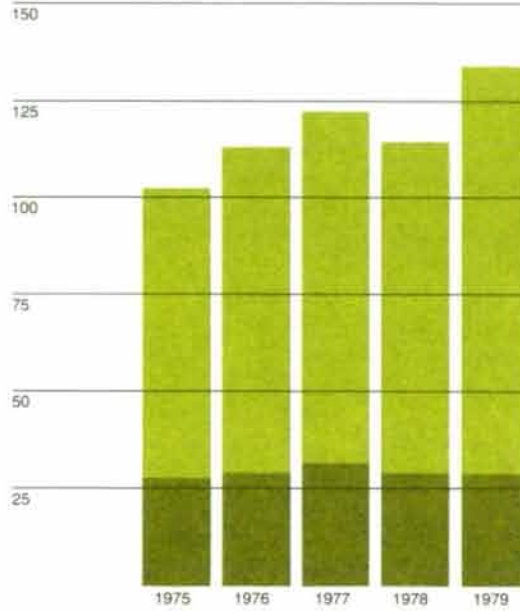


# 17

## Staff as at December 31st

- Professional, technical, and support staff
- Management staff

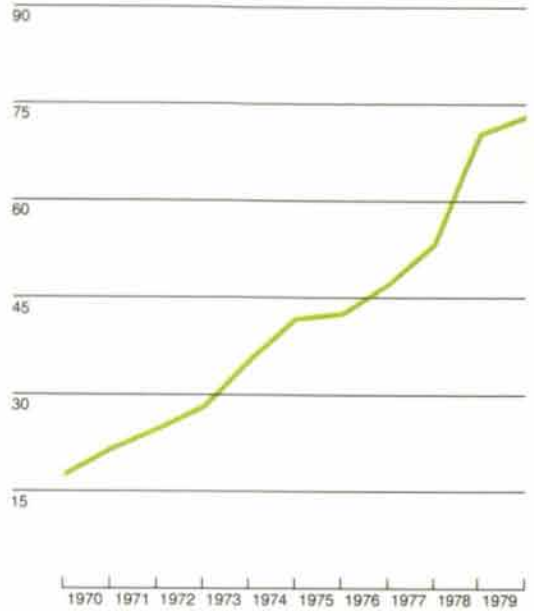
(number of employees)



# 18

## Average assets per employee as at December 31st

(in millions of dollars)



## Total funds

*The proportion of bonds issued or guaranteed by the Gouvernement du Québec constituted 49 per cent of all investments at December 31st, 1979.*

Table 19 synthesizes total funds at December 31st, 1979. The stated value of these investments reached \$9,773.5 million, an increase of \$1,854.5 million over the preceding year. The distribution of long-term securities shown at the bottom of the table indicates 67.5% were in the public sector, about the same figure as in 1978.

Under provisions of Section 47 of the Act respecting the Caisse de dépôt et placement du Québec, investments in stocks, land, mortgage debts, and short-term investments must be recorded at cost while bonds, real estate, and other investments are shown at amortized cost. Whenever possible, moreover, market value must be stated. It is given in tables 25, 31 and 37 for each of the six funds, calculated on the basis of quoted market value and mortgage interest rates in effect at the end of the year. Where there is no market or valid quote for a security, it is estimated by the Caisse according to a yield criterion or shown at book value.

### Funds and portfolios

*At year-end, the Caisse held Québec public sector bonds in an amount of \$5.67 billion.*

There are six funds in the Caisse: the General Fund, dating from 1966; three segregated funds — bonds (Fund "O"), stocks (Fund "A"), and mortgages (Fund "H"), all established in August 1970; the Segregated Government Bond Fund (Fund "G"), created in March 1977; and the Individual Fund, constituted in December 1977.

The Caisse also administers three portfolios under separate management. Their investments totalled \$180.3 million at December 31st, 1979. These securities are managed with a view to their systematic liquidation with proceeds reinvested in segregated or Individual funds in accordance with the agreement entered into with the depositor.

The General and four segregated funds are administered according to the principles governing pooled funds. Holders of participation deposits, based on the number of units held, share the income allocated under the calculation method stipulated in Caisse regulations. Individual Fund assets belong to a single depositor.

### Trends

Graph 20 shows the pattern of all assets under Caisse management during the last five years; they rose from \$4.31 billion to \$9.75 billion. In 1975, 85.7% of these assets were included in the General Fund. However, this figure dropped to 70.8% in 1979 as a result of faster growth of the segregated and Individual funds during this period.

Graph 21 shows bonds made up 72% of overall investments while the proportion of securities issued or guaranteed by the Gouvernement du Québec stood at 49%.

Graph 23 pinpoints the fact that Québec public sector bonds totalled \$5.67 billion at December 31st, 1979, an increase of \$1.14 billion over the preceding year.

Graph 22 indicates corporate investments advanced by \$454 million during 1979 for a year-end total of \$2.05 billion.

## 19

**Total funds**  
 Summary of investments  
 as at December 31st, 1979

(in millions of dollars)

Stated value %	Breakdown of portfolios	General Fund	Segregated funds	Individual Fund	Portfolios under management	TOTAL (1)		Net change in 1979 (stated value)
						Nominal value	Stated value	
<b>Long-term investments</b>								
<b>Bonds</b>								
Issued or guaranteed by the Government of Canada								
4.25	<i>Government of Canada</i>	216.1	110.7	87.0	1.7	443.5	415.5	191.1
—	<i>Other</i>	—	—	—	0.2	0.2	0.2	—
<b>4.25</b>		<b>216.1</b>	<b>110.7</b>	<b>87.0</b>	<b>1.9</b>	<b>443.7</b>	<b>415.7</b>	<b>191.1</b>
Issued or guaranteed by the Gouvernement du Québec								
32.40	<i>Gouvernement du Québec</i>	2 520.3	320.3	279.5	46.7	3 200.8	3 166.8	740.4
15.26	<i>Hydro-Québec</i>	1 270.5	106.0	98.8	16.0	1 526.7	1 491.3	344.2
1.21	<i>Sidbec</i>	103.2	10.0	5.0	—	118.5	118.2	(5.4)
0.13	<i>Other</i>	11.6	—	—	1.1	13.3	12.7	(1.0)
<b>49.00</b>		<b>3 905.6</b>	<b>436.3</b>	<b>383.3</b>	<b>63.8</b>	<b>4 859.3</b>	<b>4 789.0</b>	<b>1 078.2</b>
Guaranteed by grants								
1.03	<i>Cegeps</i>	64.8	19.0	11.6	4.8	102.8	100.2	(0.4)
0.67	<i>Hospitals</i>	41.7	11.5	3.0	9.3	66.6	65.5	(2.5)
0.98	<i>Universities</i>	51.6	19.9	20.3	4.3	97.9	96.1	0.8
<b>2.68</b>		<b>158.1</b>	<b>50.4</b>	<b>34.9</b>	<b>18.4</b>	<b>267.3</b>	<b>261.8</b>	<b>(2.1)</b>
Municipal and school								
4.09	<i>Municipalities</i>	208.5	93.4	46.6	51.0	410.4	399.5	58.9
2.24	<i>School boards</i>	146.5	22.9	26.7	23.4	225.0	219.5	7.5
<b>6.33</b>		<b>355.0</b>	<b>116.3</b>	<b>73.3</b>	<b>74.4</b>	<b>635.4</b>	<b>619.0</b>	<b>66.4</b>
<b>0.01</b>	<i>Other governments</i>	—	—	—	1.0	1.0	1.0	0.3
<b>9.68</b>	<i>Corporate</i>	<b>682.6</b>	<b>127.3</b>	<b>118.5</b>	<b>17.5</b>	<b>961.7</b>	<b>945.9</b>	<b>268.2</b>
<b>71.95</b>	<b>Total bonds</b>	<b>5 317.4</b>	<b>841.0</b>	<b>697.0</b>	<b>177.0</b>	<b>7 168.4</b>	<b>7 032.4</b>	<b>1 602.1</b>
<b>Shares and convertible securities</b>								
1.69	<i>Metals and minerals</i>	113.0	51.8	—	—	—	164.8	(16.2)
0.02	<i>Gold</i>	1.2	1.3	—	—	—	2.5	(2.0)
1.06	<i>Oil and gas</i>	68.6	34.5	—	0.5	—	103.6	(2.0)
1.22	<i>Paper and forest products</i>	73.1	45.8	—	0.1	—	119.0	78.3
1.03	<i>Consumer products</i>	66.0	34.1	—	0.2	—	100.3	32.0
1.19	<i>Industrial products</i>	77.5	38.0	—	1.3	—	116.8	10.5
0.05	<i>Real estate and construction</i>	4.9	0.1	—	—	—	5.0	(1.2)
0.45	<i>Transportation</i>	26.1	17.6	—	—	—	43.7	2.0
0.15	<i>Pipelines</i>	10.0	5.0	—	—	—	15.0	(17.4)
1.47	<i>Utilities</i>	89.4	54.1	—	0.2	—	143.7	50.1
0.27	<i>Communications and media</i>	19.2	7.5	—	—	—	26.7	14.7
0.42	<i>Merchandising</i>	30.8	9.7	—	0.3	—	40.8	(5.3)
2.02	<i>Financial services</i>	122.2	75.0	—	—	—	197.2	36.3
0.27	<i>Investment companies</i>	18.2	8.4	—	—	—	26.6	5.8
<b>11.31</b>	<b>Total shares and convertible securities</b>	<b>720.2</b>	<b>382.9</b>	<b>—</b>	<b>2.6</b>	<b>—</b>	<b>1 105.7</b>	<b>185.6</b>
<b>Mortgage and real estate investments</b>								
Residential								
4.60	<i>Insured mortgages</i>	81.4	367.8	—	0.2	—	449.4	146.5
0.19	<i>Conventional mortgages</i>	8.3	10.5	—	0.4	—	19.2	—
<b>4.79</b>		<b>89.7</b>	<b>378.3</b>	<b>—</b>	<b>0.6</b>	<b>—</b>	<b>468.6</b>	<b>146.5</b>
<b>3.27</b>	<i>Commercial</i>	<b>255.8</b>	<b>63.6</b>	<b>—</b>	<b>0.1</b>	<b>—</b>	<b>319.5</b>	<b>31.1</b>
<b>0.44</b>	<i>Industrial</i>	<b>21.1</b>	<b>21.9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>43.0</b>	<b>1.4</b>
<b>0.26</b>	<i>Other</i>	<b>25.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25.0</b>	<b>25.0</b>
<b>8.76</b>	<b>Total mortgage and real estate investments</b>	<b>391.6</b>	<b>463.8</b>	<b>—</b>	<b>0.7</b>	<b>—</b>	<b>856.1</b>	<b>204.0</b>
<b>Real estate</b>								
0.14	<i>Land</i>	13.8	—	—	—	—	13.8	(1.4)
0.12	<i>Land and buildings</i>	11.3	—	—	—	—	11.3	1.1
<b>0.26</b>	<b>Total real estate</b>	<b>25.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25.1</b>	<b>(0.3)</b>
<b>Total long-term investments</b>	<b>92.28</b>	<b>6 454.3</b>	<b>1 687.7</b>	<b>697.0</b>	<b>180.3</b>	<b>—</b>	<b>9 019.3</b>	<b>1 991.4</b>
<b>Short-term investments</b>	<b>5.48</b>	<b>535.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>529.3</b>	<b>535.5</b>	<b>(262.1)</b>
<b>Deposits in General Fund</b>	<b>2.24</b>	<b>—</b>	<b>182.1</b>	<b>36.6</b>	<b>—</b>	<b>218.7</b>	<b>218.7</b>	<b>125.2</b>
<b>Total investments</b>	<b>100.00</b>	<b>6 989.8</b>	<b>1 869.8</b>	<b>733.6</b>	<b>180.3</b>	<b>—</b>	<b>9 773.5</b>	<b>1 854.5</b>

(1) Investments of the various funds and portfolios are accounted for separately.

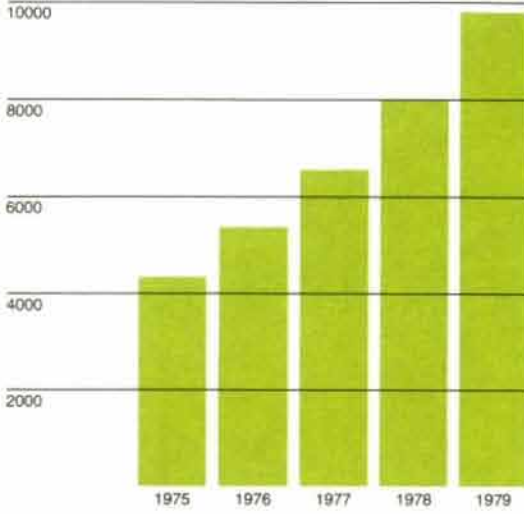
**Breakdown of long-term investments**  
 (in percentage)

67.48	<b>Public sector</b>	71.81	42.29	83.00	88.46	—	67.48	66.98
32.52	<b>Private sector</b>	28.19	57.71	17.00	11.54	—	32.52	33.02
<b>100.00</b>		<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>—</b>	<b>100.00</b>	<b>100.00</b>



**20 Assets under management**

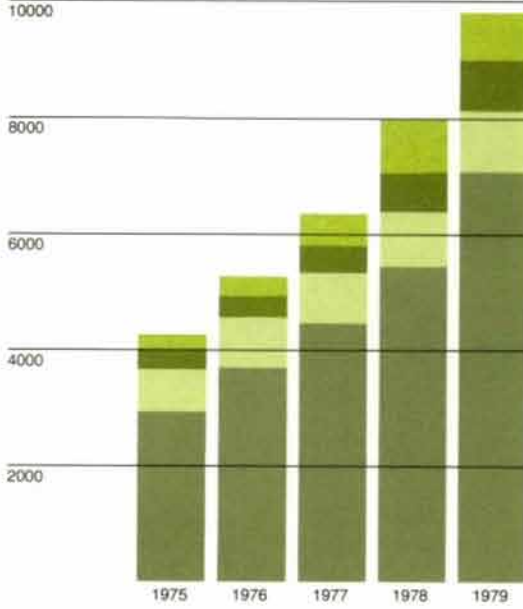
(in millions of dollars)



**21 Investments**

(in millions of dollars)

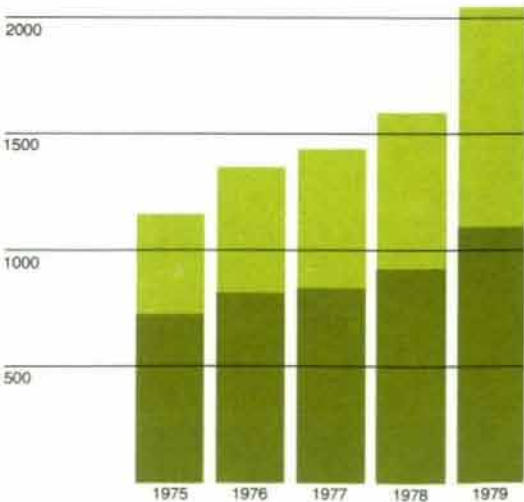
- Deposits and short-term investments
- Real estate and mortgage investments
- Shares and convertible securities
- Bonds



**22 Corporate investments**

(in millions of dollars)

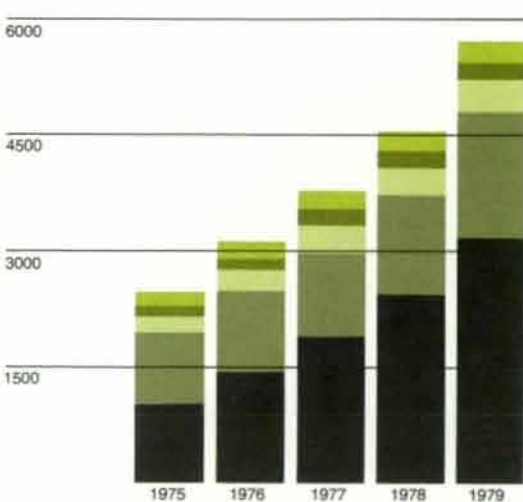
- Bonds
- Shares and convertible securities



**23 Québec public sector bonds**

(in millions of dollars)

- Guaranteed by grants
- School
- Municipal
- Hydro-Québec and other
- Gouvernement du Québec



## General Fund

There was an improvement in the yield on all categories of deposits in the General Fund in 1979 in comparison with 1978, as shown in Table 24. The sharp rise in yield rates on demand and term deposits, which reached 11.76% and 10.95% respectively, is attributable to spiralling short-term interest rates. The yield on participation deposits also increased by 1/2%, reaching an all-time high of 9.59%. Graph 26 indicates an unprecedented gross yield of 9.75% on average deposits. Net yield was 9.69% in relation to 8.99% in 1978.

### Fund unit value

Each of the 7,587,916 units of participation deposits issued and outstanding at December 31st, 1979, had a realization value of \$812.35 compared with \$848.98 at the end of the previous year. The heavy proportion of fixed income securities in the Fund coupled with the important rise in bond and mortgage interest rates during the year contributed to the decline in the market value of these securities, resulting in a 4.3% reduction in the unit price.

At year-end, almost all General Fund participation deposit units were held by the Régie des rentes du Québec (90.8%) and the Régie de l'assurance automobile du Québec (8.2%).

24

### Yield on various categories of deposits in General Fund

	Average deposits (in thousands of dollars)	Interest paid or due (in thousands of dollars)	Yield	
			1979	1978
Demand deposits	249 305	29 316	11.759%	8.631%
Term deposits	102 392	11 209	10.947%	8.943%
Participation deposits	6 052 736	580 220	9.586%	9.002%
<b>Total</b>	<b>6 404 433</b>	<b>620 745</b>	<b>9.692%</b>	<b>8.990%</b>

### Investments

Stated value of total General Fund investments was \$6.99 billion at December 31st, 1979, a net increment of \$1.15 billion over the previous year. Overall bond, stock, mortgage and real estate investment portfolios recorded a net change of \$1.34 billion while the "Short-term securities" account dropped by \$193.6 million.

Notwithstanding a net rise of \$107.5 million in stocks, their proportion of total declined slightly from 10.49% in 1978 to 10.31% at December 31st, 1979. However, a \$76.3 million increase in the "Mortgage and real estate investments" account augmented its proportion of overall investments from 5.39% in 1978 to 5.60% in 1979.

At year-end, total short-term securities amounted to \$535.5 million, or 7.66% of investments in relation to 12.48% in 1978. As a result, the bond portfolio proportion rose to 76.07% in 1979 against 71.21% at the end of 1978.



25

**General Fund**  
 Summary of investments  
 as at December 31st, 1979

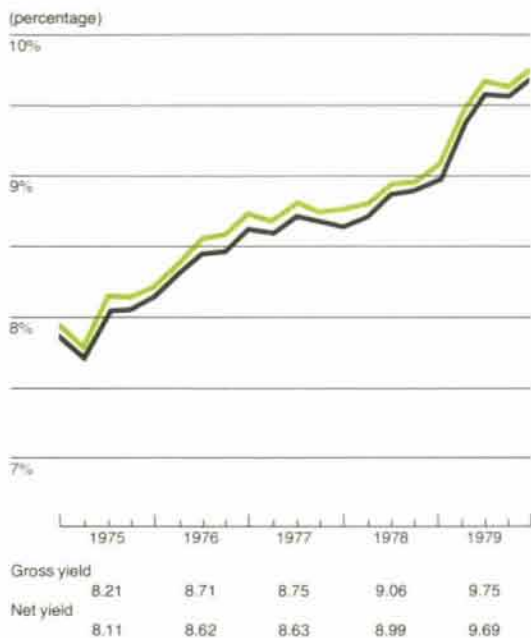
(in thousands of dollars)

	Stated value %	Breakdown of portfolios	Number of issuers	Nominal value	Stated value	Market value	Yield <sup>(1)</sup> %	Net change in 1979 (stated value)
<b>Long-term investments</b>		<b>Bonds</b>						
	3.09	Government of Canada	1	229 350	216 114	200 721	10.73	93 813
		Issued or guaranteed by the Gouvernement du Québec						
	36.06	<i>Gouvernement du Québec</i>	1	2 550 767	2 520 263	2 147 017	9.85	585 443
	18.18	<i>Hydro-Québec</i>	1	1 301 150	1 270 531	1 052 984	9.58	254 137
	1.48	<i>Sidbec</i>	1	103 500	103 258	90 061	10.18	(4 440)
	0.16	<i>Other</i>	7	12 176	11 568	8 734	7.80	(81)
	<b>55.88</b>		<b>10</b>	<b>3 967 593</b>	<b>3 905 620</b>	<b>3 298 796</b>	<b>9.76</b>	<b>835 059</b>
		Guaranteed by grants						
	0.93	<i>Cegeps</i>	31	66 312	64 787	56 299	9.43	726
	0.59	<i>Hospitals</i>	37	42 412	41 704	35 356	8.96	196
	0.74	<i>Universities</i>	7	52 629	51 611	44 371	9.96	(852)
	<b>2.26</b>		<b>75</b>	<b>161 353</b>	<b>158 102</b>	<b>136 026</b>	<b>9.48</b>	<b>70</b>
		Municipal and school						
	2.98	<i>Municipalities</i>	155	214 373	208 532	181 035	9.83	32 428
	2.10	<i>School boards</i>	107	150 458	146 481	126 381	9.68	7 798
	<b>5.08</b>		<b>262</b>	<b>364 831</b>	<b>355 013</b>	<b>307 416</b>	<b>9.77</b>	<b>40 226</b>
	9.76	Corporate	134	690 703	682 527	610 737	10.37	187 060
	<b>76.07</b>	<b>Total bonds</b>	<b>482</b>	<b>5 413 830</b>	<b>5 317 376</b>	<b>4 553 696</b>	<b>9.87</b>	<b>1 156 228</b>
		<b>Shares and convertible securities</b>						
	1.62	Metals and minerals	13	—	112 955	178 319	5.94	(13 722)
	0.02	Gold	1	—	1 246	1 625	0.80	(862)
	0.98	Oil and gas	11	—	68 659	157 020	5.21	975
	1.05	Paper and forest products	9	—	73 040	82 979	8.02	47 701
	0.94	Consumer products	11	—	65 980	88 172	5.40	18 942
	1.11	Industrial products	21	—	77 435	92 645	4.98	6 268
	0.07	Real estate and construction	4	—	4 942	4 316	4.06	(1 201)
	0.37	Transportation	4	—	26 075	66 836	11.65	—
	0.14	Pipelines	4	—	9 960	17 345	8.06	(11 504)
	1.28	Utilities	7	—	89 367	112 036	8.18	28 582
	0.28	Communications and media	5	—	19 261	20 376	3.11	10 331
	0.44	Merchandising	15	—	30 844	46 759	6.41	(2 680)
	1.75	Financial services	14	—	122 269	168 126	8.41	21 940
	0.26	Investment companies	5	—	18 213	39 300	15.23	2 709
	<b>10.31</b>	<b>Total shares and convertible securities</b>	<b>124</b>	<b>—</b>	<b>720 246</b>	<b>1 075 854</b>	<b>7.02</b>	<b>107 479</b>
		<b>Mortgage and real estate investments</b>						
		Residential						
	1.16	<i>Insured mortgages</i>	850	—	81 380	69 782		24 589
	0.12	<i>Conventional mortgages</i>	10	—	8 348	6 782		752
	<b>1.28</b>		<b>860</b>	<b>—</b>	<b>89 728</b>	<b>76 564</b>		<b>25 341</b>
	3.66	Commercial	64	—	255 796	222 459		27 294
	0.30	Industrial	21	—	21 107	19 479		(1 343)
	0.36	Other	1	—	25 000	22 964		25 000
	<b>5.60</b>	<b>Total mortgage and real estate investments</b>	<b>946</b>	<b>—</b>	<b>391 631</b>	<b>341 466</b>	<b>10.01</b>	<b>76 292</b>
		<b>Real estate</b>						
	0.20	Land	25	—	13 818	14 418	10.13	(1 346)
	0.16	Land and buildings	12	—	11 221	11 221	10.49	964
	<b>0.36</b>	<b>Total real estate</b>	<b>37</b>	<b>—</b>	<b>25 039</b>	<b>25 639</b>	<b>10.29</b>	<b>(382)</b>
<b>Total long-term investments</b>	<b>92.34</b>				<b>6 454 292</b>	<b>5 996 655</b>	<b>9.57</b>	<b>1 339 617</b>
<b>Short-term investments</b>	<b>7.66</b>		<b>40</b>	<b>529 263</b>	<b>535 476</b>	<b>535 476</b>	<b>13.81</b>	<b>(193 640)</b>
<b>Total investments</b>	<b>100.00</b>				<b>6 989 768</b>	<b>6 532 131</b>	<b>9.90</b>	<b>1 145 977</b>

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

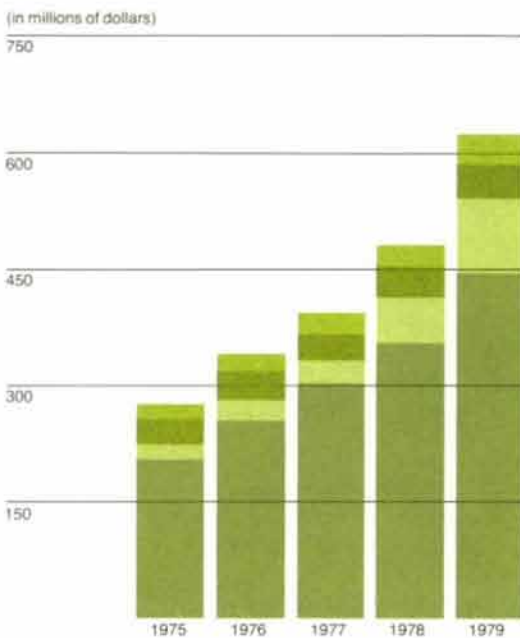
### 26 Yield on average deposits in General Fund

- Gross yield
- Net yield



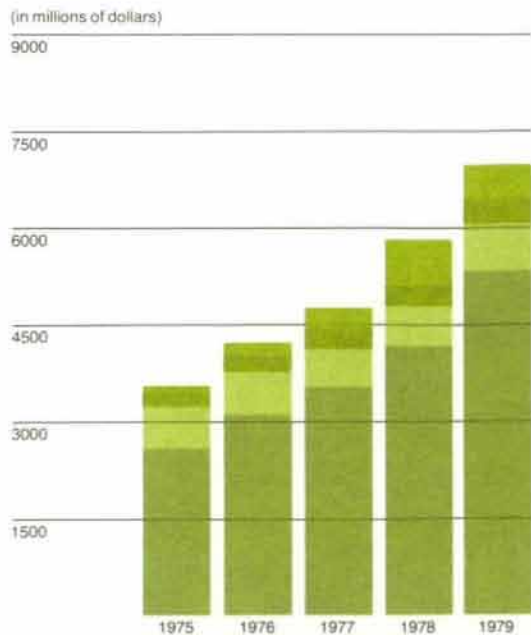
### 27 Investment income

- Real estate and mortgage investments
- Shares and convertible securities
- Short-term investments
- Bonds



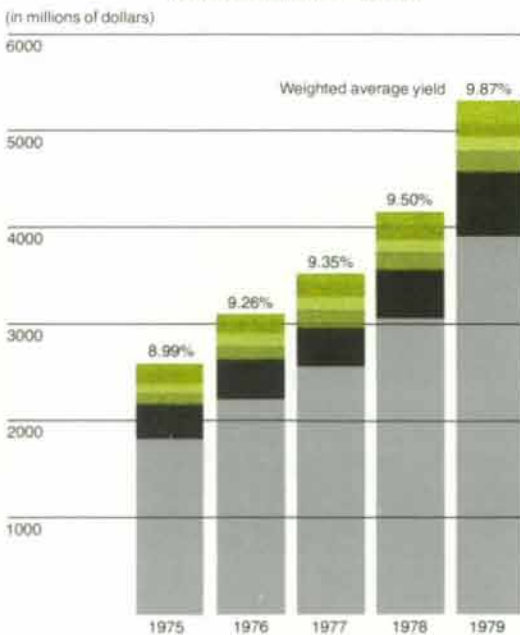
### 28 Breakdown of investments

- Short-term investments
- Real estate and mortgage investments
- Shares and convertible securities
- Bonds



### 29 Bonds

- Issued or guaranteed by the Government of Canada
- Guaranteed by grants
- School
- Municipal
- Corporate
- Issued or guaranteed by the Gouvernement du Québec





**30****General Fund — Statement of real estate investments**

held at December 31st, 1979 and real estate rented under long-term leases

Section 46d) of the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q. chapter C-2)

Municipalities	Land and buildings	Cost	Net stated value
Baie d'Urfé	Lots (327-1, part 58-1 and part 343), Parish of Sainte-Anne	\$ 831 813	\$ 776 741
Dorval	Lots (87 and 88), Parish of Pointe-Claire	725 000	679 757
Jonquière	Lot (29-1), Rang 4, Jonquière Township	809 000	794 076
Laval	Lots (352-1-19, 20, 21, 22), Parish of Saint-Martin	170 000	166 221
Laval	Lot (616-3), Parish of Saint-Martin	900 000	820 583
Laval	Lots (616-7, 617-3), Parish of Saint-Martin	1 452 516	1 308 812
Pointe-Claire	Lot (130-17), Parish of Pointe-Claire	1 680 000	1 628 053
Pointe-Claire	Lots (116-7, 117-6), Parish of Pointe-Claire	1 300 000	1 176 519
Sainte-Foy	Lots (86-51, 87-122, 91-48), Parish of Sainte-Foy	653 000	583 177
Saint-Laurent	Lots (477-3, 475-413), Parish of Saint-Laurent	1 400 000	1 228 425
Sherbrooke	Lots (113-5-1-1, 113-5-2-1, 113-11, 113-12-1, 113-12-2, 113-22, 113-23), Orford Township	425 000	409 484
Ville Mont-Royal	Lot (577-4), Parish of Saint-Laurent	1 712 639	1 648 852
	<b>Sub-total</b>	<b>\$ 12 058 968</b>	<b>\$ 11 220 706</b>

Municipalities	Land	Cost	Net stated value
Alma	Lots (36-B-1, 37-1 Rang 4), Labarre District	\$ 300 000	\$ 300 000
Baie Comeau	Lots (9-240, 241), Ville de Laflèche, Saguenay	40 000	40 000
Cap-de-la-Madeleine	Lots (552-5, 6, 7, 553-4, 5, 6, 554-21, 22) in the plan and official records of Champlain District, now incorporated into the Ville de Cap-de-la-Madeleine	200 000	200 000
Côte Saint-Luc	Lot (101-141), Municipality of the Parish of Montréal	80 000	80 000
Hull	Lots (244-626, 244-363, 364, 365, 366, 244-408, 409, 410, 244 part 595), Subdivision 1	560 000	560 000
Laval	Lots (654-20, 21, 22, 23, part 654-57), Parish of Saint-Martin	84 000	84 000
Longueuil	Lot (parts 68-69), Parish of Saint-Antoine	500 000	500 000
Montréal	Lots (816, 817-1, 817-2, 818, 819, 820-1, 820-2, 821-1, 821-2, 1261, 1262), District of Saint-Jacques	2 400 000	2 400 000
Montréal	Lots (182-1 and 2), District of Saint-Laurent	250 000	250 000
Montréal	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 Saint-Louis	230 000	230 000
Montréal	Lots (1275 to 1279), Parish of Saint-Antoine	600 000	600 000
Montréal	Lots (1286, 1287, 1288, 1289, 1290, (-1-6) 1297A, 1297B, 1297B-1, 1297C, 1297D, 1901), Parish of Saint-Antoine	1 275 000	1 275 000
Québec	Lots (509-1058-2, 509-1085, 1104 and 1105), Parish of Saint-Roch Nord	32 000	32 000
Québec	Lots (509-1092, 1106, 1107), Parish of Saint-Roch Nord	26 000	26 000
Québec	Lot (part 417-4), Parish of Saint-Roch Nord	66 680	66 680
Québec	Lots (227 N.S., 227-379, 380, 381, 227-382, 227-361-3), Parish of Saint-Colomb de Sillery	3 518 277	3 518 277
Québec	Lots (4536, 4547), Montcalm District	2 819 835	2 819 835
Québec	Lots (585-46, 585-54-3, 585-54-7, 585-54-4, 585-49-2, 585-49-1, 585-53-4-4), Parish of Saint-Roch Nord	85 000	85 000
Québec	Lot (part 47), Parish of Québec, Suburb	275 000	275 000
Rivière-du-Loup	Lots (202-255, 246, 247, 248, 239-240), Ville de Fraserville	155 000	155 000
Sainte-Foy	Lot (61-55), Parish of Sainte-Foy	100 000	100 000
Sainte-Foy	Lot (403-540), Parish of Sainte-Foy	40 000	40 000
Sainte-Foy	Lot (110-1), Parish of Sainte-Foy	78 029	78 029
Sept-Iles	Lot (497 part 2) Rang 2, Village of Sept-Iles, Letellier Township	71 500	71 500
Sept-Iles	Lots (1842-1, 1493-1) Rang 2, Village of Sept-Iles, Letellier Township	31 500	31 500
	<b>Sub-total</b>	<b>\$ 13 817 821</b>	<b>\$ 13 817 821</b>
	<b>Total real estate investments</b>	<b>\$ 25 876 789</b>	<b>\$ 25 038 527</b>

## Segregated funds

The Caisse has managed pension fund assets of public bodies since 1970. At December 31st, 1979, a total of \$1,909.6 million was distributed in four segregated funds which are pooled funds, each consisting of one particular category of investment — bonds (Fund "O"), Québec public sector bonds (Fund "G"), stocks (Fund "A"), and mortgages (Fund "H"). At the end of 1979, these funds were equivalent to 19.6% of all assets under Caisse management. The most recent *Statistics Canada* estimates indicate Canadian trustee pension funds held overall assets of some \$40 billion at the end of 1979. Combined assets of Caisse segregated funds therefore represent nearly 5% of such assets, compared with 4% last year.

### Comparison with Canadian trustee pension funds

However, the composition of overall investments of Canadian trustee pension funds is somewhat different from that of the segregated funds. In the first case, bonds make up 49% of total assets while their proportion of overall segregated funds is 44%. The proportion of stocks is roughly the same — 19% at the national level and 20% in the segregated funds. Finally, mortgage and real estate investments as well as cash positions of overall pension funds are of 13% and 11% respectively while the corresponding segregated fund accounts are equivalent to 24% and 10%. Other assets of trustee pension funds total 8% compared with 2% for the segregated funds. These comparisons show administrators of pension funds deposited in the segregated funds clearly prefer mortgage investments.

*Segregated funds accounted for close to 5% of total trustee pension fund assets in Canada at December 31st, 1979.*

### Net contributions

Despite withdrawal of three retirement plans, net contributions of participants totalled \$275 million in 1979 in relation to \$257.2 million the previous year, or 32% of overall deposits in the Caisse compared with 30% in 1978. Combined income of the four segregated funds rose to \$180.3 million during the year, an increment of \$62.6 million over the previous year. At December 31st, 1979, private sector investments totalled \$974 million, or 57.7% of long-term investments.

### Fund "O"

Assets of the Segregated Bond Fund recorded an increase of \$185.9 million during the year to total \$785.8 million at December 31st, 1979. It comprises \$734.7 million in bonds, \$33.1 million in demand deposits in the General Fund, and accrued interest of \$18 million. Market value of all investments was \$715.3 million — \$70.5 million lower than stated value. Table 31 provides a breakdown of the portfolio, changes during the year, as well as weighted average yield to maturity which, at 10.76%, rose by 0.55% during the year in relation to 1978.

Financial statements of the Fund show a net income of \$58.0 million for the year, after deduction of losses of \$12.1 million on sale of securities to optimize the yield of the Fund. Accumulated income since establishment of Fund "O" reached \$184.8 million.

During 1979, unit value of the Fund declined by 0.2% to \$2,080.83, compared with \$2,084.86 in 1978.



### Fund "G"

With the exception of reinvested net income, no new funds were added to the Segregated Government Bond Fund during the year. At December 31st, 1979, assets were \$111.1 million, an increase of \$10.5 million in relation to the previous year, or the amount of net income for the year. These assets included \$106.2 million in bonds, \$1.9 million in demand deposits in the General Fund, and \$3.0 million in accrued interest.

At year-end, the weighted average yield to maturity of securities in this portfolio increased by 0.16% to 10.18%, as shown in Table 31. Due to higher bond interest rates, the realization value of units declined by 0.8% to \$1,149.37 at the close of 1979.

### Fund "A"

Following an increment of \$125.4 million in participation deposits and net income of \$68.6 million, assets of the Segregated Stock Fund recorded an increase of \$191.4 million for a total of \$534.6 million at December 31st. These assets broke down as follows: \$382.9 million in stocks and convertible securities, \$146 million in demand deposits in the General Fund, and \$5.7 million in accrued and receivable investment income. Table 31 shows the net changes in the various sectors of the portfolio as well as details of the \$156.3 million appreciation.

Net income includes net profit of \$36.1 million realized on sale of securities, bringing the accumulated income account of the Fund to \$129.9 million at December 31st, 1979.

Realization value of Fund "A" participation deposit units rose from \$1,850.96 in 1978 to \$2,506.16 in 1979, a 35.4% improvement in relation to the 28.1% increment recorded the previous year.

### Fund "H"

Assets of the Segregated Mortgage Fund increased by \$110.6 million in 1979 to \$478.1 million at December 31st. It included \$463.8 million in mortgage and real estate investments, \$1.2 million in demand deposits in the General Fund, accrued interest and other amounts making up the balance.

Mortgage and real estate investments rose by \$127.8 million in 1979. At year-end, residential mortgages represented 81.6% of overall assets in this portfolio in relation to 76.4% in 1978. Due to significantly higher mortgage interest rates, the market value of mortgage and real estate investments of the Fund had depreciated by \$34.2 million at December 31st. Table 31 gives a breakdown of assets by major sectors along with changes during the year. The weighted average yield at December 31st was 10.57% while commitments totalled \$23 million.

Net income rose from \$32.6 million in 1978 to \$43.2 million in 1979. Accumulated income in the Fund since its inception amounted to \$130.9 million at December 31st, while the unit realization value of \$2,048.44 had risen by 4.2% in relation to the 1978 value of \$1,965.13.

31

**Segregated funds**  
 Summary of investments  
 as at December 31st, 1979

(in thousands of dollars)

	Stated value %	Breakdown of portfolios	Number of issuers	Nominal value	Stated value	Market value	Yield <sup>(1)</sup> %	Net change in 1979 (stated value)
<b>Fund "O"</b>		<b>Bonds</b>						
	5.92	Government of Canada	1	123 125	110 639	108 272	11.34	51 148
		Issued or guaranteed by the Gouvernement du Québec						
	13.93	<i>Gouvernement du Québec</i>	1	261 500	260 412	228 302	10.31	67 332
	4.78	<i>Hydro-Québec</i>	1	91 725	89 462	79 060	10.46	37 748
	0.53	<i>Sidbec</i>	1	10 000	9 966	8 858	10.64	(1 000)
	<b>19.24</b>		<b>3</b>	<b>363 225</b>	<b>359 840</b>	<b>316 220</b>	<b>10.36</b>	<b>104 080</b>
		Guaranteed by grants						
	0.82	<i>Cegeps</i>	15	15 944	15 432	13 920	10.59	(520)
	0.52	<i>Hospitals</i>	12	9 822	9 745	8 698	10.38	(1 265)
	0.93	<i>Universities</i>	7	17 761	17 379	15 370	10.76	1 571
	<b>2.27</b>		<b>34</b>	<b>43 527</b>	<b>42 556</b>	<b>37 988</b>	<b>10.61</b>	<b>(214)</b>
		Municipal and school						
	3.95	<i>Municipalities</i>	57	75 293	73 788	67 329	10.68	20 745
	1.10	<i>School boards</i>	25	21 000	20 577	18 291	10.53	1 786
	<b>5.05</b>		<b>82</b>	<b>96 293</b>	<b>94 365</b>	<b>85 620</b>	<b>10.65</b>	<b>22 531</b>
	<b>6.81</b>	Corporate	51	131 717	127 335	116 095	10.79	28 670
	<b>39.29</b>	<b>Total bonds</b>	<b>171</b>	<b>757 887</b>	<b>734 735</b>	<b>664 195</b>	<b>10.63</b>	<b>206 215</b>
	—	Short-term investments	—	—	—	—	—	(57 770)
	1.77	Deposits in General Fund	—	33 099	33 099	33 099	13.70	33 099
	<b>41.06</b>	<b>Total investments — Fund "O"</b>	<b>171</b>	<b>790 986</b>	<b>767 834</b>	<b>697 294</b>	<b>10.76</b>	<b>181 544</b>
<b>Fund "G"</b>		<b>Government bonds</b>						
		Issued or guaranteed by the Gouvernement du Québec						
	3.20	<i>Gouvernement du Québec</i>	1	60 000	59 910	51 682	9.83	3 001
	0.89	<i>Hydro-Québec</i>	1	17 000	16 575	14 640	10.48	9 624
	<b>4.09</b>		<b>2</b>	<b>77 000</b>	<b>76 485</b>	<b>66 322</b>	<b>9.97</b>	<b>12 625</b>
		Guaranteed by grants						
	0.19	<i>Cegeps</i>	9	3 690	3 593	3 251	10.54	8
	0.10	<i>Hospitals</i>	3	1 800	1 762	1 578	10.40	3
	0.13	<i>Universities</i>	3	2 550	2 488	2 134	10.46	2
	<b>0.42</b>		<b>15</b>	<b>8 040</b>	<b>7 843</b>	<b>6 963</b>	<b>10.49</b>	<b>13</b>
		Municipal and school						
	1.04	<i>Municipalities</i>	27	19 974	19 554	17 215	10.51	613
	0.13	<i>School boards</i>	13	2 413	2 369	2 138	10.45	572
	<b>1.17</b>		<b>40</b>	<b>22 387</b>	<b>21 923</b>	<b>19 353</b>	<b>10.50</b>	<b>1 185</b>
	<b>5.68</b>	<b>Total bonds</b>	<b>57</b>	<b>107 427</b>	<b>106 251</b>	<b>92 638</b>	<b>10.12</b>	<b>13 823</b>
	—	Short-term investments	—	—	—	—	—	—
	0.10	Deposits in General Fund	—	1 864	1 864	1 864	13.70	(3 586)
	<b>5.78</b>	<b>Total investments — Fund "G"</b>	<b>57</b>	<b>109 291</b>	<b>108 115</b>	<b>94 502</b>	<b>10.18</b>	<b>10 237</b>
<b>Fund "A"</b>		<b>Shares and convertible securities</b>						
	2.77	Metals and minerals	11	—	51 798	86 533	5.66	(2 414)
	0.07	Gold	1	—	1 296	1 625	0.77	(1 079)
	1.85	Oil and gas	10	—	34 477	76 243	4.89	(2 950)
	2.45	Paper and forest products	5	—	45 833	48 750	7.40	30 684
	1.82	Consumer products	7	—	34 095	46 678	5.45	13 037
	2.03	Industrial products	16	—	38 023	45 272	5.05	4 497
	0.01	Real estate and construction	1	—	85	126	9.10	—
	0.94	Transportation	2	—	17 616	36 966	9.63	1 976
	0.27	Pipelines	3	—	5 003	7 785	8.15	(5 948)
	2.89	Utilities	6	—	54 063	61 345	7.02	21 410
	0.40	Communications and media	4	—	7 493	7 921	4.35	4 468
	0.52	Merchandising	7	—	9 702	14 288	6.45	(2 550)
	4.01	Financial services	11	—	74 966	90 408	7.40	14 379
	0.45	Investment companies	1	—	8 435	15 250	7.59	3 124
	<b>20.48</b>	<b>Total shares and convertible securities</b>	<b>85</b>	<b>—</b>	<b>382 885</b>	<b>539 190</b>	<b>6.49</b>	<b>78 634</b>
	—	Short-term investments	—	—	—	—	—	—
	7.81	Deposits in General Fund	—	146 014	146 014	146 014	13.70	110 116
	<b>28.29</b>	<b>Total investments — Fund "A"</b>	<b>85</b>	<b>—</b>	<b>528 899</b>	<b>685 204</b>	<b>8.48</b>	<b>188 750</b>
<b>Fund "H"</b>		<b>Mortgage and real estate investments</b>						
		Residential						
	19.67	<i>Insured mortgages</i>	19 835	—	367 782	341 300		122 493
	0.57	<i>Conventional mortgages</i>	132	—	10 523	9 957		(1 070)
	<b>20.24</b>		<b>19 967</b>	<b>—</b>	<b>378 305</b>	<b>351 257</b>		<b>121 423</b>
	3.40	Commercial	104	—	63 577	58 231		3 688
	1.17	Industrial	55	—	21 906	20 137		2 658
	<b>24.81</b>	<b>Total mortgage and real estate investments</b>	<b>20 126</b>	<b>—</b>	<b>463 788</b>	<b>429 625</b>	<b>10.56</b>	<b>127 769</b>
	—	Short-term investments	—	—	—	—	—	(10 697)
	0.06	Deposits in General Fund	—	1 165	1 165	1 165	13.70	(14 634)
	<b>24.87</b>	<b>Total investments — Fund "H"</b>	<b>20 126</b>	<b>—</b>	<b>464 953</b>	<b>430 790</b>	<b>10.57</b>	<b>102 438</b>
<b>Total investments</b>	<b>100.00</b>		<b>—</b>	<b>—</b>	<b>1 869 801</b>	<b>1 907 790</b>	<b>10.03</b>	<b>482 969</b>

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

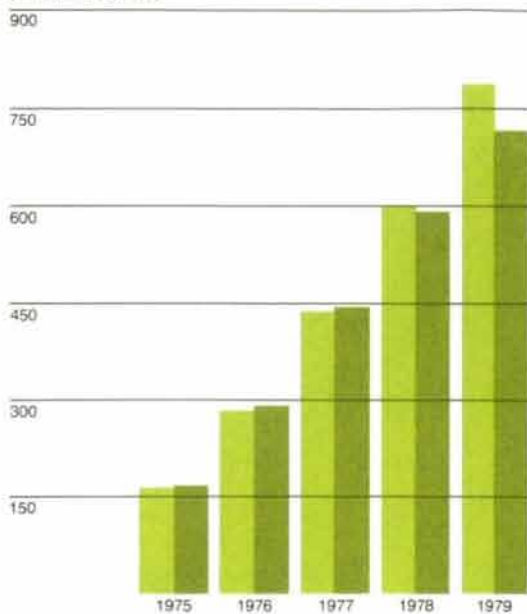


**32**

**Assets — Fund "O"**

Stated value  
Market value

(in millions of dollars)



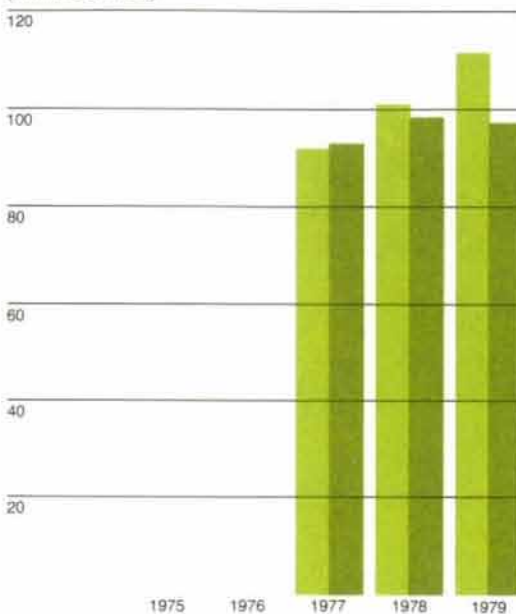
**33**

**Assets — Fund "G"**

Stated value  
Market value

Note: Fund "G" was created in 1977.

(in millions of dollars)

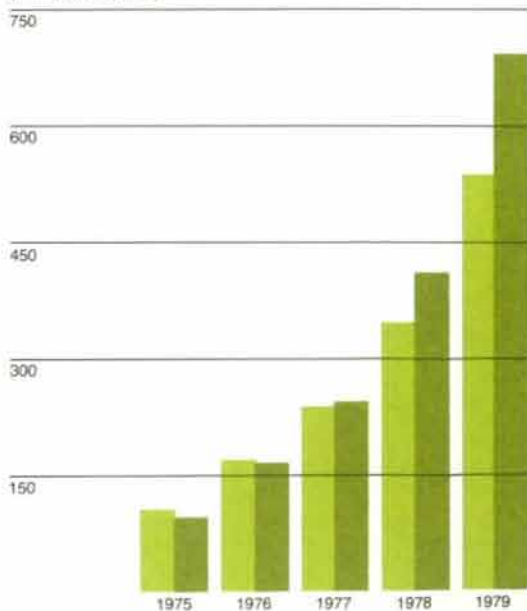


**34**

**Assets — Fund "A"**

Stated value  
Market value

(in millions of dollars)



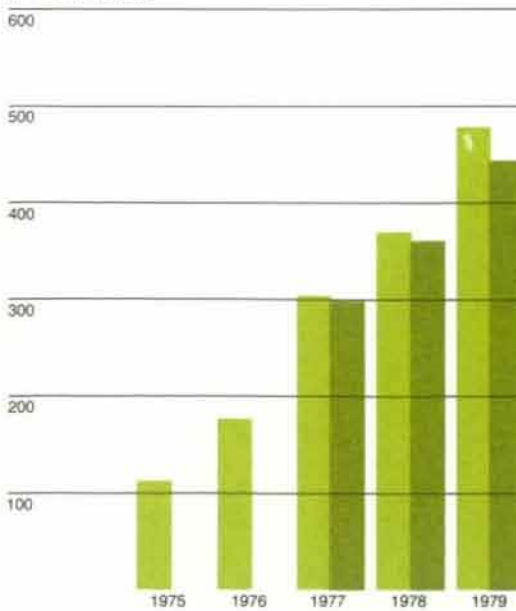
**35**

**Assets — Fund "H"**

Stated value  
Market value

Note: The market value of this Fund was established only in 1977.

(in millions of dollars)



## Individual Fund

Assets of the Individual Fund, which belong exclusively to the Commission des accidents du travail du Québec, totalled \$750.4 million at December 31st, 1979, an increment of \$246.8 million. It comprised \$697 million in long-term bonds, \$36.6 million in demand deposits in the Caisse General Fund, and \$16.8 million in accrued interest.

## Commission des accidents du travail du Québec holdings

As shown in Table 36, the Caisse at year-end also held, on behalf of the Commission, \$56.5 million in General Fund deposits as well as assets of \$147.5 million in a portfolio under separate management which, at the end of the year, had a market value of \$121.7 million and a weighted average yield to maturity of 8.01%. At December 31st, 1979, total funds entrusted to the Caisse by the Commission totalled \$954.6 million. Net income realized on these funds was \$78.8 million.

The financial retrospective table illustrates the impressive growth recorded by Commission funds under Caisse management. In 1975, they totalled \$311.6 million with a net income of \$22.1 million. Four years later, the two accounts had risen by \$643 million and \$56.7 million respectively. Net contributions soared from \$22.1 million to \$150.2 million during the same period.

# 36

### Funds of the Commission des accidents du travail du Québec entrusted to management of the Caisse de dépôt et placement du Québec

**Financial retrospective**  
as at December 31st  
(stated value in millions of dollars)

	1979	1978	1977	1976	1975
<b>Funds of the Commission</b>					
Deposits in General Fund	56.5	63.2	53.7	53.8	92.9
Deposits in Individual Fund	750.6	502.7	309.8	180.5	31.5
Portfolio under management	147.5	159.7	175.6	180.6	187.2
<b>Funds entrusted to the Caisse</b>	<b>954.6</b>	<b>725.6</b>	<b>539.1</b>	<b>414.9</b>	<b>311.6</b>
<b>Net income</b>	<b>78.8</b>	<b>54.0</b>	<b>41.1</b>	<b>30.8</b>	<b>22.1</b>
<b>Net contributions</b>	<b>150.2</b>	<b>132.5</b>	<b>83.1</b>	<b>72.5</b>	<b>22.1</b>

Breakdown and net changes of the portfolio during the year are shown in Table 37 along with the weighted average yield to maturity which, at 10.56%, reflected an increase over the 1978 figure of 10.21%. At December 31st, 1979, the market value of all Fund assets was \$652.9 million, or \$80.7 million less than stated value.

In 1979, the Commission made net contributions of \$185 million to the Caisse for acquisition of Individual Fund participation deposits; 1978 remittances had totalled \$155 million.

Net income during the year totalled \$63 million compared with \$37.9 million in 1978; these two sums make up the "Net income to be paid out to depositor" account which will be used during the first quarter of 1980 to purchase Individual Fund participation deposits.



**37****Individual Fund**  
Summary of investments  
as at December 31st, 1979

(in thousands of dollars)

	Stated value %	Breakdown of portfolio	Number of issuers	Nominal value	Stated value	Market value	Yield <sup>(1)</sup> %	Net change in 1979 (stated value)
<b>Bonds</b>	<b>11.87</b>	Government of Canada	<b>1</b>	<b>89 275</b>	<b>87 068</b>	<b>76 882</b>	<b>10.13</b>	<b>46 560</b>
		Issued or guaranteed by the Gouvernement du Québec						
	38.10	<i>Gouvernement du Québec</i>	1	281 225	279 516	243 560	10.24	86 606
	13.47	<i>Hydro-Québec</i>	1	100 575	98 784	87 103	10.46	45 568
	0.68	<i>Other</i>	1	5 000	4 983	4 413	10.59	—
	<b>52.25</b>		<b>3</b>	<b>386 800</b>	<b>383 283</b>	<b>335 076</b>	<b>10.30</b>	<b>132 174</b>
		Guaranteed by grants						
	1.58	<i>Cegeps</i>	11	11 879	11 601	10 586	10.83	25
	0.42	<i>Hospitals</i>	3	3 135	3 047	2 843	11.00	(13)
	2.76	<i>Universities</i>	7	20 697	20 236	17 844	10.61	146
	<b>4.76</b>		<b>21</b>	<b>35 711</b>	<b>34 884</b>	<b>31 273</b>	<b>10.72</b>	<b>158</b>
		Municipal and school						
	6.35	<i>Municipalities</i>	74	48 186	46 613	42 311	10.78	8 243
	3.64	<i>School boards</i>	31	27 203	26 708	24 137	10.61	151
	<b>9.99</b>		<b>105</b>	<b>75 389</b>	<b>73 321</b>	<b>66 448</b>	<b>10.72</b>	<b>8 394</b>
	<b>16.15</b>	Corporate	<b>49</b>	<b>120 976</b>	<b>118 462</b>	<b>106 629</b>	<b>10.59</b>	<b>53 775</b>
<b>Total bonds</b>	<b>95.02</b>		<b>179</b>	<b>708 151</b>	<b>697 018</b>	<b>616 308</b>	<b>10.40</b>	<b>241 061</b>
<b>Short-term investments</b>	—		—	—	—	—	—	—
<b>Deposits in General Fund</b>	<b>4.98</b>		—	<b>36 548</b>	<b>36 548</b>	<b>36 548</b>	<b>13.70</b>	<b>232</b>
<b>Total investments</b>	<b>100.00</b>		<b>179</b>	<b>744 699</b>	<b>733 566</b>	<b>652 856</b>	<b>10.56</b>	<b>241 293</b>

(1) This weighted average yield to maturity does not take into account profit and loss on sale of investments.

## Depositors

### Agencies and pension plans empowered to make deposits with the Caisse de dépôt et placement du Québec

Commission administrative des régimes d'assurance-stabilisation des revenus agricoles

Commission administrative du régime de retraite

- Government and public employees retirement plan
- General retirement plan for mayors and councillors of Québec municipalities
- Individual plans

Commission des accidents du travail du Québec

Fonds d'assurance-prêts agricoles et forestiers

Fonds d'indemnisation automobile du Québec

Office de la construction du Québec

- Supplemental pension plan for employees of the Québec construction industry

Régie de l'assurance automobile du Québec

Régie de l'assurance-dépôts du Québec

Régie de l'assurance-récolte du Québec

Régie des marchés agricoles du Québec

Régie des rentes du Québec

Supplemental pension plan of the Université du Québec

### Sections 18, 19 and 20 of the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q., chapter C-2)

The Caisse shall receive on deposit all moneys whereof such deposit is provided for by law.

The Caisse administers, on behalf of the Commission des accidents du travail, the securities the latter owns based on terms determined by the government.

The Caisse may receive on deposit moneys derived from:

a) a supplementary pension plan to which contributions are made by a school board or a body which derives more than one-half of its resources from the consolidated revenue fund;

b) the Office de la construction du Québec under the Construction Industry Labour Relations Act (chapter R-20);

c) the Government and Public Employees Retirement Plan established by an Act respecting the Government and Public Employees Retirement Plan (chapter R-10).

The Caisse shall not exercise the powers provided in paragraph a) except with the approval of the government and upon such conditions as he determines.

The Caisse shall use the sums it has received under paragraph c) in accordance with the retirement plan contemplated therein.



## Major depositors

Total assets managed by the Caisse have nearly tripled over the past five years. This growth is directly related to capital entrusted to the Caisse each year by its main depositors. It is also a reflection of the diversified sources of funds. Since 1975, there has been only one additional major depositor — the Régie de l'assurance automobile du Québec.

In 1975, the Régie des rentes du Québec provided 57% of net contributions from depositors; in 1979, these net remittances had dropped to only 21%. Even though it remains by far the main depositor in absolute terms, the growth in other depositors' assets is greater than that of the Régie.

For the first time, the Caisse presents a five-year financial retrospective of the funds entrusted to its management by other major depositors; these figures appear in tables 38 to 42 of the present report.

During the past four years, Régie des rentes du Québec funds have increased from \$3,393.1 million to \$5,991.4 million, an increment of \$2,598.3 million. During the same period, net annual income allotted to it increased by \$285.8 million. At \$538.8 million in 1979, it was double the 1975 amount. However, its net contributions have declined significantly every year, with the exception of 1976 when they totalled \$298.7 million; in 1979, net remittances were \$73.8 million lower than in 1975.

### 38

#### Funds of the Régie des rentes du Québec entrusted to management of the Caisse de dépôt et placement du Québec

**Financial retrospective**  
as at December 31st  
(stated value in millions of dollars)

	1979	1978	1977	1976	1975
<b>Funds of the Régie</b>					
Deposits in General Fund					
Participation deposits	5 853.7	5 159.0	4 514.2	3 903.4	3 300.6
Income receivable	137.7	113.0	98.3	88.9	69.7
Demand deposits	—	—	4.5	16.7	22.8
<b>Funds entrusted to the Caisse</b>	<b>5 991.4</b>	<b>5 272.0</b>	<b>4 617.0</b>	<b>4 009.0</b>	<b>3 393.1</b>
<b>Net income</b>	<b>538.8</b>	<b>443.0</b>	<b>371.9</b>	<b>317.1</b>	<b>253.0</b>
<b>Net contributions</b>	<b>180.6</b>	<b>212.0</b>	<b>236.1</b>	<b>298.7</b>	<b>254.4</b>

### 39

#### Funds of the Government and public employees retirement plan entrusted to management of the Caisse de dépôt et placement du Québec

**Financial retrospective**  
as at December 31st  
(stated value in millions of dollars)

	1979	1978	1977	1976	1975
<b>Funds of the Plan</b>					
Deposits in General Fund	37.7	72.5	29.8	51.9	11.6
Deposits in segregated funds					
Bonds (Fund "O")	458.9	329.8	230.2	158.7	81.7
Government bonds (Fund "G")	111.9	101.4	92.1	—	—
Stocks (Fund "A")	415.1	236.8	140.4	77.7	35.3
Mortgages (Fund "H")	133.1	79.3	62.0	9.9	4.6
	<b>1 119.0</b>	<b>747.3</b>	<b>524.7</b>	<b>246.3</b>	<b>121.6</b>
Portfolios under management	9.4	10.7	17.0	13.8	—
<b>Funds entrusted to the Caisse</b>	<b>1 166.1</b>	<b>830.5</b>	<b>571.5</b>	<b>312.0</b>	<b>133.2</b>
<b>Net income</b>	<b>113.3</b>	<b>66.0</b>	<b>41.1</b>	<b>21.5</b>	<b>7.7</b>
<b>Net contributions</b>	<b>222.3</b>	<b>181.8</b>	<b>209.1</b>	<b>139.9</b>	<b>81.4</b>

The Commission administrative du régime de retraite, which administers the Government and public employees retirement plan, began depositing in the Caisse in 1973. Table 39 indicates funds managed by the Caisse at the end of 1979 totalled \$1,166.1 million in relation to \$133.2 million in 1975. These figures, it should be recalled, are consolidated and include the assets of two accounts. One covers unionized employees, the other non-unionized employees and employers.

The financial retrospective of the assets of the plan shows participation in Caisse segregated funds in 1979 totalled \$1,119.0 million; it is of special interest that 37% of these assets are in stocks. This heavy proportion explains the strong growth of the Segregated Stock Fund (Fund "A") over the past two years. Net income from plan funds have risen from \$7.7 million in 1975 to \$113.3 million in 1979 while net contributions advanced from \$81.4 million in 1975 to \$222.3 million in 1979; the average annual increase recorded in past years is expected to continue for several years.

In 1975, the Office de la construction du Québec started administering the Supplemental pension plan for employees of the Québec construction industry. Since then, plan funds under Caisse management have increased from \$280.3 million at the end of 1975 to \$797.4 million at December 31st, 1979. Table 40 shows plan assets are made up mainly of its participation in the Segregated Mortgage Fund (Fund "H") which totalled \$339.7 million at December 31st, 1979. During the five-year period ending the same date, the net stated value of portfolios under separate management, administered with a view to systematic liquidation, has remained fairly constant, amounting to \$27.2 million at the end of 1979.

## 40

**Funds of the Supplemental pension plan for employees of the Québec construction industry entrusted to management of the Caisse de dépôt et placement du Québec**
**Financial retrospective**

as at December 31st

(stated value in millions of dollars)

	1979	1978	1977	1976	1975
<b>Funds of the Plan</b>					
Deposits in General Fund	12.3	14.6	32.7	10.4	16.1
Deposits in segregated funds					
Bonds (Fund "O")	305.1	249.1	175.1	114.8	73.6
Stocks (Fund "A")	113.1	96.7	88.9	83.7	60.8
Mortgages (Fund "H")	339.7	279.8	212.4	158.7	102.0
	757.9	625.6	476.4	357.2	236.4
Portfolios under management	27.2	30.0	36.8	27.1	27.8
<b>Funds entrusted to the Caisse</b>	<b>797.4</b>	<b>670.2</b>	<b>545.9</b>	<b>394.7</b>	<b>280.3</b>
<b>Net income</b>	<b>72.7</b>	<b>55.4</b>	<b>41.3</b>	<b>30.2</b>	<b>18.7</b>
<b>Net contributions</b>	<b>54.5</b>	<b>68.9</b>	<b>74.8</b>	<b>84.2</b>	<b>86.8</b>

## 41

**Funds of the Régie de l'assurance automobile du Québec entrusted to management of the Caisse de dépôt et placement du Québec**
**Financial retrospective**

as at December 31st

(stated value in millions of dollars)

	1979	1978
<b>Funds of the Régie</b>		
Deposits in General Fund		
Participation deposits	533.0	198.5
Income receivable	13.4	6.3
Demand deposits	9.5	33.4
Term deposits	—	40.0
<b>Funds entrusted to the Caisse</b>	<b>555.9</b>	<b>278.2</b>
<b>Net income</b>	<b>44.6</b>	<b>16.4</b>
<b>Net contributions</b>	<b>233.1</b>	<b>261.8</b>

## 42

**Funds of the Supplemental pension plan of the Université du Québec entrusted to management of the Caisse de dépôt et placement du Québec**
**Financial retrospective**

as at December 31st

(stated value in thousands of dollars)

	1979	1978	1977	1976	1975
<b>Funds of the Plan</b>					
Deposits in General Fund	257.0	284.8	224.3	131.6	100.2
Deposits in segregated funds					
Bonds (Fund "O")	9 641.7	6 585.7	4 507.8	2 911.9	1 773.6
Stocks (Fund "A")	4 333.4	3 178.3	2 141.4	1 428.7	897.6
Mortgages (Fund "H")	4 188.6	3 181.8	2 217.6	1 364.1	808.1
	18 163.7	12 945.8	8 866.8	5 704.7	3 479.3
<b>Funds entrusted to the Caisse</b>	<b>18 420.7</b>	<b>13 230.6</b>	<b>9 091.1</b>	<b>5 836.3</b>	<b>3 579.5</b>
<b>Net income</b>	<b>1 675.1</b>	<b>1 045.5</b>	<b>663.7</b>	<b>434.9</b>	<b>238.7</b>
<b>Net contributions</b>	<b>3 515.0</b>	<b>3 094.0</b>	<b>2 591.0</b>	<b>1 822.0</b>	<b>1 021.0</b>

Net income allocated to the plan progressed from \$18.7 million to \$72.7 million. However, net contributions dropped gradually as a result of the construction industry slowdown, falling from \$86.8 million in 1975 to \$54.5 million in 1979.

In 1978, for the first time in the history of the Caisse, one depositor's net contributions topped those of the Régie des rentes du Québec. In spite of a drop of \$28.7 million in 1979, Régie de l'assurance automobile du Québec remittances nevertheless remained higher than those of any other depositor. After less than two years of operation, the Régie deposited a total of \$555.9 million with the Caisse. Table 41 indicates the net income of such funds rose from \$16.4 million in 1978 to \$44.6 million in 1979.

According to Table 42, funds entrusted to the Caisse by the Supplemental pension plan of the Université du Québec totalled \$18.4 million at December 31st, 1979, a \$14.8 million increase during the past four years. The breakdown of its participation in the segregated funds remained constant over this period; in 1979, it included 53% in bonds, 24% in stocks, and 23% in mortgages. At \$1 million in 1975, net contributions advanced to \$3.5 million in 1979 while net income grew from \$0.2 million in 1975 to \$1.7 million in 1979.



**43**
**Depositors' holdings with the Caisse  
at market value**  
as at December 31st, 1979

(in thousands of dollars)

	Participation deposits				Portfolios under management	Total long-term holdings	Net demand and term deposits	Accrued interest and income	Depositors' holdings %	
	General Fund	Segregated funds	Individual Fund	Sub-total						
Régie des rentes du Québec	5 596 011	—	—	5 596 011	—	5 596 011	(8 259)	145 972	5 733 724	62.36
Commission administrative du régime de retraite										
<i>Government and public employees retirement plan</i>	—	1 171 355	—	1 171 355	8 648	1 180 003	37 314	377	1 217 694	13.24
<i>General retirement plan for the mayors and councillors     of the municipalities of Québec</i>	—	2 818	—	2 818	—	2 818	87	1	2 906	0.03
<i>Individual plans</i>	—	6 047	—	6 047	—	6 047	24	—	6 071	0.07
	—	<u>1 180 220</u>	—	<u>1 180 220</u>	<u>8 648</u>	<u>1 188 868</u>	<u>37 425</u>	<u>378</u>	<u>1 226 671</u>	<u>13.34</u>
Commission des accidents du travail du Québec	50 510	—	669 933	720 443	121 720	842 163	2 816	1 341	846 320	9.21
Office de la construction du Québec										
<i>Supplemental pension plan for employees of the     Québec construction industry</i>	—	743 172	—	743 172	20 516	763 688	12 159	91	775 938	8.44
Régie de l'assurance automobile du Québec	507 895	—	—	507 895	—	507 895	9 466	13 415	530 776	5.77
Fonds d'indemnisation automobile du Québec	2 068	—	—	2 068	—	2 068	27 784	1 342	31 194	0.34
Supplemental pension plan of the Université du Québec	—	18 276	—	18 276	—	18 276	255	2	18 533	0.20
Régimes d'assurance-stabilisation des revenus agricoles	—	—	—	—	—	—	10 462	122	10 584	0.12
Régie de l'assurance-récolte du Québec	—	—	—	—	—	—	10 424	123	10 547	0.11
Fonds d'assurance-prêts agricoles et forestiers	6 725	—	—	6 725	—	6 725	226	177	7 128	0.08
Régie de l'assurance-dépôts du Québec	859	—	—	859	—	859	708	31	1 598	0.02
Régie des marchés agricoles du Québec	—	—	—	—	—	—	1 065	13	1 078	0.01
	<b>6 164 068</b>	<b>1 941 668</b>	<b>669 933</b>	<b>8 775 669</b>	<b>150 884</b>	<b>8 926 553</b>	<b>104 531</b>	<b>163 007</b>	<b>9 194 091</b>	<b>100.00</b>

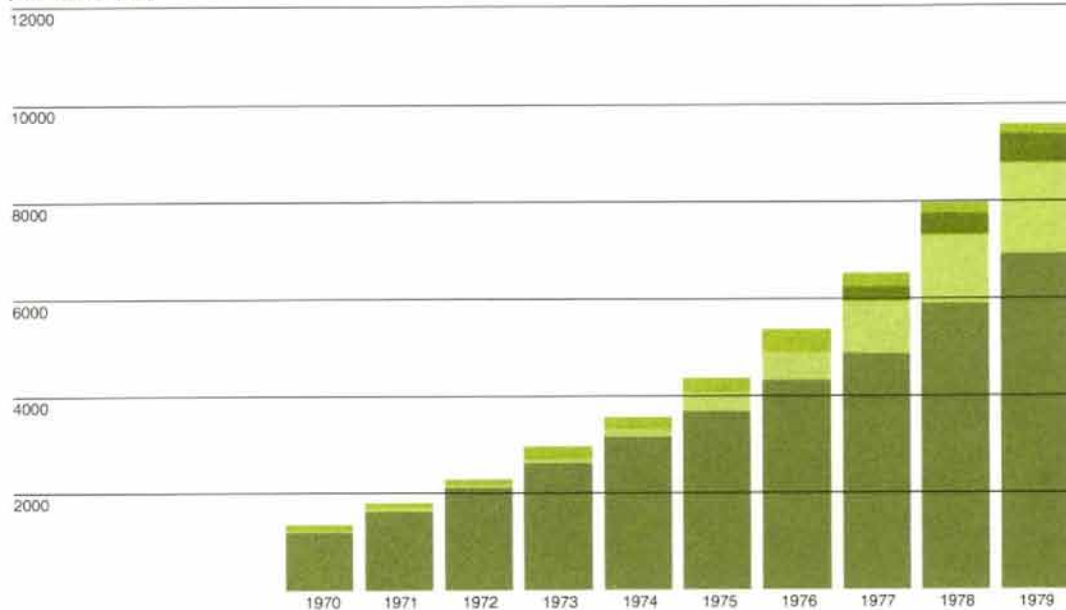
# Financial Review

## 44

### Assets under management

- Portfolios under management
- Individual Fund
- Segregated funds
- General Fund

(in millions of dollars)

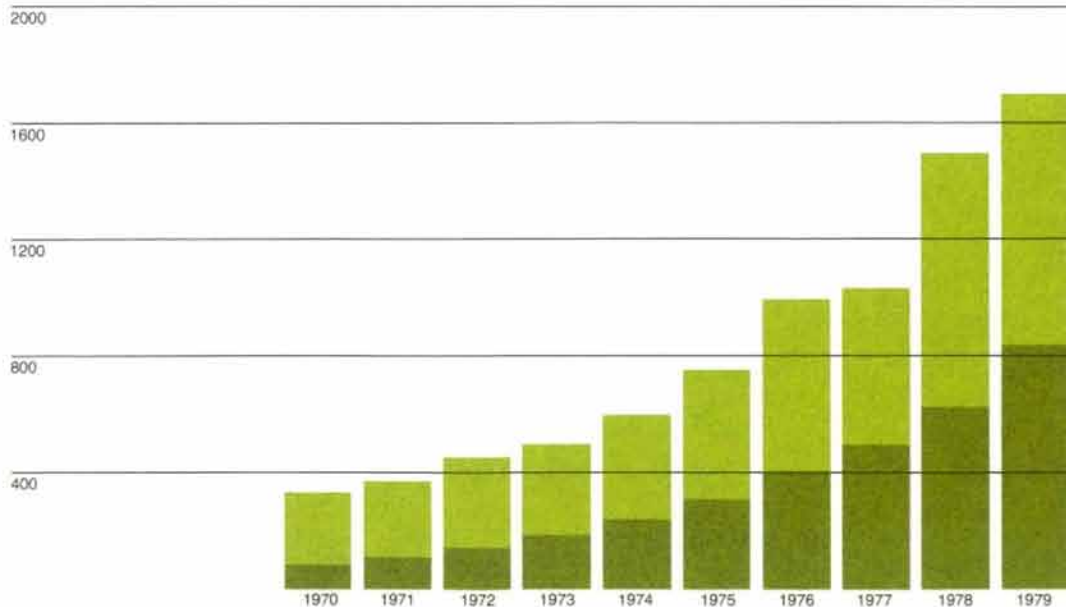


## 45

### Cash flow

- Net contributions
- Income

(in millions of dollars)



(in millions of dollars)

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
<b>General Fund</b>										
Bonds										
Government of Canada	216.1	122.3	81.5	56.4	64.2	36.7	57.1	55.7	57.9	73.3
Gouvernement du Québec and guaranteed	3 905.6	3 070.6	2 538.9	2 208.6	1 799.3	1 534.3	1 317.5	1 088.5	882.9	711.8
Guaranteed by grants	158.1	158.0	156.3	148.2	123.7	103.3	87.8	65.0	38.7	28.1
Municipal and school	355.0	314.8	304.3	267.6	233.4	183.7	141.3	121.6	106.8	98.6
Corporate	682.6	495.5	444.8	420.4	357.3	318.5	261.9	244.3	186.3	93.1
Total bonds	5 317.4	4 161.2	3 525.8	3 101.2	2 577.9	2 176.5	1 865.6	1 575.1	1 272.6	1 004.9
Shares and convertible securities	720.2	612.8	618.3	661.4	638.7	601.9	491.7	352.6	280.9	212.4
Mortgage and real estate investments	391.6	315.3	269.5	224.4	199.0	197.9	128.9	72.9	67.2	44.8
Real estate	25.1	25.4	25.4	25.4	26.0	25.7	23.9	21.9	20.9	14.8
Short-term investments	535.5	729.1	326.9	226.4	191.5	105.0	85.9	90.9	29.4	28.7
Total investments	6 989.8	5 843.8	4 765.9	4 238.8	3 633.1	3 107.0	2 596.0	2 113.4	1 671.0	1 305.6
<b>Segregated funds</b>										
Bonds										
Government of Canada	110.7	59.5	18.3	7.8	10.8	0.8	1.5	0.5	0.7	0.5
Gouvernement du Québec and guaranteed	436.3	319.6	236.6	114.1	44.1	12.1	3.0	1.7	1.2	0.6
Guaranteed by grants	50.4	50.6	45.2	31.9	20.0	13.9	5.0	1.1	0.1	—
Municipal and school	116.3	92.6	81.0	36.6	21.2	8.8	3.1	1.8	0.4	0.4
Corporate	127.3	98.6	87.5	65.3	49.2	32.2	17.6	7.4	5.5	1.7
Total bonds	841.0	620.9	468.6	255.7	145.3	67.8	30.2	12.5	7.9	3.2
Shares and convertible securities	382.9	304.2	215.5	150.3	75.6	46.3	18.6	11.3	5.2	0.2
Mortgage and real estate investments	463.8	336.0	225.3	145.1	100.6	44.7	25.3	18.1	3.4	—
Deposits and short-term investments	182.1	125.6	98.3	60.6	43.8	21.6	10.9	9.5	11.0	5.2
Total investments	1 869.8	1 386.7	1 007.7	611.7	365.3	180.4	85.0	51.4	27.5	8.6
<b>Individual Fund</b>										
Bonds										
Government of Canada	87.0	40.5	20.5	—	—	—	—	—	—	—
Gouvernement du Québec and guaranteed	383.3	251.1	137.2	—	—	—	—	—	—	—
Guaranteed by grants	34.9	34.7	29.2	—	—	—	—	—	—	—
Municipal and school	73.3	65.0	56.1	—	—	—	—	—	—	—
Corporate	118.5	64.7	43.5	—	—	—	—	—	—	—
Total bonds	697.0	456.0	286.5	—	—	—	—	—	—	—
Deposits and short-term investments	36.6	36.3	15.7	—	—	—	—	—	—	—
Total investments	733.6	492.3	302.2	—	—	—	—	—	—	—
<b>Portfolios under management</b>										
Bonds										
Government of Canada	1.9	2.2	5.6	17.3	11.1	5.9	5.9	1.0	1.0	1.7
Gouvernement du Québec and guaranteed	63.8	69.5	75.7	147.4	80.3	80.6	86.3	4.1	4.1	4.2
Guaranteed by grants	18.4	20.5	23.5	41.3	21.7	21.1	21.0	0.6	0.6	0.6
Municipal and school	74.4	80.0	84.0	118.4	94.9	88.9	88.7	2.1	2.2	2.3
Other governments	1.0	1.0	2.1	1.3	1.5	1.4	1.4	0.9	0.9	0.9
Corporate	17.5	19.0	17.4	48.8	23.7	10.9	11.1	12.3	12.5	13.2
Total bonds	177.0	192.2	208.3	374.5	233.2	208.8	214.4	21.0	21.3	22.9
Shares and convertible securities	2.6	3.1	7.6	12.1	7.2	7.9	8.3	8.0	9.1	12.2
Mortgage and real estate investments	0.7	0.8	0.9	1.6	1.6	2.2	8.0	11.7	14.0	15.7
Short-term investments	—	—	8.4	4.5	—	—	—	—	—	—
Total investments	180.3	196.1	225.2	392.7	242.0	218.9	230.7	40.7	44.4	50.8
<b>Investments — Total funds</b>	<b>9 773.5</b>	<b>7 918.9</b>	<b>6 301.0</b>	<b>5 243.2</b>	<b>4 240.4</b>	<b>3 506.3</b>	<b>2 911.7</b>	<b>2 205.5</b>	<b>1 742.9</b>	<b>1 365.0</b>



(in millions of dollars)	1979	1978	1977	1976	1975
<b>Total funds</b>					
Assets under management					
General Fund (1)	6 909.7	5 872.8	4 891.0	4 299.1	3 688.9
Segregated funds					
Fund "O"	785.8	599.9	435.9	281.5	161.1
Fund "G"	111.1	100.6	91.3	—	—
Fund "A"	534.6	343.2	236.1	166.1	99.3
Fund "H"	478.1	367.5	300.2	172.9	109.7
	1 909.6	1 411.2	1 063.5	620.5	370.1
Individual Fund	750.4	503.6	309.8	—	—
Portfolios under management	184.0	200.5	229.8	401.2	246.4
	<b>9 753.7</b>	<b>7 988.1</b>	<b>6 494.1</b>	<b>5 320.8</b>	<b>4 305.4</b>
Net income					
General Fund	580.2	455.9	381.1	327.0	262.6
Segregated funds					
Fund "O"	58.0	48.9	35.3	24.0	10.3
Fund "G"	10.5	9.3	6.0	—	—
Fund "A"	68.6	26.9	12.5	10.1	6.4
Fund "H"	43.2	32.6	23.9	14.7	8.2
	180.3	117.7	77.7	48.8	24.9
Individual Fund	63.0	37.9	23.2	—	—
Portfolios under management	13.3	15.7	19.1	27.7	17.3
	<b>836.8</b>	<b>627.2</b>	<b>501.1</b>	<b>403.5</b>	<b>304.8</b>
Net contributions					
General Fund	437.4	475.9	158.4	249.1	265.4
Segregated funds	275.0	257.2	287.9	227.5	170.4
Individual Fund and portfolios under management	150.2	132.5	83.1	116.2	11.0
	<b>862.6</b>	<b>865.6</b>	<b>529.4</b>	<b>592.8</b>	<b>446.8</b>
Unit value (in dollars)					
General Fund	812	849	851	839	786
Segregated funds					
Fund "O"	2 081	2 085	1 960	1 783	1 516
Fund "G"	1 149	1 158	1 089	—	—
Fund "A"	2 506	1 851	1 445	1 283	1 138
Fund "H"	2 048	1 965	1 813	1 647	1 491
Administrative expenditures	7.1	5.9	6.7	4.6	3.9
Number of employees	134	114	122	113	102
Average assets per employee	72.8	70.1	53.2	47.1	42.2

(1) For purposes of this presentation, assets of the General Fund do not reflect, demand and term deposits of the segregated funds and the Individual Fund, which are included with their respective assets.

## Table of contents

50	General Fund
54	Segregated Fund — Bonds (Fund "O")
56	Segregated Fund — Government bonds (Fund "G")
58	Segregated Fund — Stocks (Fund "A")
60	Segregated Fund — Mortgages (Fund "H")
62	Individual Fund

## General Fund

**Balance sheet**  
as at December 31st, 1979  
(in thousands of dollars)

<b>Assets</b>	<b>1979</b>	<b>1978</b>
Cash	\$ 1 084	\$ (24)
Investment income accrued and receivable	127 511	112 003
Advances		
to participation deposit holders	8 259	7 500
to other funds	—	1 939
Other assets	1 805	1 063
	<u>138 659</u>	<u>122 481</u>
 Investments (Note 3)		
Portfolios:		
— Bonds	5 317 376	4 161 148
— Shares and convertible securities	720 246	612 767
— Mortgage and real estate investments	391 631	315 339
— Real estate	25 039	25 421
— Short-term investments	535 476	729 116
	<u>6 989 768</u>	<u>5 843 791</u>
	<u>\$ 7 128 427</u>	<u>\$ 5 966 272</u>
 <b>Liabilities</b>		
Deposits (Note 4)		
Demand	\$ 279 339	\$ 206 357
Term	52 141	85 400
Income and interest to be paid out to depositors	165 959	130 811
Transactions in process of settlement	4 497	4 366
Other liabilities	4 786	3 543
	<u>506 722</u>	<u>430 477</u>
 <b>Participation deposit holders' equity</b>		
Participation deposits (Note 6)	6 451 482	5 416 262
General reserve (Note 7)	170 223	119 533
	<u>6 621 705</u>	<u>5 535 795</u>
	<u>\$ 7 128 427</u>	<u>\$ 5 966 272</u>

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

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier



**Income and expenditure**  
for the year ended  
December 31st, 1979  
(in thousands of dollars)

<b>Income</b>	<b>1979</b>	<b>1978</b>
Investment income		
Interest on bonds	\$ 449 749	\$ 355 004
Dividends, interest on convertible securities	46 371	35 111
Interest on mortgage and real estate investments	32 566	27 633
Real estate revenue	2 912	2 930
Interest on short-term investments — net	92 776	60 039
	<u>624 374</u>	<u>480 717</u>
Profit and loss on sale of investments	50 690	42 048
Management fees	3 320	2 417
Other income	180	132
Total income	<u>678 564</u>	<u>525 314</u>
<b>Administrative expenditures</b>		
Directors' fees and expenses	25	8
Salaries and fringe benefits	3 495	3 259
Travel expenses	133	126
Professional fees	750	339
Service fees on mortgages	1 039	646
Bank and safekeeping charges	218	189
Fidelity and other insurance	199	144
Premises and office equipment	993	920
Documentation and stationery	129	130
Other	148	129
	<u>7 129</u>	<u>5 890</u>
Balance of income	671 435	519 424
Interest on demand and term deposits — net	40 525	21 478
Net income for the year	630 910	497 946
Transfer of profit and loss on sale of investments to general reserve (Note 7)	50 690	42 048
Income to be paid out to participation deposit holders	<u>\$ 580 220</u>	<u>\$ 455 898</u>

**Income and interest to be paid out to depositors**  
for the year ended  
December 31st, 1979  
(in thousands of dollars)

	Deposit holders		Total
	Demand and term	Participation	
Balance to be paid out at beginning of year	\$ 4 661	\$ 126 150	\$ 130 811
Interest on demand and term deposits and income to be paid out to participation deposit holders	40 525	580 220	620 745
	<u>45 186</u>	<u>706 370</u>	<u>751 556</u>
Amounts paid	40 010	545 587	585 597
Balance to be paid out at year-end	<u>\$ 5 176</u>	<u>\$ 160 783</u>	<u>\$ 165 959</u>

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

Notes to  
financial statements

**1. Disclosure of significant accounting policies**

*a) Investments*

Shares, mortgage and real estate investments, land and short-term investments are accounted for at cost; bonds, convertible securities and buildings are accounted for at amortized cost.

*b) Recording of transactions*

Purchases and sales of investments are recorded according to the settlement date.

*c) Participation deposits*

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of a quarter is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following quarter.

*d) General reserve*

The general reserve is made up of net gains on sale of investments and the variance between book value and realization value of cancelled units of participation deposits.

*e) Dividend income*

Dividends are taken into income on record date.

*f) Interest on short-term investments — net*

Interest paid on bank loans is deducted from interest earned on short-term investments.

*g) Fixed assets*

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

*h) Interest earned on advances*

Interest earned on advances to participation deposit holders, to segregated funds, or to Individual Fund is deducted from interest on demand and term deposits.

**2. Consolidation**

The financial statements include the accounts of the General Fund of the Caisse de dépôt et placement du Québec and its wholly-owned subsidiaries, Cadim Inc. and Développements Pasteur Inc. Separate financial statements cover the segregated funds, the Individual Fund, and portfolios under management.

**3. Market value of investments**

At December 31st, 1979, the market value of investments was \$6 532 131 000 (1978, \$5 727 010 000).

**4. Deposits**

Moneys entrusted to the Caisse are deposited on a demand, term or participation basis, at the option of the depositor. Demand and term deposits constitute an indebtedness of the Caisse towards the depositors and bear interest.

Demand and term deposits of General Fund include the following deposits of segregated funds and Individual Fund, broken down as follows at December 31st:

	1979 (in thousands of dollars)	1978 (in thousands of dollars)
Segregated funds		
Bonds (Fund "O")	\$ 33 099	\$ —
Government bonds (Fund "G")	1 864	5 450
Stocks (Fund "A")	146 014	35 898
Mortgages (Fund "H")	1 165	15 799
Individual Fund	36 548	36 316
	<u>\$ 218 690</u>	<u>\$ 93 463</u>

**5. Distribution of net income**

At the end of each quarter, the net income of the Fund, after deduction of the amount transferred to general reserve, is apportioned among holders of participation deposits. At the beginning of the following quarter, such income is credited to the demand deposit account of the depositors.



## 6. Participation deposits

<i>a) Changes during the year</i>	1979		1978	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	6 382 945	\$ 5 416 262	5 449 535	\$ 4 628 182
Units issued	1 204 971	1 035 220	1 002 350	846 619
	7 587 916	6 451 482	6 451 885	5 474 801
Units cancelled	—	—	68 940	58 539
Balance at year-end	<b>7 587 916</b>	<b>\$ 6 451 482</b>	<b>6 382 945</b>	<b>\$ 5 416 262</b>

<i>b) Realization value at December 31st</i>	1979	1978
	(in thousands of dollars)	(in thousands of dollars)
Net assets of the Fund according to balance sheet	\$ 6 621 705	\$ 5 535 795
Deduct:		
Investments		
According to balance sheet	6 989 768	5 843 791
According to market value (Note 3)	6 532 131	5 727 010
	457 637	116 781
Total realization value of units	\$ 6 164 068	\$ 5 419 014
Unit realization value (in dollars)	<b>\$ 812</b>	<b>\$ 849</b>

## 7. General reserve

	1979	1978
	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning of year	\$ 119 533	\$ 77 609
Transferred from Statement of income and expenditure	50 690	42 048
	170 223	119 657
Variance between book value and realization value of cancelled units of participation deposits	—	(124)
Balance at year-end	<b>\$ 170 223</b>	<b>\$ 119 533</b>

## Auditor's Report

I have examined the balance sheet of the General Fund of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and expenditure and the statement of income and interest to be paid out to depositors for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1980



## Segregated Fund — Bonds (Fund "O")

<b>Balance sheet</b> as at December 31st, 1979 (in thousands of dollars)	<b>Assets</b>	<b>1979</b>	<b>1978</b>
	Investments (Note 2)		
	Bonds	\$ 734 735	\$ 528 520
	Short-term investments	—	57 770
	Demand deposits in General Fund	<u>33 099</u>	<u>—</u>
		767 834	586 290
	Accrued interest	<u>18 007</u>	<u>13 555</u>
		<u><b>\$ 785 841</b></u>	<u><b>\$ 599 845</b></u>
	<b>Liabilities</b>		
	Advances from General Fund	\$ —	\$ 1 940
	Transactions in process of settlement	<u>3 469</u>	<u>2 509</u>
		<u>3 469</u>	<u>4 449</u>
	<b>Participation deposit holders' equity</b>		
	Participation deposits (Note 3)	598 968	468 674
	Accumulated income (Note 4)	184 782	126 722
	Variance between book value and realization value of cancelled units of participation deposits	<u>(1 378)</u>	<u>—</u>
		<u>782 372</u>	<u>595 396</u>
		<u><b>\$ 785 841</b></u>	<u><b>\$ 599 845</b></u>

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier

<b>Income and accumulated income</b> (Note 4) for the year ended December 31st, 1979 (in thousands of dollars)	<b>Investment income</b>	<b>1979</b>	<b>1978</b>
	Interest on bonds	\$ 59 843	\$ 44 511
	Interest on short-term investments	4 158	3 367
	Interest on deposits in General Fund — net	<u>6 162</u>	<u>2 657</u>
		70 163	50 535
	<b>Profit and loss on sale of investments</b>	<u>(12 103)</u>	<u>(1 625)</u>
	<b>Net income for the year</b>	58 060	48 910
	<b>Accumulated income at beginning of year</b>	<u>126 722</u>	<u>77 812</u>
	<b>Accumulated income at year-end</b>	<u><b>\$ 184 782</b></u>	<u><b>\$ 126 722</b></u>

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

Notes to  
financial statements

1. Disclosure of significant accounting policies

a) Investments

Bond investments are accounted for at amortized cost, short-term investments and deposits in General Fund at cost.

b) Recording of transactions

Purchases and sales of investments are recorded according to the settlement date.

c) Participation deposits

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of each month is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following month.

d) Interest paid on advances

Interest paid on advances by General Fund is deducted from interest on deposits in General Fund.

2. Market value of investments

At December 31st, 1979, the market value of investments was \$697 294 000 (1978, \$577 942 000).

3. Participation deposits

Changes during the year

	1979		1978	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	281 577	\$ 468 674	216 758	\$ 338 576
Units issued	63 635	135 549	64 819	130 098
	345 212	604 223	281 577	468 674
Units cancelled	3 121	5 255	—	—
Balance at year-end	342 091	\$ 598 968	281 577	\$ 468 674

4. Regulations

New regulations were established by the Board of Directors of the Caisse and received Government approval on April 11th, 1979. The first paragraph of Section 45 of the aforesaid regulations, to be applied as of January 1st, 1980, provides that at the closing of a fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss on sale of investments to the general reserve account of the Fund, the balance of net income is apportioned among the depositors of the Fund on a pro rata basis of the number of units of participation held by each of them.

5. Management fees

Management fees of the Fund are charged directly to the participants and amounted to \$656 000 for the year ended December 31st, 1979 (1978, \$517 000).

Auditor's Report

I have examined the balance sheet of the Segregated Fund-Bonds (Fund "O") of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1980



## Segregated Fund — Government bonds (Fund "G")

<b>Balance sheet</b> as at December 31st, 1979 (in thousands of dollars)	<b>Assets</b>	<b>1979</b>	<b>1978</b>
	Investments (Note 2)		
	Bonds	\$ 106 251	\$ 92 428
	Demand deposits in General Fund	1 864	5 450
		108 115	97 878
	Accrued interest	2 982	2 758
		\$ 111 097	\$ 100 636
	<b>Participation deposit holder's equity</b>		
	Participation deposits (Note 3)	\$ 86 116	\$ 86 116
	Accumulated income (Note 4)	25 789	15 328
	Variance between book value and realization value of cancelled units of participation deposits	(808)	(808)
		\$ 111 097	\$ 100 636

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier

<b>Income and accumulated income</b> (Note 4) for the year ended December 31st, 1979 (in thousands of dollars)	<b>Investment income</b>	<b>1979</b>	<b>1978</b>
	Interest on bonds	\$ 9 701	\$ 8 973
	Interest on short-term investments	—	75
	Interest on deposits in General Fund — net	760	280
	<b>Net income for the year</b>	10 461	9 328
	<b>Accumulated income at beginning of year</b>	15 328	6 000
	<b>Accumulated income at year-end</b>	\$ 25 789	\$ 15 328

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

Notes to  
financial statements

**1. Disclosure of significant accounting policies**

*a) Investments*

Bond investments are accounted for at amortized cost, short-term investments and deposits in General Fund at cost.

*b) Recording of transactions*

Purchases and sales of investments are recorded according to the settlement date.

*c) Participation deposits*

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of each month is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following month.

*d) Interest paid on advances*

Interest paid on advances by General Fund is deducted from interest on deposits in General Fund.

**2. Market value of investments**

At December 31st, 1979, the market value of investments was \$94 502 000 (1978, \$95 478 000).

**3. Participation deposits**

At December 31st, 1978 and 1979, there was only one deposit holder in this Fund.

*Changes during the year*

	1979		1978	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning and end of year	84 816	\$ 86 116	84 816	\$ 86 116

**4. Regulations**

New regulations were established by the Board of Directors of the Caisse and received Government approval on April 11th, 1979. The first paragraph of Section 45 of the aforesaid regulations, to be applied as of January 1st, 1980, provides that at the closing of a fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss on sale of investments to the general reserve account of the Fund, the balance of net income is apportioned among the depositors of the Fund on a pro rata basis of the number of units of participation held by each of them.

**5. Management fees**

Management fees of the Fund are charged directly to the participant and amounted to \$100 000 for the year ended December 31st, 1979 (1978, \$95 000).

**Auditor's Report**

I have examined the balance sheet of the Segregated Fund-Government bonds (Fund "G") of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1980

## Segregated Fund — Stocks (Fund "A")

**Balance sheet**  
as at December 31st, 1979  
(in thousands of dollars)

	<b>1979</b>	<b>1978</b>
<b>Assets</b>		
Investments (Note 2)		
Shares and convertible securities	\$ 382 885	\$ 304 251
Demand deposits in General Fund	146 014	35 898
	528 899	340 149
Investment income accrued and receivable	5 735	3 072
	\$ 534 634	\$ 343 221
<b>Liabilities</b>		
Transactions in process of settlement	\$ 1 552	\$ 3 092
<b>Participation deposit holders' equity</b>		
Participation deposits (Note 3)	404 179	278 796
Accumulated income (Note 4)	129 947	61 333
Variance between book value and realization value of cancelled units of participation deposits	(1 044)	—
	533 082	340 129
	\$ 534 634	\$ 343 221

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier

**Income and accumulated income** (Note 4)  
for the year ended  
December 31st, 1979  
(in thousands of dollars)

	<b>1979</b>	<b>1978</b>
<b>Investment income</b>		
Dividends, interest on convertible securities	\$ 22 120	\$ 14 336
Interest on short-term investments	3 134	777
Interest on deposits in General Fund — net	7 310	1 994
	32 564	17 107
<b>Profit and loss on sale of investments</b>	36 050	9 786
<b>Net income for the year</b>	68 614	26 893
<b>Accumulated income at beginning of year</b>	61 333	34 440
<b>Accumulated income at year-end</b>	\$ 129 947	\$ 61 333

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



Notes to  
financial statements

**1. Disclosure of significant accounting policies**

*a) Investments*

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

*b) Recording of transactions*

Purchases and sales of investments are recorded according to the settlement date.

*c) Participation deposits*

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of each month is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following month.

*d) Dividend income*

Dividends are taken into income on record date.

*e) Interest paid on advances*

Interest paid on advances by General Fund is deducted from interest on deposits in General Fund.

**2. Market value of investments**

At December 31st, 1979, the market value of investments was \$685 204 000 (1978, \$403 312 000).

**3. Participation deposits**

*Changes during the year*

	1979		1978	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	217 883	\$ 278 796	166 044	\$ 199 684
Units issued	58 785	127 469	51 839	79 112
Units cancelled	276 668	406 265	217 883	278 796
	1 591	2 086	—	—
Balance at year-end	275 077	\$ 404 179	217 883	\$ 278 796

**4. Regulations**

New regulations were established by the Board of Directors of the Caisse and received Government approval on April 11th, 1979. The first paragraph of Section 45 of the aforesaid regulations, to be applied as of January 1st, 1980, provides that at the closing of a fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss on sale of investments to the general reserve account of the Fund, the balance of net income is apportioned among the depositors of the Fund on a pro rata basis of the number of units of participation held by each of them.

**5. Management fees**

Management fees of the Fund are charged directly to the participants and amounted to \$819 000 for the year ended December 31st, 1979 (1978, \$477 000).

**Auditor's Report**

I have examined the balance sheet of the Segregated Fund-Stocks (Fund "A") of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C. A.  
Auditor-General  
Québec, March 3rd, 1980

## Segregated Fund — Mortgages (Fund "H")

**Balance sheet**  
as at December 31st, 1979  
(in thousands of dollars)

Assets	1979	1978
Investments (Note 2)		
Mortgage and real estate investments	\$ 463 788	\$ 336 019
Short-term investments	—	10 697
Deposits in General Fund		
Demand	1 165	4 399
Term	—	11 400
	464 953	362 515
Accrued interest	10 533	4 938
Due by mortgagors — real estate taxes	2 616	—
	\$ 478 102	\$ 367 453
<b>Liabilities</b>		
Mortgagor deposits	\$ 959	\$ 155
<b>Participation deposit holders' equity</b>		
Participation deposits (Note 3)	347 543	279 611
Accumulated income (Note 4)	130 888	87 687
Variance between book value and realization value of cancelled units of participation deposits	(1 288)	—
	477 143	367 298
	\$ 478 102	\$ 367 453

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier

**Income and accumulated income** (Note 4)  
for the year ended  
December 31st, 1979  
(in thousands of dollars)

	1979	1978
<b>Investment income</b>		
Interest on mortgage and real estate investments — net (Note 5)	\$ 42 828	\$ 28 781
Interest on short-term investments	120	2 428
Interest on deposits in General Fund — net	162	1 396
	43 110	32 605
<b>Profit and loss on sale of investments</b>	91	—
<b>Net income for the year</b>	43 201	32 605
<b>Accumulated income at beginning of year</b>	87 687	55 082
<b>Accumulated income at year-end</b>	\$ 130 888	\$ 87 687

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



Notes to  
financial statements

**1. Disclosure of significant accounting policies**

*a) Investments*

Mortgage and real estate investments negotiated directly with borrowers by the Caisse are accounted for at cost; mortgages negotiated en bloc with third parties are accounted for at amortized cost. Short-term investments and deposits in General Fund are recorded at cost.

*b) Participation deposits*

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of each quarter is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following quarter.

*c) Interest paid on advances*

Interest paid on advances by General Fund is deducted from interest on deposits in General Fund.

**2. Market value of investments**

At December 31st, 1979, the market value of investments was \$430 790 000 (1978, \$355 752 000).

**3. Participation deposits**

*Changes during the year*

	1979		1978	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	183 466	\$ 279 611	154 685	\$ 225 682
Units issued	35 399	71 992	28 781	53 929
Units cancelled	218 865	351 603	183 466	279 611
Balance at year-end	2 620	4 060	—	—
	216 245	\$ 347 543	183 466	\$ 279 611

**4. Regulations**

New regulations were established by the Board of Directors of the Caisse and received Government approval on April 11th, 1979. The first paragraph of Section 45 of the aforesaid regulations, to be applied as of January 1st, 1980, provides that at the closing of a fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss on sale of investments to the general reserve account of the Fund, the balance of net income is apportioned among the depositors of the Fund on a pro rata basis of the number of units of participation held by each of them.

**5. Mortgage service fees**

An amount of \$614 000 (1978, \$334 000) for the servicing of mortgage and real estate investments by third parties has been deducted from interest on mortgages.

**6. Management fees**

Management fees of the Fund are charged directly to the participants and amounted to \$631 000 for the year ended December 31st, 1979 (1978, \$505 000).

**Auditor's Report**

I have examined the balance sheet of the Segregated Fund-Mortgages (Fund "H") of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gerard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1980



## Individual Fund

### Balance sheet as at December 31st, 1979 (in thousands of dollars)

<b>Assets</b>	1979	1978
Investments (Note 2)		
Bonds	\$ 697 018	\$ 455 957
Deposits in General Fund		
Demand	36 548	12 316
Term	—	24 000
	<u>733 566</u>	<u>492 273</u>
Interest accrued and receivable	16 834	11 342
	<u>\$ 750 400</u>	<u>\$ 503 615</u>
 <b>Liabilities</b>		
Account payable	\$ —	\$ 5
Transactions in process of settlement	(243)	950
Net income to be paid out to depositor (Note 3)	100 882	37 899
	<u>100 639</u>	<u>38 854</u>
 <b>Participation deposit holder's equity</b>		
Participation deposits (Note 4)	649 761	464 761
	<u>\$ 750 400</u>	<u>\$ 503 615</u>

On behalf of the Board of Directors,

Marcel Cazavan  
Gill Fortier

### Income and expenditure for the year ended December 31st, 1979 (in thousands of dollars)

<b>Income</b>	1979	1978
Investment income		
Interest on bonds and short-term investments	\$ 60 988	\$ 36 811
Interest on deposits in General Fund — net	3 519	1 562
	<u>64 507</u>	<u>38 373</u>
Profit and loss on sale of investments	(1 069)	(91)
	<u>63 438</u>	<u>38 282</u>
<b>Expenditure</b>		
Management and safekeeping fees	455	383
<b>Net income for the year to be paid out to participation deposit holder</b>	<u>\$ 62 983</u>	<u>\$ 37 899</u>

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

**1. Disclosure of significant accounting policies**

*a) Investments*

Bond investments are accounted for at amortized cost, short-term investments and deposits in General Fund at cost.

*b) Recording of transactions*

Purchases and sales of investments are recorded according to the settlement date.

*c) Participation deposits*

Participation deposits are expressed in units, each unit giving its holder a proportionate share in the net equity and net income of the Fund. The value of a unit of participation at the end of each quarter is established by dividing the market value of the net assets of such Fund by the total number of units outstanding at that date; such value is used to calculate the price at which a unit is to be issued or cancelled at the beginning of the following quarter. There is only one participation deposit holder in an individual fund.

*d) Interest paid on advances*

Interest paid on advances by General Fund is deducted from interest on deposits in General Fund.

**2. Market value of investments**

At December 31st, 1979, the market value of investments was \$652 856 000 (1978, \$484 954 000).

**3. Regulations**

Regulations governing operations of an individual fund were established by the Board of Directors of the Caisse and received Government approval on April 11th, 1979. The first paragraph of Section 45 of the aforesaid regulations, to be applied as of January 1st 1980, provides that at the closing of a fiscal period of the Fund, the net income of the fiscal period is established and, after transfer of profit or loss on sale of investments to the general reserve account of the Fund, the balance is transferred to the depositor of the Fund.

**4. Participation deposits**

The holder of participation deposits in this Fund is the Commission des accidents du travail du Québec.

*Changes during the year*

	1979 (in thousands of dollars)	1978 (in thousands of dollars)
Balance at beginning of year	\$ 464 761	\$ 309 761
Deposits for the year	200 000	155 000
	<u>664 761</u>	464 761
Withdrawals for the year	15 000	—
Balance at year-end	<u>\$ 649 761</u>	<u>\$ 464 761</u>

**Auditor's Report**

I have examined the balance sheet of the Individual Fund of the Caisse de dépôt et placement du Québec as at December 31st, 1979 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1979 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C. A.  
Auditor-General  
Québec, March 3rd, 1980

Should you wish to receive an additional copy of this report, please fill in the card or forward your request to:

Direction des Communications  
**Caisse de dépôt et placement du Québec**  
C.P. 74, La Tour de la Bourse  
Montréal (Québec)  
H4Z 1B4

Publication of the Annual Report was coordinated by the Direction des Communications.

The report is printed on Rolland ST101 paper, the financial statements on Rolland Tint — Alpaca Ivory, and the cover on Domtar Cornwall coated paper.



**Caisse de dépôt et placement du Québec**  
Annual Report 1979

---

Please check the appropriate box if you wish to receive an additional copy of this annual report, in English or French. Kindly fill in your name and address and return this self-addressed and stamped card to us.

French       English

Name

---

Title

---

Firm

---

Address

---

City

Province

---

Postal Code

---

