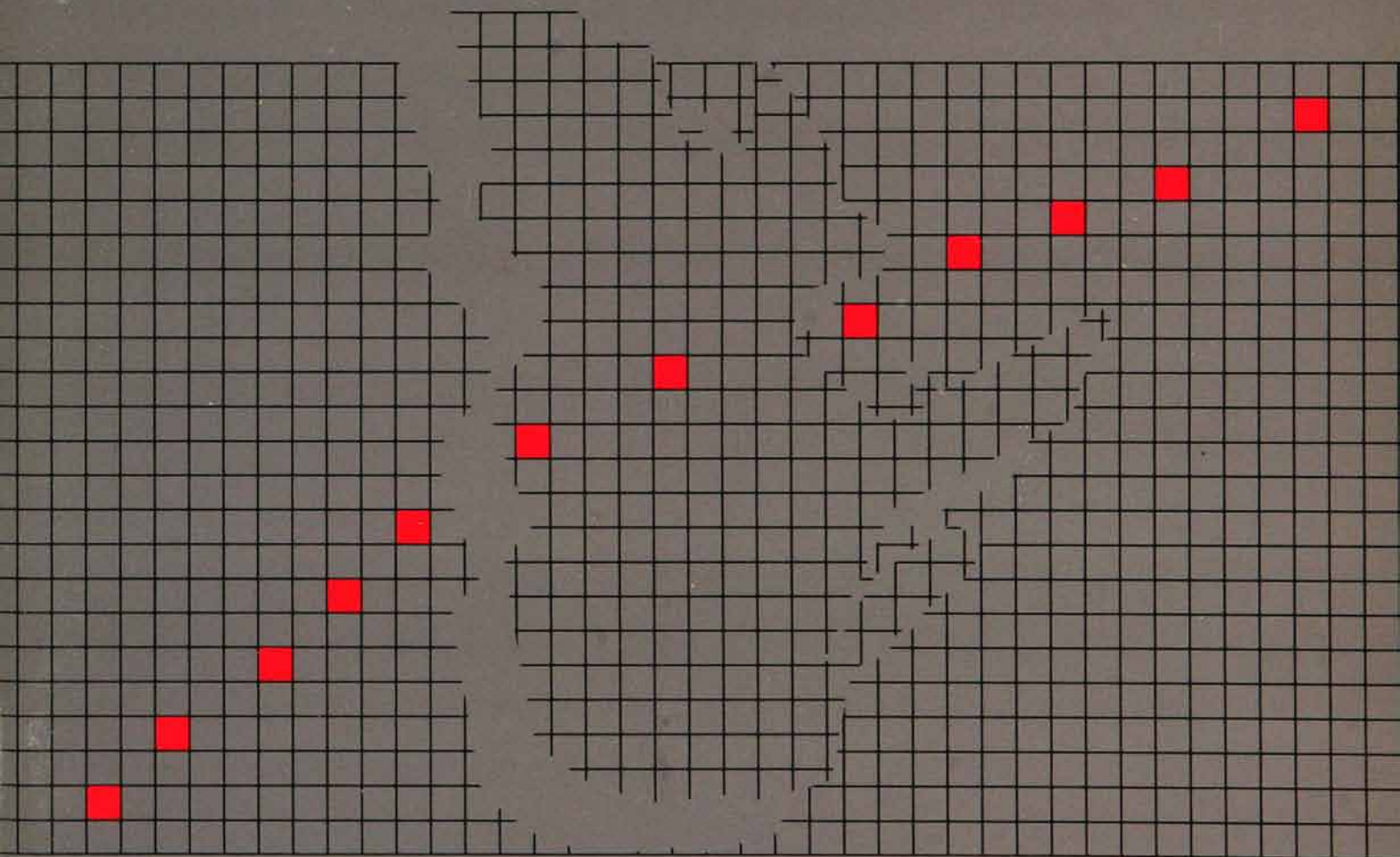


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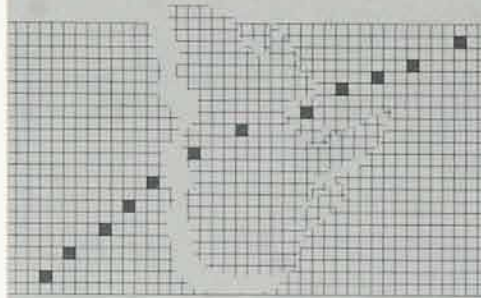
Annual  
Report



Caisse de dépôt et placement  
du Québec

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Annual  
Report



Caisse de dépôt et placement  
du Québec

When the Caisse de dépôt et placement du Québec was established in 1965, it was called upon to become the most important and most powerful financial instrument which has ever existed in Québec. Similarly, the Caisse was to be considered an instrument of growth, a powerful lever.

Today, with \$6.5 billion of assets under management, it is able to establish that its investment policies allowed it to fulfill its dual mandate of trustee and economic agent on behalf of a community whose legitimate desire for economic progress must always be an uppermost consideration.

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# Board of Directors

Jacques Parizeau, Esq.  
Minister of Finance  
Gouvernement du Québec

Sir:

In accordance with provisions of the charter of Caisse de dépôt et placement du Québec, I transmit herewith our twelfth annual report for the year ended December 31st, 1977.

Yours very truly,



Marcel Cazavan  
Chairman of the Board  
and General Manager

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

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

Judge Richard Beaulieu\*  
President, Commission municipale du Québec

Hervé Belzile  
President, Alliance Mutual Life Insurance Company

Michel Caron\*  
Deputy Minister — Ministère des Finances, Gouvernement du Québec

Claude Castonguay  
President, The Laurentian Fund Inc.

Louis Laberge  
President, Québec Federation of Labor

Georges Lafond\*  
Treasurer, Hydro-Québec

Raymond Lavoie  
President and General Manager, Crédit Foncier Franco-Canadien

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

\* Associate member

# Management and Officers

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## **General Management**

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

## **Bond Department**

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

## **Stock Department**

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

## **Private Placement Department**

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

## **Mortgage Department**

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

## **Depositors' Services Department**

Gérard J. Blondeau, Manager  
Jacques Roy, Assistant Manager

## **Economic Research Department**

Pierre Mayer, Manager

## **Administrative Services Department**

Pierre E. Langlois, Manager  
Guy Rhéaume, Assistant Manager - Accounting  
Georges Hébert, Chief - Data Processing  
Gody Lienhard, Chief - Securities  
Louise M. Zakaib, Chief - Personnel Administration

## **Internal Audit**

Serge Desjardins, Chief

# Depositors

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**Bodies whose constituent Act prescribes the deposit of moneys 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 cities and towns

Individual plans

**Commission des accidents du travail de 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-maladie du Québec**

**Régie de l'assurance-récolte du Québec**

**Régie des marchés agricoles du Québec**

**Régie des rentes du Québec**

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**Supplemental pension plans whose administrators entrust the management of funds to the Caisse de dépôt et placement du Québec**

**Supplemental pension plan of l'Université du Québec**

**Supplemental pension plan of the Municipalité de la Baie James**

**Supplemental pension plan of the Société de développement de la Baie James**

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

# Report of the General Manager

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Before reviewing financial activities during the twelfth fiscal year of the Caisse de dépôt et placement du Québec, changes in the Board of Directors since September, 1977, should be noted.

## **Appointments to the Board**

Members of the Board of Directors are appointed by the Lieutenant-Governor in Council as provided in the charter of the Caisse; the three associate members are appointed by virtue of their main occupation. Two of the latter changed posts during the year.

First, Mr. Pierre Goyette resigned as Deputy Minister of the Ministère des Finances of the Gouvernement du Québec and was replaced on the Board by his successor in the post, Mr. Michel Caron. A Director since 1972, Mr. Goyette made a major contribution to the deliberations of the Board through his dynamic spirit and foresight.

Secondly, as a result of the promotion of Mr. Edmond-A. Lemieux to the rank of Commissioner of Hydro-Québec in September, 1977, Mr. Georges Lafond, Treasurer of Hydro-Québec, succeeded him on the Board. Mr. Lemieux had been a Director since the Caisse began operations in 1966. He has therefore been closely associated over a period of nearly twelve years with the development of major investment and portfolio management policies. The Caisse has benefited from his extensive knowledge of Canadian and foreign financial markets.

Finally, on December 21st, 1977, the Gouvernement du Québec appointed a replacement for Mr. John H. Dinsmore, who resigned as Deputy Minister of the Ministère de l'Industrie et du Commerce. He is Mr. André Marier, President and General Manager of the Centre de recherche industrielle du Québec. Since joining the Board in 1974, Mr. Dinsmore particularly distinguished himself through his knowledge of Québec business firms.

I wish to express to Messrs. Dinsmore, Goyette and Lemieux our deep gratitude for their dedication during their respective terms of office. I am confident that the vast knowledge of Messrs. Caron, Lafond and Marier also will benefit the Caisse.

Following adoption at year-end of Bill 97 which, among other things, increased the number of directors from 7 to 9, there were two vacancies on the Board at the close of the fiscal year.

## **Act amending the Charter**

The aspect of Bill 97, an Act to amend the Charter of the Caisse de dépôt et placement du Québec, dealing with human resources is certainly the most important. Under the amendments, the Government entrusted the Caisse with the management and remuneration of its personnel. These responsibilities as well as other working conditions shall henceforth be governed either by regulations or resolutions adopted by the Board of Directors of the Caisse, as the case may be, in keeping with a general policy which soon will be submitted to the Government for approval. It is obvious that this new modus operandi will considerably facilitate the process of personnel recruitment and management.

Other provisions of Bill 97 came into force December 22nd, 1977, and will be discussed later in the present report.

# Report of the General Manager

## Total funds under management

In 1977, for the second consecutive year, total assets entrusted to the management of the Caisse increased by more than one billion dollars. During the last four fiscal years, total funds under management more than doubled, totalling \$6.5 billion at December 31st, 1977.

The growth of overall funds under management continued despite a \$63.4 million drop in net deposits, resulting mainly from withdrawals of \$83 million by the Régie de l'assurance-maladie du Québec and smaller deposits from the Régie des rentes du Québec. Total net deposits nevertheless amounted to \$529.4 million while net income from total funds reached an unprecedented level of \$501.1 million.

Net yield on average deposits in the General Fund was 8.63%, thus maintaining an upward trend for the twelfth consecutive year.

The yield on deposits in segregated funds and in the Individual Fund will be reviewed subsequently in this report.

## Categories of depositors

At December 31st, 1977, the Caisse had fourteen depositors, broken down into two main categories. The first includes bodies whose constituent Act prescribes deposit in the Caisse of moneys for which they do not anticipate an immediate need. During the year, the addition of the Régie de l'assurance automobile du Québec and the Commission administrative des régimes d'assurance-stabilisation des revenus agricoles brought the number of depositors in this category to ten. As for the second category, it includes supplemental pension plans which, with the approval of the Government, avail themselves of provisions of sub-paragraph a) of the first paragraph of Article 18 of the charter of the Caisse to entrust the latter with management of their assets. Four such plans were under management at December 31st, 1977.

With respect to the aforementioned article, the Caisse intends to have its meaning clarified so as to enable it to determine the eligibility of other public sector supplemental pension plans to deposit funds with the Caisse, should their administrators express the desire to do so.

## Régie de l'assurance automobile du Québec

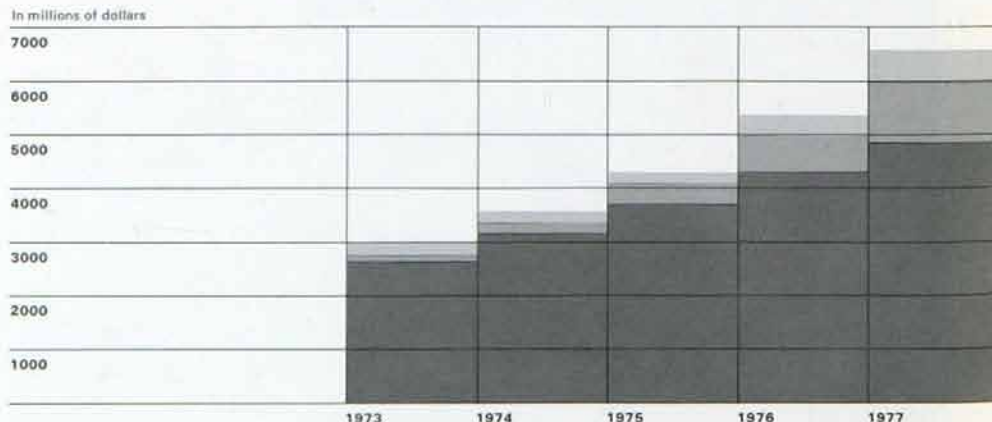
In conformity with provisions of its constituent Act, assented to December 22nd, 1977, the Régie de l'assurance automobile du Québec effectively began depositing at the start of 1978. Present forecasts indicate the Régie will deposit some \$250 million with the Caisse in 1978, excluding moneys from the Indemnity Fund. From meetings held with this new depositor, it would appear that the major portion of

## Assets under management Total funds

Individual Fund and funds under separate management

Segregated funds

General Fund





# Report of the General Manager

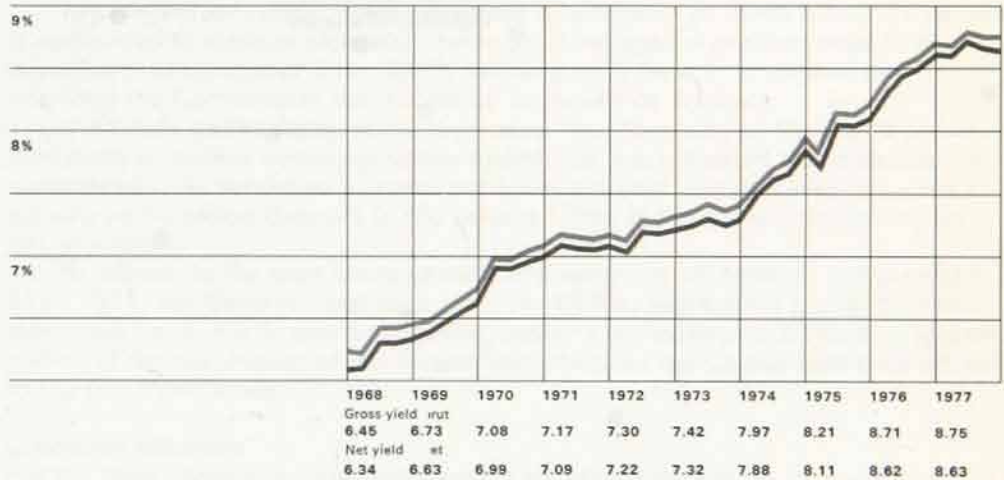
the moneys will take the form of long-term deposits. Actuarial studies now under way should allow the Régie to provide details at an early date on the projected rate of accumulation of funds in the Caisse from now until the end of the century.

The substantial deposits of this new body will constitute an important source of capital for the General Fund whose long-term development is closely related to the level of the Régie des rentes du Québec reserve and, consequently, to the decision which the Government will be required to make with respect to the method of financing the pension plan in future. It will be recalled that this question was the object of the COFIRENTES + report which normally should be made public during the year. Under present circumstances and based on the special actuarial study of the plan dated May, 1977, the Caisse, as of 1983, no longer will be able to expect net inputs of new funds from the Régie des rentes for long-term investment purposes.

It is also important to note that Régie des rentes deposits dropped by \$62.6 million in 1977 compared to the previous year. Net deposits of \$236.1 million represent the lowest level of new contributions from this body since 1971.

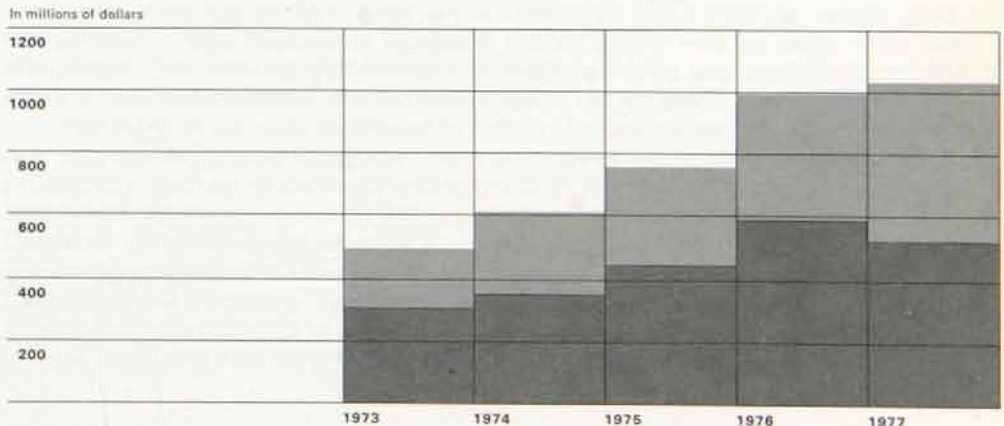
## Yield on average deposits General Fund

■ Gross yield  
■ Net yield



## Annual cash flow Total funds

■ Reinvested income  
■ Net deposits

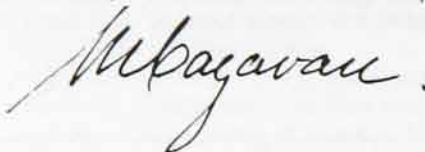


# Report of the General Manager

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## **New characteristics of report**

The 1977 report differs in appearance from that of previous years; this change has three specific purposes. First, it seeks to emphasize the scope and diversity of the sources of funds channeled into the Caisse, particularly during the past five years. For example, total net deposits of the Commission administrative du régime de retraite, the Commission des accidents du travail de Québec and the Office de la construction du Québec were \$131 million higher than those of the Régie des rentes du Québec in 1977. Second, the report provides a more detailed breakdown of the categories or groups of investments of the various funds and portfolios, thus enabling a more accurate appreciation of the true impact of the Caisse, particularly on Québec public sector investments effected over the past twelve years or under its management at year-end. Finally, the report also was conceived to meet the need for increased circulation; it interests not only politicians but also financiers, investors, civil servants at various government levels, and even students, in Québec as well as beyond its borders.



Marcel Cazavan  
General Manager

# Management Report

During its twelfth fiscal year ended December 31st, 1977, the Caisse de dépôt et placement du Québec achieved other highly encouraging results and, with the establishment of the first Individual Fund and the Segregated Fund — Government Bonds (Fund "G") referred to in our previous report, it made breakthroughs.

Total assets of overall funds entrusted to its management exceeded \$6 billion while total combined assets of the segregated funds reached the billion-dollar mark. Moreover, net income generated from all sources exceeded \$500 million while an improvement in yield was recorded in almost every investment category. Finally, large sales of stocks held in the General Fund portfolio resulted in record capital gains.

In accordance with 1977 amendments to the charter of the Caisse de dépôt et placement du Québec, the funds or securities entrusted to its management are now classified as follows:

**the General Fund:** a pooled fund consisting of various categories of investments whose makeup is authorized by the Board of Directors depending on the nature and needs of overall holders of participation deposits, previously called notice deposits;

**the segregated funds:** four in number, they are pooled funds, each consisting of a single category of investments, and are reserved exclusively for supplemental pension plans empowered to acquire participation units in the proportions they specify;

**the individual funds:** grouping assets of a number of funds which the Caisse is authorized to manage separately because of the special requirements of the depositors; at December 31st, 1977, the only such fund in force was that involving the Commission des accidents du travail de Québec;

**the funds under separate management:** they form part of the assets of pension plans or bodies whose investment portfolios are entrusted to the Caisse for management. As securities in these portfolios are sold, the proceeds are used to acquire participation deposits in the various funds of the Caisse, depending on circumstances.

In relation to the total funds under management of \$6.5 billion at December 31st, 1977, the General Fund accounted for 75.3%; segregated funds, 16.4%; Individual Fund, 4.8%; and funds under separate management, 3.5%. Any appreciation of the real impact of the investments made by the Caisse should be limited to the first three funds.

## Economic situation

For the third consecutive year and despite a disturbing increase in unemployment, the Canadian government maintained its restrictive economic policies.

Inadequate restraint in salary increases, an unexpected resumption of inflation, and the current account deficit position dictated such policies. Despite significant moderation in salary increases during the past three years, such increases continued to be higher than in the United States in 1977. Inflation accelerated temporarily, in part because of increases in food prices and the drop in the Canadian dollar. The ensuing deterioration in exchange rates was such that even though exports rose substantially, the current account deficit could not be reduced.

The Bank of Canada continued to tighten its control on the growth of monetary aggregates by restricting the liquid position of the banking system. It also promoted a marked reduction in the spreads of interest rates between Canadian and American money markets. This strategy contributed to the decline of the Canadian dollar. In anticipation of a considerable budgetary deficit, the federal government emphasized long-term objectives by stimulating investments rather than consumer spending. Influenced by financial constraints, the other levels of government were forced to adopt similar measures. Maintenance of price and income control policy contributed to lack of confidence.

# Management Report

Export markets benefited from the buoyant American economy. However, domestic demand was influenced by the negative impact of the restrictive trend in economic policies. As a result, the 1977 growth rate of the real Gross National Product will probably approximate 2.5% in comparison to 4.9% in 1976. Inflation at the consumer price level will average 8.0% in 1977 as opposed to 7.5% the previous year.

All factors related to domestic demand contributed in 1977 to slow economic growth. Faced with higher unemployment and a more rapid rise in prices than in salaries, consumers sharply curtailed spending habits. Moreover, as a result of this drop in consumer spending and of the accumulation of unsold houses, the residential construction sector suffered a setback. Due to stagnant demand, increasing overcapacity and a climate of uncertainty, companies barely increased their volume of investments and disposed of large inventories. Finally, under the influence of budget policies, the volume of government spending increased only slowly.

Notwithstanding relative deterioration in Canadian prices, the accelerated increase in export volume as compared to imports resulted in a surplus of \$2.9 billion in Canada's trade balance in 1977. The 1976 figure was \$1.1 billion. However, due to the increasing deficit in the service account balance, the current account deficit is not likely to improve in relation to last year.

## Summary of investments / Total funds

as at December 31st, 1977

(in millions of dollars)

Categories	General Fund	Segregated funds	Individual Fund	Funds under separate management	Total <sup>1</sup>	%	Net change in 1977
	\$	\$	\$	\$	\$	%	\$
<b>Bonds</b>							
Public sector	3 081.0	381.1	242.9	190.8	3 895.8	61.8	698.6
Private sector	444.8	87.5	43.5	17.5	593.3	9.4	59.2
	<b>3 525.8</b>	<b>468.6</b>	<b>286.4</b>	<b>208.3</b>	<b>4 489.1</b>	<b>71.2</b>	<b>757.8</b>
Shares and convertible securities	618.3	215.5	—	7.6	841.4	13.4	17.6
Mortgages	269.5	225.3	—	0.9	495.7	7.9	124.7
Real estate	25.4	—	—	—	25.4	0.4	1.7
Long-term investments	4 439.0	909.4	286.4	216.8	5 851.6	92.9	901.8
Deposits and short-term investments	326.9	98.3 <sup>2</sup>	15.8	8.4	449.4	7.1	177.3
<b>Total investments</b>	<b>4 765.9</b>	<b>1 007.7</b>	<b>302.2</b>	<b>225.2</b>	<b>6 301.0</b>	<b>100.0</b>	<b>1 079.1</b>

<sup>1</sup> The investments of the various funds are shown at book value and are accounted for separately. The total is given solely for information purposes.

<sup>2</sup> Advances of \$37.8 million by the General Fund have been deducted from deposits.

# Management Report

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## **Investment policy**

The annual report of the Caisse provides the best framework for an outline of the many aspects of its investment policy. In previous years, particular features of this policy were stressed. Last year, for example, the role of the Caisse in the financing of Québec public sector institutions was explained. This year, it wishes to underline its involvement in the private sector.

### ***Private sector investments***

Various tables in the present report illustrate the extent of investments in this sector. So that the analysis may be more meaningful, deposits and short-term investments of \$449.4 million should be deducted from the overall investments of \$6.3 billion at December 31st, 1977. In point of fact, these short-term investments represent the liquid assets maintained by the Caisse in view of future commitments or market conditions; consequently, the amount may vary significantly from one year to the next. Total long-term investments amounted to \$5.9 billion, of which close to \$4.4 billion, or 75%, represented wholly-owned entities in Québec. The latter figure includes \$3.8 billion in Québec public sector securities and \$521.1 million in mortgage and real estate investments on properties located in Québec.

Investments in stocks and corporate bonds totalled over \$1.4 billion, or 24.5% of total long-term investments, namely, 14.4% in stocks and 10.1% in bonds. Though the relative share of stock investments tends to decrease in relation to overall funds — \$841.4 million are invested in stocks and convertible securities — the Caisse nevertheless is one of the few Canadian financial organizations to manage such a large sum of Canadian corporate securities on a consolidated basis.

### ***Stocks***

The Caisse believes it is appropriate to stress the fact that it has always abstained from acquiring foreign securities. However, it inherited \$1.6 million in such stocks upon assuming management of pension fund assets previously handled by trust companies; these stocks are now included in the funds under separate management.

The level of stock investments in the General Fund portfolio reflects the importance the Board of Directors and the management of the Caisse attach to the maintenance of a liquid position in keeping with present and future requirements. Consequently, it is not surprising that 98.8% of all stock investments at year-end were in corporations listed on the stock exchange or in their subsidiaries.

The growth of the Segregated Fund — Stocks (Fund "A") results from investment directives given to the Caisse by administrators of pension plans whose assets are managed by the Caisse under the Québec Supplemental Pension Plans Act. This explains why the Caisse, during a particular year, may deem it appropriate to reduce the level of its investments in the General Fund stock portfolio while it follows an opposite course with respect to Fund "A".

The main objectives of its stock investment policy remain basically the same, however. At December 31st, 1977, stocks held in the General Fund portfolio represented 155 corporations; Fund "A" was made up of securities of 96 corporations, all of them listed on the stock exchange. The quantity of securities in the General Fund stock portfolio is attributable mainly to the characteristics of Canadian stock exchanges, provisions of the charter of the Caisse de dépôt and, finally, the number of Québec-based companies in which it was deemed appropriate to invest. The distribution of Fund "A" securities must take special note of factors such as the need for liquidity and potential capital appreciation on the shorter term.

# Management Report

## Corporate bonds

In keeping with the investment policy outlined at the start of operations, \$593 million were invested in corporate bonds. In its 1974 report, the Caisse observed that such securities were mainly high-quality bonds, generally issued by companies operating on a national scale but actively involved in the economic and financial structures of Québec.

With respect to smaller public or private companies, the 1974 report specified that these securities often were purchased as private placements and that the criteria of selection recognized the economic advantages these companies present for Québec. At December 31st, 1977, the General Fund bond portfolio included \$74.5 million in such securities. At year-end, 92% of overall corporate bonds held were issued by companies with operations in Québec.

## Bonds issued by the Québec public sector and under the Caisse de dépôt management / Total funds

as at December 31st, 1977

(in millions of dollars)

Categories	General Fund	Segregated funds	Individual Fund	Funds under separate management	Total <sup>1</sup>		Net change in 1977 (at amortized cost)
					Nominal value	Amortized cost	
<b>Issued or guaranteed by the Gouvernement du Québec</b>							
Gouvernement du Québec	1 508.8	193.9	112.3	52.5	1 888.2	1 867.5	
Hydro-Québec	894.9	27.9	19.8	20.8	983.9	963.4	
Other	135.2	14.8	5.0	2.3	158.2	157.3	
	<b>2 538.9</b>	<b>236.6</b>	<b>137.1</b>	<b>75.6</b>	<b>3 030.3</b>	<b>2 988.2</b>	<b>518.2</b>
<b>Guaranteed by grants</b>							
Cegeps	64.3	19.8	11.5	5.8	104.4	101.4	
Hospitals	43.9	13.1	3.1	12.4	73.7	72.5	
Universities	48.1	12.3	14.6	5.4	82.2	80.4	
	<b>156.3</b>	<b>45.2</b>	<b>29.2</b>	<b>23.6</b>	<b>260.3</b>	<b>254.3</b>	<b>32.8</b>
<b>Municipal and school</b>							
Municipalities	173.2	61.3	32.6	55.6	332.5	322.7	
School boards	131.1	19.7	23.5	28.7	209.1	203.0	
	<b>304.3</b>	<b>81.0</b>	<b>56.1</b>	<b>84.3</b>	<b>541.6</b>	<b>525.7</b>	<b>102.6</b>
<b>Other bonds</b>	—	—	—	—	—	—	<b>(1.0)</b>
	<b>2 999.5</b>	<b>362.8</b>	<b>222.4</b>	<b>183.5</b>	<b>3 832.2</b>	<b>3 768.2</b>	<b>652.6</b>

<sup>1</sup> Bonds in the various funds are accounted for separately. The total is shown solely for information purposes.

# Management Report

On an overall basis, the various funds at December 31st, 1977, comprised \$1.4 billion in stocks or bonds of 329 companies and \$521.1 million in mortgages and real estate, or over \$1.9 billion in private sector investments. The Caisse believes this course of action throughout its short history has met the expectations of the legislator in that it has reconciled the two criteria of security of deposits and the development of Québec.

## Shares and corporate bonds / Total funds

as at December 31st, 1977

(in millions of dollars)

Sector of activity	Number of corporations	Book value			
		Shares and convertible securities	Bonds	Total	
		\$	\$	\$	%
Metals and minerals	28	157.1	50.9	208.0	14.5
Gold	1	5.1	—	5.1	0.4
Oil and gas	27	104.0	47.2	151.2	10.6
Paper and forest products	26	48.9	28.7	77.6	5.4
Consumer products	35	57.7	46.4	104.1	7.3
Industrial products	58	94.1	108.5	202.6	14.1
Real estate and construction	22	8.2	35.3	43.5	3.0
Transportation	12	36.3	11.7	48.0	3.4
Pipelines	5	39.4	23.4	62.8	4.4
Utilities	15	79.1	89.2	168.3	11.7
Communications and media	7	5.0	0.8	5.8	0.4
Merchandising	44	39.1	28.7	67.8	4.7
Financial services	38	141.8	119.6	261.4	18.2
Investment companies	11	24.9	2.6	27.5	1.9
	<b>329</b>	<b>840.7</b>	<b>593.0</b>	<b>1 433.7</b>	<b>100.0</b>

# Management Report

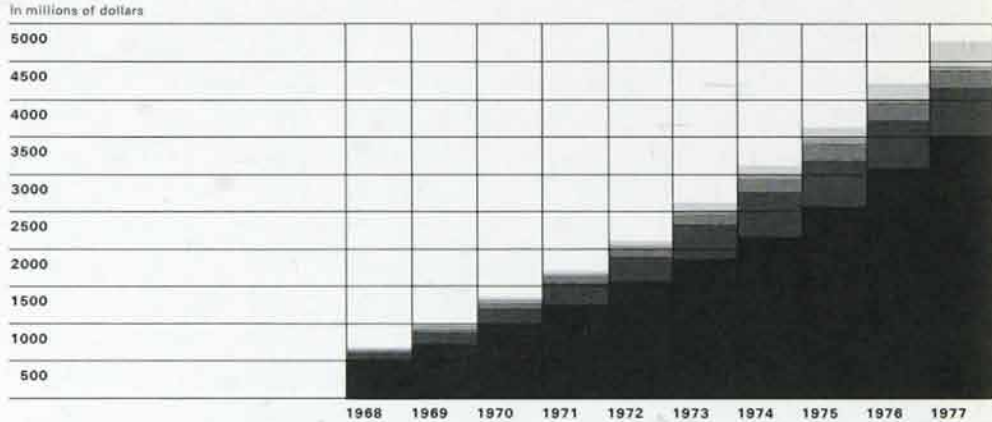
## General Fund

A review of General Fund financial statements for the year ended December 31st, 1977, shows assets increased by \$623.3 million for a total of \$4 941 855 000. Total income, including net capital gains of \$21.4 million on sale of investments, advanced to \$416.7 million, an increase of \$68.5 million over the previous year. An increment of some \$2 million in administrative expenditures was due mainly to payment by the Caisse of a sum of \$1.6 million to the Commission administrative du régime de retraite in settlement of the balance of the cost of prior service by its officers and employees, in line with Order-in-Council No. 3938, dated November 16th, 1977, with respect to Section 53 of the Civil Service Superannuation Plan.

With the deduction of \$6.7 million in administrative expenditures, the transfer of \$21.4 million profit and loss on sale of investments to the general reserve account, as well as \$7.5 million interest on demand and term deposits, an income of \$381.1 million was distributed among participation deposit holders, compared with \$327 million in 1976.

Considering management fees of \$1.4 million collected by the General Fund covering costs related to the segregated funds, the Individual Fund and the funds under separate management, the proportion of expenditures absorbed by the Gen-

## Breakdown of investments General Fund



eral Fund was equivalent to 0.12%, thus leaving an 8.63% yield during the year on average deposits in the General Fund.

### Bond investments

The book value of bonds held in the General Fund totalled \$3.5 billion at December 31st, 1977, an increase of 13.7% over the previous year. The bond portfolio represents 73.9% of total investments in this fund while bonds issued or guaranteed by the Gouvernement du Québec, totalling \$2.5 billion, make up 53.3% of the total.

During the year, the weighted average yield on bonds improved anew, reaching 9.35% compared with 9.26% in 1976.

In its previous report, the Caisse referred to the improvement in the real yield, that is, in constant dollars, of bond investments. However, the positive results achieved on long-term investment yields in 1975 and 1976 deteriorated last year as a result of a new inflationary spiral.



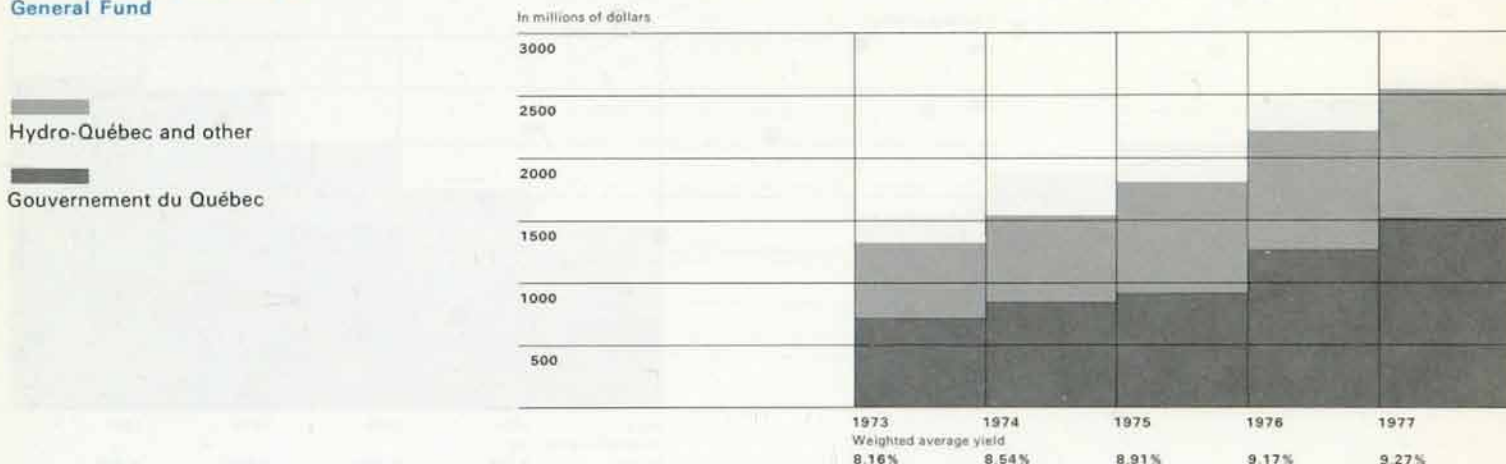
# Management Report

## Bond yield spreads

In Canada, the demand for public sector funds traditionally has been higher than that in the private sector. The yield spread between these two categories of bonds stems from various technical factors, particularly the relative impact of each sector on the market. The private sector demand has increased proportionately over the past few years. In 1977, capital requirements of corporations were significantly satisfied due to the success of a new type of security — retractable preferred shares. The reduction of yield spreads between high-grade long-term industrial bonds and Government of Canada bonds experienced during the previous two years continued — from 0.47% in 1976 to 0.32% at the end of 1977.

In the capital structure of corporations, retractable preferred shares, generally redeemable after ten years, hold an intermediate place between capital stock and long-term debt. At a time when stock prices reflect the trends of depressed markets, these new securities represent an attractive additional source of capital for some issuers. However, due to the specific maturity date which they bear, money lenders will have to take this factor into consideration in assessing the credit rating of these companies. This innovation is not a mere palliative but rather a remedy for a current problem which gives the companies involved more time to achieve permanent consolidation of their capitalization.

## Bonds issued or guaranteed by the Gouvernement du Québec General Fund



A decrease in the spread between the yields of long-term Québec and Canada bonds from 0.95% to 0.57% also was noted during the past year. During the same period, the spread between the yields of 20-year bonds of some Québec municipalities and the McLeod, Young, Weir average of 10 Canadian municipal securities also dropped from 1.22% to 0.64%.

## Participation in Québec public sector issues

The Caisse has always felt its participation in new issues of Québec public sector bonds on the Canadian market is of primary importance. At December 31st, 1977, it held \$3 billion worth of such securities in its General Fund, a net increase of \$375.1 million during the year. The net increase recorded in 1977 in the various categories of such investments in the segregated "O" and "G" funds and the Individual Fund amounted to \$275.9 million.

# Management Report

## General Fund

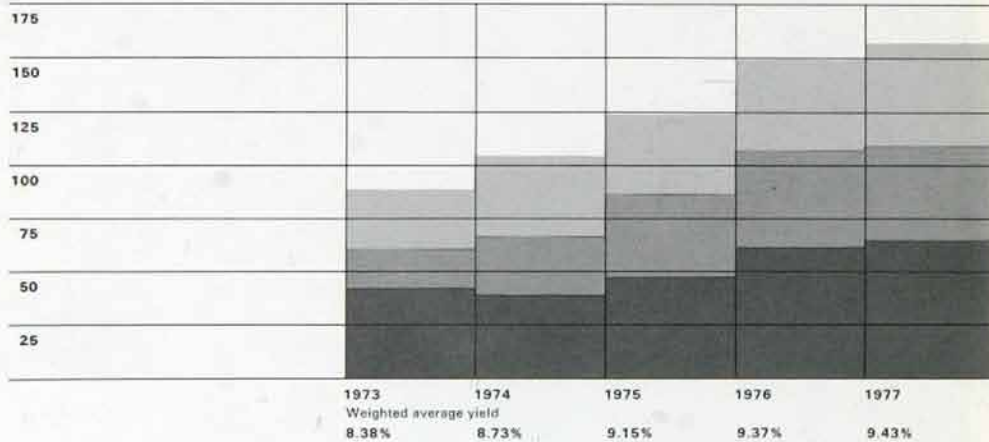
In 1977, the Caisse purchased \$560 million worth of new bonds issued or guaranteed by the Gouvernement du Québec; of these, \$450 million were in the form of private placements. The purchases broke down as follows: \$375 million in the General Fund, \$120 million in the segregated funds, and \$65 million in the Individual Fund.

The record loans contracted by Canadian issuers from foreign sources the previous year dropped significantly in 1977 as the increase in American interest rates wiped out the yield advantage previously enjoyed by Canadian borrowers. Moreover, devaluation of the Canadian dollar changed the financial situation of organizations which sold bonds in foreign currencies. As a result, their contingent liabilities increased; furthermore, most of them do not provide a reserve to offset fluctuations in exchange rates.

## Bonds guaranteed by grants General Fund

-  Hospitals
-  Universities
-  Cegeps

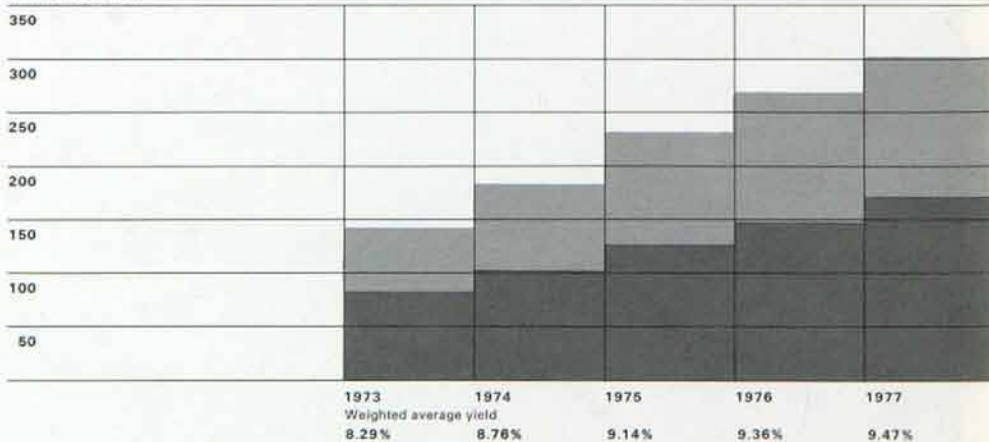
In millions of dollars



## Municipal and school bonds General Fund

-  School
-  Municipal

In millions of dollars

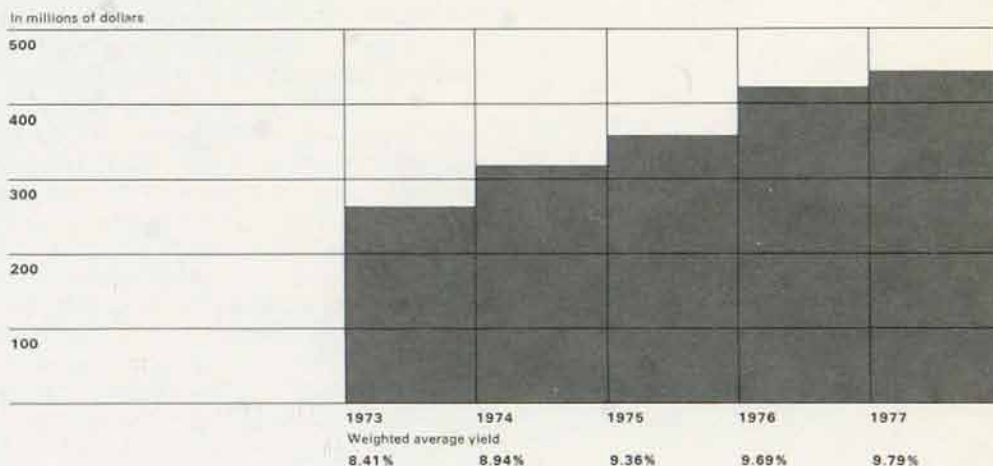


# Management Report

## Money market

The Caisse considerably increased the volume of its short-term transactions on the money market in 1977 to a total of \$8 billion, compared to \$3.8 billion in 1976. During the year, the monthly value of short-term investments in the General Fund averaged \$400 million. At December 31st, 1977, they totalled \$326.9 million. In addition, at the same date, mortgage and private placement commitments of the Caisse amounted to \$63.3 million while depositors' term and demand loans totalled \$129.8 million. The actual liquid position of the General Fund was therefore proportionately reduced.

## Corporate bonds General Fund



## Investments in stocks

The rise in stock prices in Canada which began at the end of 1976 continued until July when the TSE 300 Index reached 1067, its highest level of the year. This sustained growth was prompted by four successive reductions of  $\frac{1}{2}\%$  in the Bank of Canada discount rate, first in November and December, 1976, then in January and May, 1977. The central bank's action brought about a decrease of roughly 1% in interest rates during the first semester. In addition, the federal budget tabled March 31st was generally well-received in financial circles. It did, in fact, contain some measures likely to stimulate investments in stocks, particularly those offering an attractive and stable yield.

The period from July to October was marked by a fairly consistent downward trend with the Toronto Stock Exchange and the Montreal Stock Exchange indexes declining to their lowest levels of the year — 961 and 165.6, respectively. The drop in the American stock market and the rise in U.S. interest rates were the main catalysts of this contraction. Towards the end of the year, however, Canadian stock exchanges recovered nearly all the losses incurred during the summer. In October, the discovery of oil deposits in West Pembina, Alberta, triggered speculation which pushed the "Oil and Natural Gas" index to near-record levels. The

# Management Report

## General Fund

Toronto Stock Exchange TSE 300 Index rose to 1059 at year-end, an increase of 4.75% over the same period last year. By comparison, the Montreal Stock Exchange General Index was 182.5, an increase of only 1.54%.

### Operating results

At December 31st, 1977, the book value of the General Fund stock investment totalled \$618.3 million, \$43.1 million less than the previous year. It was the first reduction in this portfolio since 1967. As a result, the percentage of stocks and convertible securities in relation to overall investments in the Fund dropped from a level of 15.6% in 1976 to 13%. However, through its various other funds and portfolios, the Caisse managed a total of \$223.1 million in stocks and convertible securities at year-end, an overall increase of \$18.9 million over 1976.

The market value of the General Fund stock portfolio increased by a net amount of \$52.3 million in 1977. Moreover, net capital gains of \$19.4 million on the sale of securities during the year brought its capital appreciation to a total of \$71.7 million, representing 11.21% of the average book value of the portfolio during the year. Dividend and interest income on convertible securities totalled \$34 million. The weighted average yield rate of 5.15% recorded by the portfolio at year-end, coupled with the profit position mentioned earlier, brought the overall portfolio yield to 16.36%.

Pursuant to changes made in the calculation of the Toronto Stock Exchange Index since January 1st, 1977, the Caisse modified the headings under which it previously distributed its stock and convertible security investments. There are now fourteen sectors of activity and the 1976 figures in the various categories were reclassified to allow comparison with 1977.

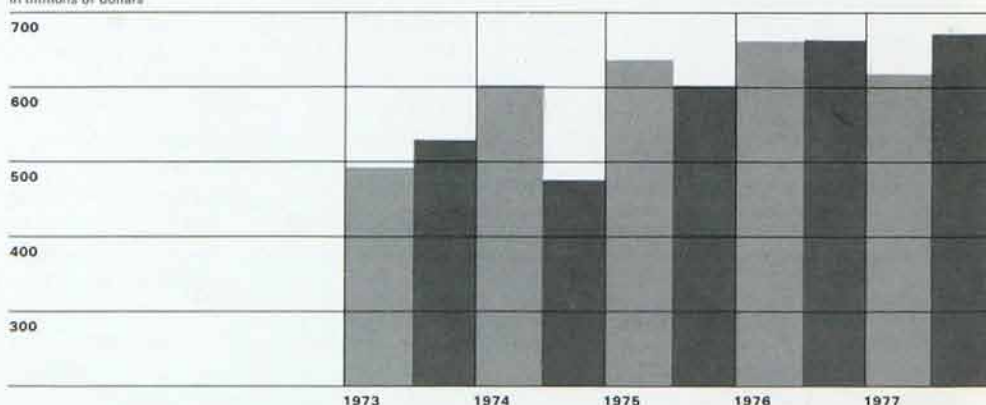
During the year, large net variations were recorded in several areas of the General Fund stock portfolio. The significant increase in the "Oil and Gas" section, which started at the end of 1976 and reached a peak in the fall of 1977, resulted in profits in some securities. However, the attitude towards integrated oil stocks during the past year prompted the Caisse, particularly during the first quarter, to reduce its holdings in a sector which was considered vulnerable because of surplus refining capacity and a slower development of demand.

The acquisition program undertaken in the "Metals and Minerals" sector during the last quarter of 1976 was curtailed substantially at the end of January due to the rapid increase in mining stocks; however, most of these stocks returned to significantly lower levels during the third quarter and purchases were then resumed. The low prices of certain metals, producers' heavy inventories, as well as the resulting curtailment of production are responsible for the recent slump in prices of several mining stocks. On the other hand, the decline in some "Paper

## Stock investments General Fund

In millions of dollars

Cost  
Market value



# Management Report

and Forest Products" stocks led the Caisse to implement a buying program in this field in anticipation of the recovery of newsprint demand and the incidence of devaluation of the Canadian dollar.

All in all, 1977 was characterized by intensive activity. Efforts focused on integration of the management of stock portfolios, achievement of a better balance between the various fields of activity in each one, attainment of increased negotiability of securities, greater diversification, and disposal of more or less marginal holdings.

## Private placements

Through its four investment departments, the Caisse actively participates in the financing of companies of different sizes operating in Québec. To date, the Private Placement Department has provided financial support for projects likely to promote the expansion or establishment of businesses requiring capital funds of \$500 000 or more. The financing usually is effected by way of bonds, debentures, mortgages and, occasionally, stocks. Such financing is negotiated on a private basis and involves terms reflecting market conditions.

Since its establishment, this department has completed 88 transactions, including outstanding commitments at year-end, with 69 firms. Cumulative investments of this nature since 1967 total \$115.6 million.

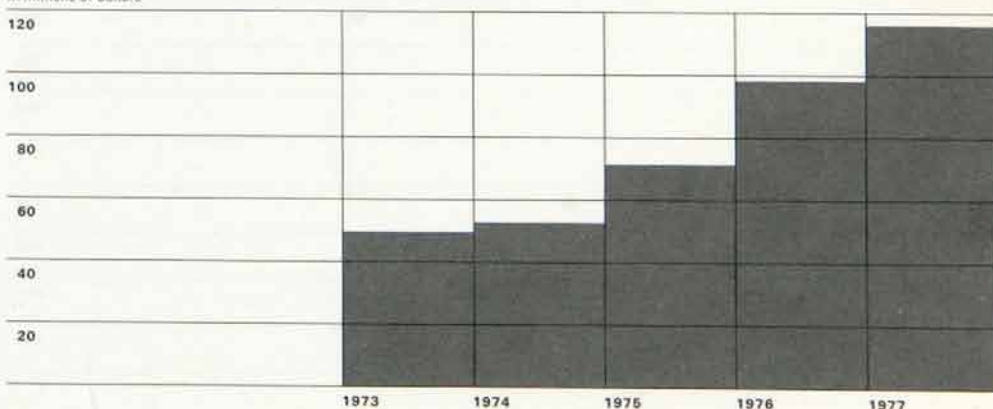
Net outlays during the year amounted to \$29 million compared with \$15.6 million the previous year. During 1977, financing agreements totalling \$17.7 million were negotiated with 13 firms. In the wake of approval of \$5.6 million in financing contracts, four new companies were able to begin operations. In addition, financing agreements totalling \$2.3 million enabled the acquisition of two companies. Seven of the thirteen transactions, representing a sum of \$13.5 million, were concluded in the manufacturing sector.

At December 31st, 1977, the General Fund portfolios in which all transactions negotiated by the Private Placement Department are integrated included investments of \$89.3 million distributed among 54 commercial, industrial or financial organizations, that is, \$82.6 million in the fixed income securities of 48 companies and \$6.7 million in the stocks of 8 companies. These fixed income securities had a weighted average yield of 10.40% compared with 9.92% at the end of 1976.

The Caisse intends to continue and intensify its efforts in the financing of firms operating in Québec. A change in its policy and structures in this field will make it possible in future to consider financing on a smaller scale, namely, a minimum of \$250 000.

## Cumulative commitments/Private placements General Fund

In millions of dollars



# Management Report

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## General Fund

### Mortgages

The book value of General Fund mortgage and real estate investments totalled \$294.9 million at December 31st, 1977, an increase of \$45.1 million during the year. These investments represented 6.2% of overall General Fund investments and their weighted average yield was 10.02% compared with 9.80% at the end of 1976.

In keeping with provisions of its charter, the Caisse invests in mortgages and real estate in Québec alone.

The General Fund portfolio included \$269.5 million in mortgage debts and \$25.4 million in real estate investments. In the latter case, it should be noted that investment policy of the Caisse does not allow acquisition of land for the sole purpose of speculation. All land owned at December 31st was occupied by properties of various types.

Taking into account the sum of \$98.6 million in outstanding financing contracts at the end of the previous year and new transactions approved during the year, Caisse outlays with respect to this General Fund portfolio amounted to \$50 million in 1977. The balance of outstanding commitments at December 31st, 1977, was \$51.6 million.

Though the scope of the loans granted in 1977 declined as a result of the paucity of major new undertakings, their number nevertheless rose due to dwindling activity by some traditional lenders in this sector.

The general investment policy of the Caisse continues to be directed towards the financing of new construction projects. However, the scarcity of large new projects in the commercial and industrial sectors, along with the high rate of vacancy in relatively new housing units in some municipalities, are factors which dictate caution when new requests are studied.

The Caisse serves the entire territory of Québec through its two regional offices located in Montréal and Québec. It does not deem it advisable to set up a network of branches because trust companies, banks and cooperative institutions all operate branches which, because of their geographic distribution throughout Québec, appear to meet the needs of the population.

# Management Report

## Segregated funds

During their eighth year, combined assets of Caisse segregated "O", "G", "A", and "H" funds totalled \$1 063 538 000 at December 31st, 1977, an increase of \$443 million. Net deposits of the seven different pension plans amounted to \$287.9 million, or 54.4% of the total. The four funds generated a total net income of \$77.7 million, with the market value of each unit improving significantly during the year.

## Breakdown of investments Segregated funds

- Deposits and short-term investments
- Mortgages
- Shares and convertible securities
- Bonds

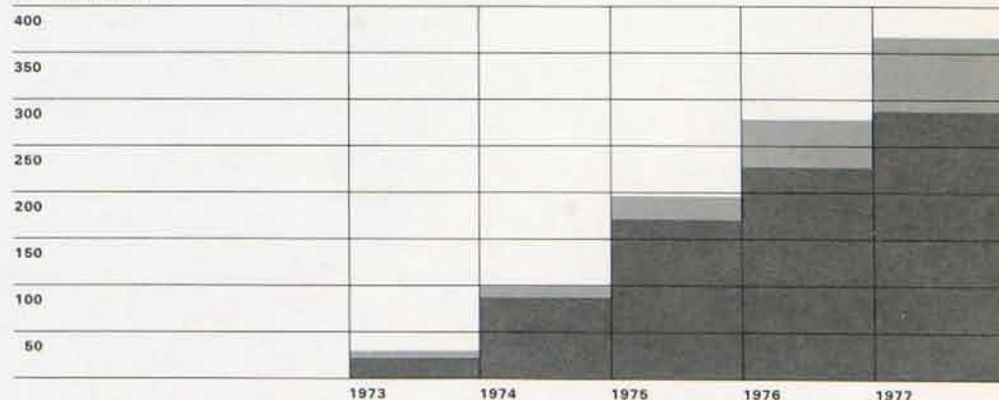
In millions of dollars



## Annual cash flow Segregated funds

- Reinvested income
- Net deposits

In millions of dollars



# Management Report

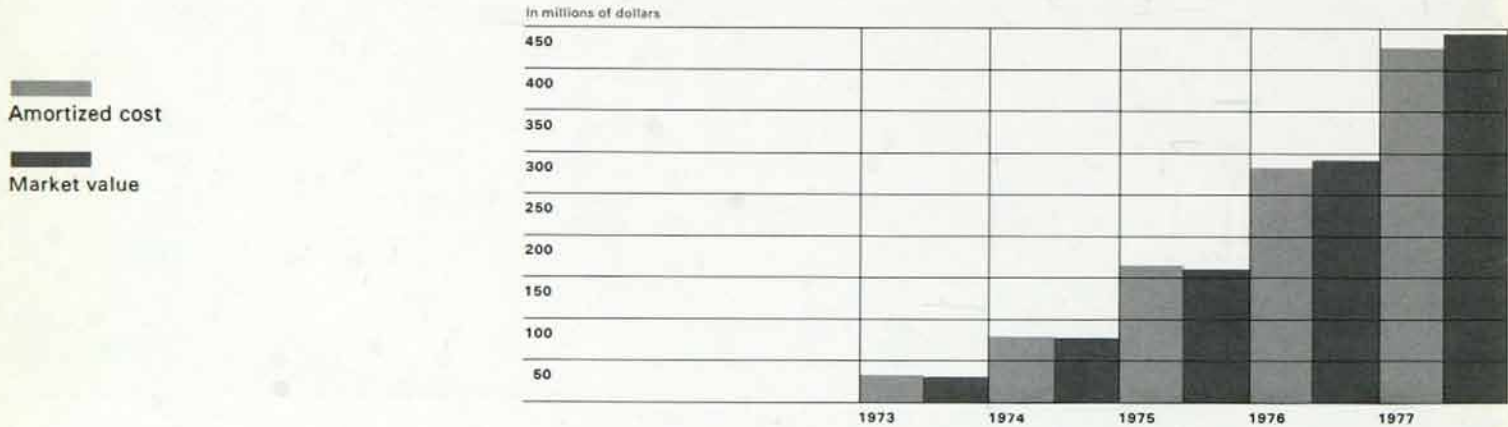
## Segregated funds

### Fund "O"

During the year, assets of the Segregated Bond Fund rose by \$154.3 million to a total of \$435.9 million at December 31st, 1977. The increase stemmed from the purchase of \$99.5 million in participation deposits and reinvestment of the net income of \$35.3 million. Fund "O" assets feature \$384.3 million in long-term bonds and \$26.7 million in short-term investments.

At year-end, 72.5% of long-term investments were concentrated in the Québec public sector while 22.8% were in securities of 53 Canadian public corporations. Table 12 illustrates the breakdown of Fund "O" investments at December 31st, 1977, and the net variation registered in each category during the year; the weighted average yield on long-term bonds declined slightly to 10.17%. The unit market value rose from \$1 782.77 at December 31st, 1976, to \$1 959.79 one year later, an improvement of 9.93%.

## Assets/Fund "O"



### Fund "G"

In 1977, the Lieutenant-Governor in Council approved amendments to Caisse regulations, thereby enabling establishment of the Segregated Government Bond Fund (Fund "G"). Long-term investments of the new fund are made up solely of Québec public sector bonds.

Fund "G" assets totalled \$91.3 million at year-end, including \$84.3 million in long-term bonds, \$3 million in short-term investments, and \$1.6 million in General Fund deposits.

Table 13 shows the distribution of bond investments at December 31st, 1977; their weighted average yield at that time was 9.98%. Of the \$84.3 million in long-term bonds, \$59.9 were securities issued or guaranteed by the Gouvernement du Québec. During this period, 97 910 participation deposit units were issued while 13 094 were cancelled for a net total of \$86.1 million. Investment income for the period from March 15th, 1977, when the Fund was established, to December 31st, 1977, totalled \$6 million. Units, initially valued at \$1 000, rose to \$1 088.72 at the end of 1977, an increase of 11.2% on a yearly basis.



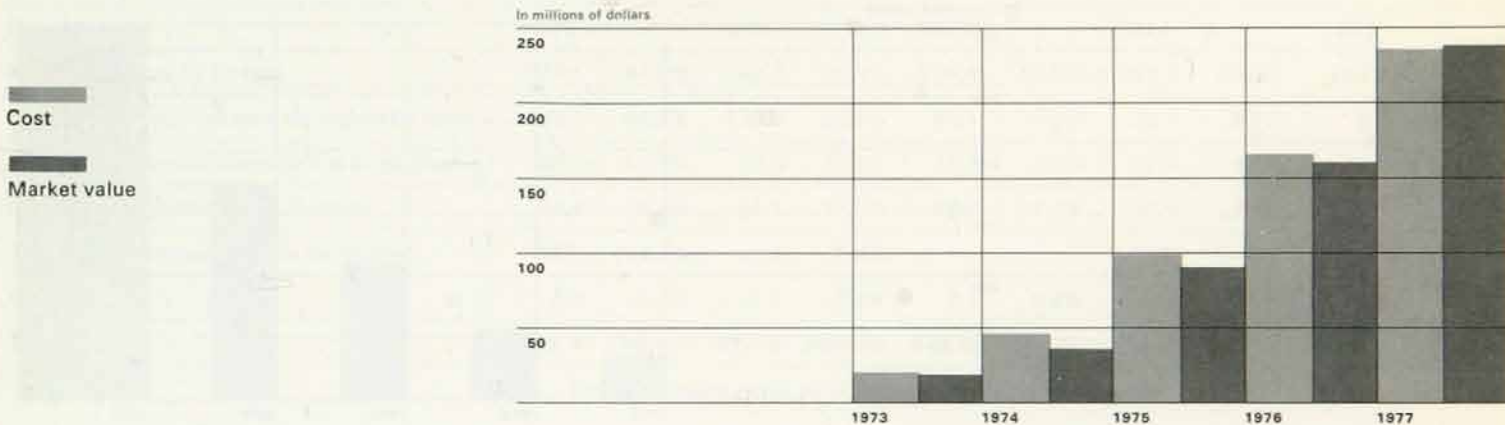
# Management Report

## Fund "A"

Stimulated by the purchase of over \$56 million in participation deposit units, Segregated Stock Fund assets increased sharply from \$166.1 million at the end of 1976 to \$236.1 million at December 31st, 1977, an improvement of 42.1%. Stock and convertible security investments totalled \$215.5 million while short-term securities and deposits in the Caisse General Fund amounted to \$5.5 million and \$13.4 million, respectively. Table 14 shows the new distribution of stocks and convertible securities according to the TSE 300 Index and indicates the net variation in each sector of the portfolio. Stock investments increased by a net amount of \$65.2 million in 1977.

The weighted average yield on investments totalled 5.02%, excluding \$2.1 million profit on sale of securities. Income for the year, fully reinvested in the fund, totalled \$12.5 million, bringing accumulated income to \$34.4 million at December 31st, 1977. The market value of each unit was \$1 444.69 at year-end as opposed to \$1 283.45 a year earlier, an increase of 12.6%.

## Assets / Fund "A"



## Fund "H"

Assets of the Segregated Mortgage Fund increased by \$127.3 million in 1977 and reached \$300.2 million at December 31st, 1977. Income during the year totalled \$23.9 million, bringing accumulated income in the fund to \$55.1 million. In 1977, the purchase of participation deposit units yielded \$84 million compared with \$48.5 million the previous year.

During the year, the Caisse modified its method of evaluating Fund "H" mortgage debts. Formerly, the unit book value was used to establish the price at which the participation unit was issued. The price is now set according to the amount representing the current yield rates on the mortgage market. When a change occurs in these rates, mortgage debt values are adjusted according to the yield tables as is the practice in companies managing pooled mortgage funds. Based on rates of 10.25% for mortgages in the residential sector and 10.50% for commercial and industrial real estate loans, the market value of outstanding mortgage debts at December 31st, 1977, was \$225 million; the unit had a market value of \$1 813.21 in relation to \$1 647.48 in 1976, an increment of 10.1%.

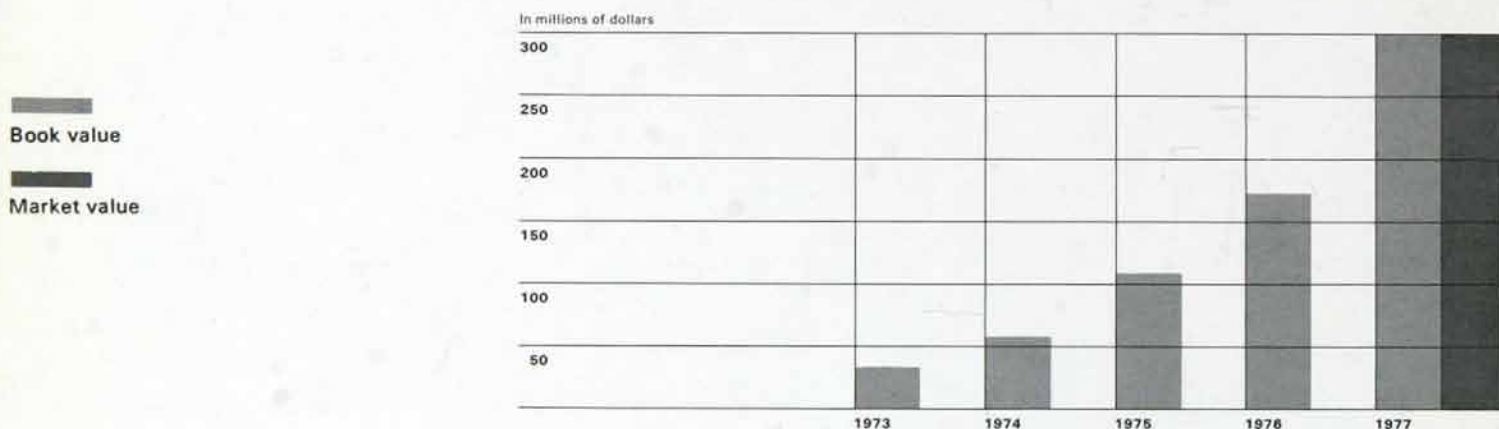
# Management Report

## Segregated funds

At December 31st, 1977, mortgage debts totalled \$225.3 million, an increase of \$80.2 million over the same period the previous year. As shown in Table 15, investments included \$180.8 million in residential mortgages and \$44.5 million in the commercial and industrial sectors. The yield on overall Fund "H" mortgage investments was 10.76% compared with 10.44% last year.

Because the Caisse had committed \$33 million for transactions negotiated directly with borrowers and \$30 million for the purchase of mortgage debts en bloc, Fund "H" maintained a net liquidity of \$51.5 million at December 31st, 1977.

## Assets/Fund "H"



## Depositors

Pension plans under the management of the Commission administrative du régime de retraite and the Office de la construction du Québec are the two main sources of moneys deposited in the segregated funds. At December 31st, 1977, they collectively held 98% of the overall assets of the four funds.

In 1977, the Commission administrative du régime de retraite (CARR) began to deposit in the Caisse contributions of individual pension plans in keeping with provisions of Orders-in-Council Nos. 2660, 2661 and 2662 adopted August 4th, 1976. Taking this addition into consideration, the Caisse now maintains a separate accounting system for four plans on behalf of CARR. The three others are:

# Management Report

1. Government and public employees retirement plan (RREGOP — contributions of unionized employees). In 1977, net deposits totalled \$144.9 million. Assets amounted to \$424.2 million at December 31st.

2. Government and public employees retirement plan (RREGOP — contributions of non-unionized employees and employers). Net deposits during the past year totalled \$64.2 million while assets amounted to \$147.3 million at year-end.

3. General retirement plan for mayors and councillors of cities and towns. Assets totalled \$1.1 million at the close of 1977.

The Office de la construction du Québec administers the supplemental pension plan for employees of the Québec construction industry. In 1977, net deposits totalled \$74.8 million. Moreover, in accordance with its Act and regulations, the Office, on April 30th, 1977, transferred to the Caisse the sum of \$35 million in short-term securities, bonds and stocks which were integrated in the assets of the plan, thus bringing it to a total value of \$546.2 million at December 31st, 1977.

## Net deposits<sup>1</sup> / Total funds

(in millions of dollars)

Depositors	1977		1976		1975		1974		1973	
Régie des rentes du Québec	236.1	44.6%	298.7	50.4%	254.4	56.9%	241.1	65.6%	244.3	77.6%
Commission administrative du régime de retraite	209.1	39.5%	139.9	23.6%	81.4	18.2%	35.1	9.6%	6.8	2.2%
Commission des accidents du travail de Québec	83.1	15.7%	72.5	12.2%	22.1	5.0%	22.7	6.2%	25.2	8.0%
Office de la construction du Québec	74.8	14.1%	84.2	14.2%	86.8	19.4%	49.4	13.4%	11.5	3.7%
Régie de l'assurance-maladie du Québec	(83.0)	(15.7%)	(7.0)	(1.2%)	—	—	17.0	4.6%	24.0	7.6%
Others	9.3	1.8%	4.5	0.8%	2.1	0.5%	2.3	0.6%	3.0	0.9%
<b>Total</b>	<b>529.4</b>	<b>100.0%</b>	<b>592.8</b>	<b>100.0%</b>	<b>446.8</b>	<b>100.0%</b>	<b>367.6</b>	<b>100.0%</b>	<b>314.8</b>	<b>100.0%</b>

<sup>1</sup> Net deposits are made up of contributions less withdrawals.

## Individual Fund

The Individual Fund was established December 31st, 1977, as a result of an agreement entered into with the Commission des accidents du travail de Québec and which materialized following amendments to the charter of the Caisse contained in Bill 97, assented to December 22nd, 1977. The Caisse thereby was empowered to accept participation deposits in an individual fund. It was thus able to rectify a situation which had led the Auditor-General to question the authority of the Caisse to manage funds of the Commission separately.

The balance sheet of the Individual Fund shows assets of \$309 783 000 at December 31st, 1977. Investments of \$302.2 million were made up of \$291.4 million in bonds and short-term securities and \$10.8 million in General Fund deposits. The weighted average yield on securities was 10.23% at year-end.

In addition to the participation deposits in the Individual Fund, assets of the Commission also included a bond portfolio of \$172.3 million administered as a fund under separate management and \$52.6 million in other General Fund deposits. At December 31st, 1977, total Commission assets under management of the Caisse amounted to \$539.1 million.

# Management Report

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## Staff

At December 31st, the Caisse had 122 regular employees. During the past four years, the number of employees increased at a significantly slower pace than the assets represented by overall funds. Improvement in productivity, partly attributable to greater automation, bears witness above all to the dynamic spirit of the human resources of the Caisse. Past efforts to develop the potential of the personnel are now reflected in the excellent financial results of the past year and in the influence of the Caisse in financial and business circles. The Board wishes to express to all the staff its deep gratitude for its valuable contribution to the achievements of 1977.

On behalf of the Board of Directors,

A handwritten signature in cursive script, appearing to read "M. Payan", followed by a period.

Chairman

Montréal, March 6th, 1978

# Statistical information

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### Individual Fund

16. Investments as at December 31st, 1977

# Statistical information

**Table 1**

**Ten-year financial retrospective**

(in millions of dollars)

	1977	1976	1975	1974
<b>General Fund</b>				
<b>Assets<sup>1</sup></b>	<b>4 891.0</b>	<b>4 299.1</b>	<b>3 688.9</b>	<b>3 156.4</b>
<b>Investments</b>				
<b>Bonds</b>				
Government of Canada	81.5	56.4	64.2	36.7
Gouvernement du Québec and guaranteed	2 538.9	2 208.6	1 799.3	1 534.3
Guaranteed by grants	156.3	148.2	123.7	103.3
Municipal and school	304.3	267.6	233.4	183.7
Corporate	444.8	420.4	357.3	318.5
<b>Total bonds</b>	<b>3 525.8</b>	<b>3 101.2</b>	<b>2 577.9</b>	<b>2 176.5</b>
Shares and convertible securities	618.3	661.4	638.7	601.9
Mortgages	269.5	224.4	199.0	197.9
Real estate	25.4	25.4	26.0	25.7
Short-term investments	326.9	226.4	191.5	105.0
<b>Total investments</b>	<b>4 765.9</b>	<b>4 238.8</b>	<b>3 633.1</b>	<b>3 107.0</b>
<b>Breakdown of long-term investments</b>				
Public sector	69.4%	66.8%	64.1%	61.9%
Private sector	30.6%	33.2%	35.9%	38.1%
Fixed income securities	85.5%	82.9%	80.7%	79.1%
Variable income securities	14.5%	17.1%	19.3%	20.9%
<b>Income to be paid out to participation deposit holders</b>	<b>381.1</b>	<b>327.0</b>	<b>262.6</b>	<b>213.4</b>
<b>Yield on average deposits</b>	<b>8.63%</b>	<b>8.62%</b>	<b>8.11%</b>	<b>7.88%</b>
<b>Total funds</b>				
<b>Assets under management</b>				
General Fund <sup>1</sup>	4 891.0	4 299.1	3 688.9	3 156.4
Segregated funds	1 063.5	620.5	370.1	182.7
Individual Fund and funds under separate management	539.6	401.2	246.4	219.4
	<b>6 494.1</b>	<b>5 320.8</b>	<b>4 305.4</b>	<b>3 558.5</b>
<b>Net income</b>				
General Fund	381.1	327.0	262.6	213.4
Segregated funds	77.7	48.8	24.9	11.0
Individual Fund and funds under separate management	42.3	27.7	17.3	15.7
	<b>501.1</b>	<b>403.5</b>	<b>304.8</b>	<b>240.1</b>
<b>Net deposits</b>				
General Fund	158.4	249.1	265.4	280.9
Segregated funds	287.9	227.5	170.4	86.8
Individual Fund and funds under separate management	83.1	116.2	11.0	—
	<b>529.4</b>	<b>592.8</b>	<b>446.8</b>	<b>367.7</b>
<b>Administrative expenditures</b>	<b>6.7</b>	<b>4.6</b>	<b>3.9</b>	<b>2.6</b>

<sup>1</sup> Assets of the General Fund do not reflect for the purpose of this presentation, demand and term deposits of the segregated funds and the Ind

1973	1972	1971	1970	1969	1968
2 630.9	2 138.1	1 688.8	1 320.5	990.4	683.9
57.1	55.7	57.9	73.3	46.7	51.4
1 317.5	1 088.5	882.9	711.8	538.4	394.7
87.8	65.0	38.7	28.1	21.0	10.6
141.3	121.6	106.8	98.6	83.6	56.5
261.9	244.3	186.3	93.1	45.6	36.8
1 865.6	1 575.1	1 272.6	1 004.9	735.3	550.0
491.7	352.6	280.9	212.4	156.6	99.3
128.9	72.9	67.2	44.8	25.5	2.7
23.9	21.9	20.9	14.8	4.4	1.1
85.9	90.9	29.4	28.7	54.2	20.5
2 596.0	2 113.4	1 671.0	1 305.6	976.0	673.6
63.9%	65.8%	66.2%	71.4%	74.8%	78.6%
36.1%	34.2%	33.8%	28.6%	25.2%	21.4%
79.5%	81.6%	81.6%	82.2%	82.5%	84.6%
20.5%	18.4%	18.4%	17.8%	17.5%	15.4%
165.8	133.3	103.8	77.9	52.9	32.8
7.32%	7.22%	7.09%	6.99%	6.63%	6.34%
2 630.9	2 138.1	1 688.8	1 320.5	990.4	683.9
85.8	51.7	27.9	8.6	—	—
234.8	46.1	50.2	54.1	—	—
2 951.5	2 235.9	1 766.9	1 383.2	990.4	683.9
165.8	133.3	103.8	77.9	52.9	32.8
6.3	3.2	1.2	0.1	—	—
9.0	3.2	3.4	3.1	—	—
181.1	139.7	108.4	81.1	52.9	32.8
293.5	302.5	246.6	246.3	246.9	229.0
21.3	13.3	10.8	4.2	—	—
—	—	—	—	—	—
314.8	315.8	257.4	250.5	246.9	229.0
2.3	1.5	1.2	1.0	0.8	0.6

Individual Fund, which are included with their respective assets.

# Statistical information

## Total funds

**Table 2**

**Highlights for the year**  
(in millions of dollars)

	1977	1976	Increase
<b>Total funds</b>			
Assets under management	6 494.1	5 320.8	22.1%
Investments	6 301.0	5 221.9	20.7%
Long-term investments	5 851.6	4 949.8	18.2%
Investment income	516.3	421.8	22.4%
Administrative expenditures	6.7	4.6	45.7%
Net income	501.1	403.5	24.2%
Net deposits	529.4	592.8	(10.7%)
Number of depositors	14	12	—
Number of employees	122	113	—
<b>General Fund</b>			
Assets <sup>1</sup>	4 891.0	4 299.1	13.8%
Income to be paid out to participation deposit holders	381.1	327.0	16.5%
Net deposits	158.4	249.1	(36.4%)
Yield on average deposits	8.63%	8.62%	—
<b>Segregated funds</b>			
Assets	1 063.5	620.5	71.4%
Income	77.7	48.8	59.2%
Net deposits	287.9	227.5	26.5%
<b>Individual Fund and funds under separate management</b>			
Assets	539.6	401.2	34.5%
Income	42.3	27.7	52.7%
Net deposits	83.1	116.2	(28.5%)

<sup>1</sup> Assets of the General Fund do not reflect, for the purpose of this presentation, demand and term deposits of the segregated funds and the Individual Fund, which are included with their total assets. Figures for 1976 were reclassified accordingly.



# Statistical information

## Total funds

**Table 3**

**Acquisition by the Caisse de dépôt of new bonds issued or guaranteed by the Gouvernement du Québec on the Canadian market in 1977**

(in millions of dollars)

Issues			Amount acquired by the Caisse de dépôt	
Type	Number	Amount	Amount	Percentage of total
Public	4	450	110	24.4
Private	6	521	450	86.4
<b>Total</b>	<b>10</b>	<b>971</b>	<b>560</b>	<b>57.7</b>

**Table 4**

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

(in millions of dollars)

Year ended December 31st	General Fund	Segregated funds	Individual Fund	Total	Private issues	Public issues
1966	61.3	—	—	61.3	—	61.3
1967	95.0	—	—	95.0	—	95.0
1968	145.0	—	—	145.0	60.0	85.0
1969	142.0	—	—	142.0	75.0	67.0
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
	<b>2 624.7</b>	<b>196.9</b>	<b>116.0</b>	<b>2 937.6</b>	<b>1 573.0</b>	<b>1 364.6</b>

# Statistical information

## General Fund

**Table 5**

**Yield on average deposits in the General Fund during 1977**

	Average deposits (in thousands of dollars)	Interest paid or due (in thousands of dollars)	Yield
	\$	\$	
Demand deposits	64 114	4 888	7.623%
Term deposits	34 560	2 631	7.615%
Participation deposits	4 403 675	381 074	8.654%
<b>Total</b>	<b>4 502 349</b>	<b>388 593</b>	<b>8.631%</b>

**Table 6**

**General Fund  
Summary of investments**  
as at December 31st, 1977  
(in millions of dollars)

% Book value		Nominal value	Market value	Yield <sup>1</sup>	Book value	
					December 31st, 1977	Net change during 1977
<b>Bonds</b>						
64.6%	Public sector	3 133.3	2 977.7	9.31%	3 081.0	400.2
9.3%	Private sector	449.6	438.5	9.79%	444.8	24.4
<b>73.9%</b>		<b>3 582.9</b>	<b>3 416.2</b>	<b>9.35%</b>	<b>3 525.8</b>	<b>424.6</b>
13.0%	Shares and convertible securities		671.3	5.15%	618.3	(43.1)
5.7%	Mortgages		257.4	9.76%	269.5	45.1
0.5%	Real estate		25.4	11.64%	25.4	—
6.9%	Short-term investments		326.9	7.61%	326.9	100.5
<b>100.0%</b>			<b>4 697.2</b>		<b>4 765.9</b>	<b>527.1</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## General Fund

**Table 7**

**General Fund**  
**Bond investments**  
as at December 31st, 1977  
(in thousands of dollars)

Categories	Nominal value	Amortized cost		Market value	Yield <sup>1</sup>	Net change in 1977 (at amortized cost)
	\$	\$	%	\$		\$
<b>Issued or guaranteed by the Government of Canada</b>						
Government of Canada	80 500	81 501	2.3	80 532	9.00%	25 122
<b>Issued or guaranteed by the Gouvernement du Québec</b>						
Gouvernement du Québec	1 527 292	1 508 754	42.8	1 470 765	9.35%	255 057
Hydro-Québec	914 962	894 954	25.4	847 830	9.03%	73 732
Other	136 091	135 166	3.8	135 272	10.00%	1 511
	<b>2 578 345</b>	<b>2 538 874</b>	<b>72.0</b>	<b>2 453 867</b>	<b>9.27%</b>	<b>330 300</b>
<b>Guaranteed by grants</b>						
Cegeps	66 012	64 257	1.8	62 351	9.41%	2 418
Hospitals	44 702	43 906	1.3	41 370	8.98%	2 629
Universities	49 186	48 151	1.4	47 190	9.87%	3 091
	<b>159 900</b>	<b>156 314</b>	<b>4.5</b>	<b>150 911</b>	<b>9.43%</b>	<b>8 138</b>
<b>Municipal and school</b>						
Municipalities	179 205	173 222	4.9	165 975	9.47%	24 318
School boards	135 385	131 094	3.7	126 382	9.48%	12 372
	<b>314 590</b>	<b>304 316</b>	<b>8.6</b>	<b>292 357</b>	<b>9.47%</b>	<b>36 690</b>
<b>Corporate</b>	<b>449 606</b>	<b>444 785</b>	<b>12.6</b>	<b>438 502</b>	<b>9.79%</b>	<b>24 350</b>
	<b>3 582 941</b>	<b>3 525 790</b>	<b>100.0</b>	<b>3 416 169</b>	<b>9.35%</b>	<b>424 600</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## General Fund

**Table 8**

**General Fund**  
**Share and convertible security investments**  
as at December 31st, 1977  
(in thousands of dollars)

Sector of activity	Number of companies	Cost				Total market value	Yield <sup>1</sup>	Net change in 1977 (at cost)
		Shares	Convertible securities	Total	%			
		\$	\$	\$	%	\$	\$	
Metals and minerals	17	118 968	—	118 968	19.3	98 645	3.48%	33 246
Gold	1	2 393	—	2 393	0.4	2 521	3.21%	202
Oil and gas	22	70 822	5 167	75 989	12.3	109 654	4.43%	(47 444)
Paper and forest products	12	30 941	—	30 941	5.0	28 411	4.66%	9 482
Consumer products	13	39 411	2 230	41 641	6.7	39 295	4.75%	6 399
Industrial products	26	68 639	—	68 639	11.1	65 273	4.23%	12 957
Real estate and construction	5	2 045	6 006	8 051	1.3	6 551	3.43%	(10 630)
Transportation	5	26 038	—	26 038	4.2	29 980	6.20%	96
Pipelines	4	27 988	—	27 988	4.5	36 778	8.03%	(2 430)
Utilities	8	60 400	—	60 400	9.8	74 462	8.47%	(4 085)
Communications and media	4	4 569	—	4 569	0.7	4 877	1.17%	(476)
Merchandising	15	30 792	85	30 877	5.0	32 736	4.01%	(9 127)
Financial services	14	100 869	—	100 869	16.3	116 883	6.45%	(2 105)
Investment companies	9	20 913	—	20 913	3.4	25 263	4.47%	(29 147)
	<b>155</b>	<b>604 788</b>	<b>13 488</b>	<b>618 276</b>	<b>100.0</b>	<b>671 329</b>	<b>5.15%</b>	<b>(43 062)</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## General Fund

**Table 9**

**General Fund**  
**Mortgage and real estate investments<sup>1</sup>**  
 as at December 31st, 1977  
 (in thousands of dollars)

Categories	Number	Amount	Breakdown %	Market value	Yield <sup>2</sup>
<b>Mortgage investments</b>					
Residential					
Insured mortgages	46	55 209	18.7	51 077	
Conventional mortgages	8	7 938	2.7	7 401	
	<b>54</b>	<b>63 147</b>	<b>21.4</b>	<b>58 478</b>	
Commercial	47	183 857	62.4	176 371	
Industrial	17	22 538	7.6	22 546	
<b>Subtotal</b>	<b>118</b>	<b>269 542</b>	<b>91.4</b>	<b>257 395</b>	<b>9.76%</b>
<b>Real estate investments</b>					
Land	31	15 069	5.1	15 069	
Land and buildings	12	10 326	3.5	10 326	
<b>Subtotal</b>	<b>43</b>	<b>25 395</b>	<b>8.6</b>	<b>25 395</b>	<b>11.64%</b>
<b>Total</b>	<b>161</b>	<b>294 937</b>	<b>100.0%</b>	<b>282 790</b>	<b>10.02%</b>

<sup>1</sup> In accordance with provisions of the charter of the Caisse de dépôt, all investments must be secured by real estate in Québec.

<sup>2</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## Segregated funds

**Table 10**

**Highlights for the year**  
**Segregated funds**

(in millions of dollars)

	1977	1976	Increase
<b>Net deposits by participants</b>	287.9	227.5	26.5%
<b>Total segregated funds</b>			
Assets	1 063.5	620.5	71.4%
Income	77.7	48.8	59.2%
<b>Fund "O"</b>			
Assets	435.9	281.5	54.8%
Income	35.3	24.0	47.1%
Unit market value (in dollars)	1 959.79	1 782.77	9.9%
<b>Fund "G"</b>			
Assets	91.3	—	—
Income	6.0	—	—
Unit market value (in dollars)	1 088.72	—	—
<b>Fund "A"</b>			
Assets	236.1	166.1	42.1%
Income	12.5	10.1	23.8%
Unit market value (in dollars)	1 444.69	1 283.45	12.6%
<b>Fund "H"</b>			
Assets	300.2	172.9	73.6%
Income	23.9	14.7	62.6%
Unit market value (in dollars)	1 813.21	1 647.48	10.1%

# Statistical information

## Segregated funds

**Table 11**

**Segregated funds**  
**Summary of investments**  
 as at December 31st, 1977  
 (in millions of dollars)

% Book value		Nominal value	Market value	Yield <sup>1</sup>	Book value	
					December 31st, 1977	Net increase during 1977
<b>Bonds</b>						
Public sector						
29.4%	Fund "O"	298.8	303.6	10.19%	296.8	106.4
8.4%	Fund "G"	85.0	85.3	9.98%	84.3	84.3
37.8%		383.8	388.9	10.17%	381.1	190.7
Private sector						
8.7%	Fund "O"	87.8	89.1	10.10%	87.5	22.2
46.5%		471.6	478.0	10.16%	468.6	212.9
21.4%	Shares and convertible securities – Fund "A"		221.3	5.02%	215.5	65.2
22.4%	Mortgages – Fund "H"		225.0	10.76%	225.3	79.4
9.7%	Deposits and short-term investments of the four segregated funds <sup>2</sup>		98.3		98.3	37.6
100.0%	Total <sup>3</sup>		1 022.6		1 007.7	395.1

- 1 This weighted average yield does not take into account profit and loss on sale of investments.
- 2 Advances of \$37.8 million by the General Fund have been deducted from deposits.
- 3 The four funds constitute individual pooled funds of separate legal entities. They are accounted for separately and the total investments are shown solely for information purposes.

# Statistical information

## Segregated funds

**Table 12**

**Fund "O"**  
**Bond investments**  
 as at December 31st, 1977  
 (in thousands of dollars)

Categories	Nominal value	Amortized cost		Market value	Yield <sup>1</sup>	Net change in 1977 (at amortized cost)
	\$	\$	%	\$		\$
<b>Issued or guaranteed by the Government of Canada</b>						
Government of Canada	17 900	18 217	4.7	18 182	9.16%	10 392
<b>Issued or guaranteed by the Gouvernement du Québec</b>						
Gouvernement du Québec	139 375	138 985	36.2	143 266	10.18%	46 506
Hydro-Québec	22 850	22 894	5.9	23 230	9.91%	16 089
Other	14 860	14 825	3.9	15 306	10.56%	1
	<b>177 085</b>	<b>176 704</b>	<b>46.0</b>	<b>181 802</b>	<b>10.18%</b>	<b>62 596</b>
<b>Guaranteed by grants</b>						
Cegeps	16 769	16 216	4.2	16 613	10.52%	415
Hospitals	12 432	12 336	3.2	12 434	10.13%	3 942
Universities	10 100	9 853	2.6	10 206	10.81%	2 141
	<b>39 301</b>	<b>38 405</b>	<b>10.0</b>	<b>39 253</b>	<b>10.47%</b>	<b>6 498</b>
<b>Municipal and school</b>						
Municipalities	46 243	45 508	11.8	46 276	10.34%	20 763
School boards	18 325	17 917	4.7	18 070	10.30%	6 097
	<b>64 568</b>	<b>63 425</b>	<b>16.5</b>	<b>64 346</b>	<b>10.33%</b>	<b>26 860</b>
<b>Corporate</b>	<b>87 790</b>	<b>87 521</b>	<b>22.8</b>	<b>89 101</b>	<b>10.10%</b>	<b>22 245</b>
	<b>386 644</b>	<b>384 272</b>	<b>100.0</b>	<b>392 684</b>	<b>10.17%</b>	<b>128 591</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.



# Statistical information

## Segregated funds

**Table 13**

**Fund "G"**  
**Bond investments**  
 as at December 31st, 1977  
 (in thousands of dollars)

Categories	Nominal value	Amortized cost		Market value	Yield <sup>1</sup>
	\$	\$	%	\$	
<b>Issued or guaranteed by the Gouvernement du Québec</b>					
Gouvernement du Québec	55 000	54 907	65.1	55 456	9.77%
Hydro-Québec	5 000	4 950	5.9	5 006	9.86%
	<b>60 000</b>	<b>59 857</b>	<b>71.0</b>	<b>60 462</b>	<b>9.78%</b>
<b>Guaranteed by grants</b>					
Cegeps	3 690	3 578	4.2	3 674	10.54%
Hospitals	800	772	0.9	795	10.60%
Universities	2 550	2 485	3.0	2 508	10.46%
	<b>7 040</b>	<b>6 835</b>	<b>8.1</b>	<b>6 977</b>	<b>10.52%</b>
<b>Municipal and school</b>					
Municipalities	16 165	15 806	18.8	16 069	10.50%
School boards	1 830	1 794	2.1	1 817	10.30%
	<b>17 995</b>	<b>17 600</b>	<b>20.9</b>	<b>17 886</b>	<b>10.48%</b>
	<b>85 035</b>	<b>84 292</b>	<b>100.0</b>	<b>85 325</b>	<b>9.98%</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## Segregated funds

**Table 14**

**Fund "A"**  
**Share and convertible security investments**  
as at December 31st, 1977  
(in thousands of dollars)

Sector of activity	Number of companies	Cost				Total market value	Yield <sup>1</sup>	Net change in 1977 (at cost)
		Shares	Convertible securities	Total				
		\$	\$	\$	%	\$	\$	
Metals and minerals	13	37 355	—	37 355	17.3	31 124	3.79%	13 444
Golds	1	2 665	—	2 665	1.2	2 698	3.09%	—
Oil and gas	14	27 066	—	27 066	12.6	34 679	3.54%	7 307
Paper and forest products	8	17 489	—	17 489	8.1	15 459	4.00%	(180)
Consumer products	7	15 344	69	15 413	7.1	14 555	4.56%	1 873
Industrial products	16	23 631	—	23 631	11.0	22 491	4.73%	9 123
Real estate and construction	1	127	—	127	0.1	146	6.50%	(329)
Transportation	3	10 230	—	10 230	4.7	11 201	6.07%	1 868
Pipelines	4	11 355	—	11 355	5.3	13 845	7.71%	2 099
Utilities	6	18 232	—	18 232	8.5	20 904	8.07%	8 853
Communications and media	2	125	100	225	0.1	279	3.67%	104
Merchandising	7	7 199	—	7 199	3.3	8 134	3.93%	1 321
Financial services	11	38 459	2 238	40 697	18.9	41 632	5.86%	19 845
Investment companies	3	3 850	—	3 850	1.8	4 144	4.68%	(80)
	<b>96</b>	<b>213 127</b>	<b>2 407</b>	<b>215 534</b>	<b>100.0</b>	<b>221 291</b>	<b>5.02%</b>	<b>65 248</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.

**Table 15**

**Fund "H"**  
**Mortgage investments<sup>1</sup>**  
as at December 31st, 1977  
(in thousands of dollars)

Categories	Number	Amount	Breakdown %	Market value	Yield <sup>2</sup>
<b>Mortgage investments</b>					
<b>Residential</b>					
Insured mortgages	4 245	168 177	74.6	168 110	
Conventional mortgages	200	12 623	5.6	12 549	
	<b>4 445</b>	<b>180 800</b>	<b>80.2</b>	<b>180 659</b>	
Commercial	67	29 648	13.2	29 674	
Industrial	41	14 842	6.6	14 639	
<b>Total</b>	<b>4 553</b>	<b>225 290</b>	<b>100.0</b>	<b>224 972</b>	<b>10.76%</b>

<sup>1</sup> These investments are all secured by real estate in Québec.

<sup>2</sup> This weighted average yield does not take into account profit and loss on sale of investments.

# Statistical information

## Individual Fund

**Table 16**

**Individual Fund  
Investments**

as at December 31st, 1977  
(in thousands of dollars)

Categories	Nominal value	Amortized cost		Market value	Yield <sup>1</sup>
	\$	\$	%	\$	
<b>Issued or guaranteed by the Government of Canada</b>					
Government of Canada	20 250	20 471	7.0	20 709	9.31%
<b>Issued or guaranteed by the Gouvernement du Québec</b>					
Gouvernement du Québec	113 250	112 345	38.6	115 571	10.12%
Hydro-Québec	20 000	19 826	6.8	20 213	9.98%
Other	5 000	4 983	1.7	5 163	10.59%
	<b>138 250</b>	<b>137 154</b>	<b>47.1</b>	<b>140 947</b>	<b>10.12%</b>
<b>Guaranteed by grants</b>					
Cegeps	11 879	11 554	4.0	12 015	10.83%
Hospitals	3 185	3 074	1.0	3 223	11.02%
Universities	14 960	14 584	5.0	14 960	10.66%
	<b>30 024</b>	<b>29 212</b>	<b>10.0</b>	<b>30 198</b>	<b>10.76%</b>
<b>Municipal and school</b>					
Municipalities	33 542	32 591	11.2	33 483	10.65%
School boards	24 020	23 498	8.1	24 107	10.61%
	<b>57 562</b>	<b>56 089</b>	<b>19.3</b>	<b>57 590</b>	<b>10.63%</b>
Corporate	43 878	43 545	14.9	45 033	10.49%
<b>Long-term investments</b>	<b>289 964</b>	<b>286 471</b>	<b>98.3</b>	<b>294 477</b>	<b>10.28%</b>
Short-term investments	5 000	4 908	1.7	4 908	7.40%
<b>Total investments</b>	<b>294 964</b>	<b>291 379</b>	<b>100.0</b>	<b>299 385</b>	<b>10.23%</b>

<sup>1</sup> This weighted average yield does not take into account profit and loss on sale of investments.



# Financial statements

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**44. General Fund**

**49. Segregated funds**

Bonds (Fund "O")

Government Bonds (Fund "G")

Stocks (Fund "A")

Mortgages (Fund "H")

**57. Individual Fund**

# Financial statements

## General Fund

### Balance sheet

as at December 31st, 1977

(in thousands of dollars)

<b>Assets</b>	<b>1977</b>	<b>1976</b>
Cash	\$ 346	\$ 344
Investment income receivable	94 166	78 204
Advances to segregated funds and to participation deposit holders	79 883	—
Other assets	1 588	1 203
	<b>\$ 175 983</b>	<b>\$ 79 751</b>
<b>Investments (Note 2)</b>		
Bonds	\$3 525 790	\$3 101 190
Shares and convertible securities	618 276	661 338
Mortgages	269 542	224 407
Real estate	25 395	25 402
Short-term investments	326 869	226 440
	<b>\$4 765 872</b>	<b>\$4 238 777</b>
	<b>\$4 941 855</b>	<b>\$4 318 528</b>
<b>Liabilities</b>		
<b>Deposits (Note 3)</b>		
Demand	\$ 82 341	\$ 103 202
Term	47 470	2 500
Income and interest to be paid out to participation deposit holders (Note 4)	100 382	92 611
Transactions under settlement	2 466	3 042
Other liabilities	3 405	2 707
	<b>\$ 236 064</b>	<b>\$ 204 062</b>
<b>Holdings' equity in participation deposits</b>		
Participation deposits (Note 4)	\$4 627 284	\$4 058 808
General reserve (Note 5)	78 507	55 658
	<b>\$4 705 791</b>	<b>\$4 114 466</b>
	<b>\$4 941 855</b>	<b>\$4 318 528</b>

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

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

Marcel Cazavan  
Gill Fortier

# Financial statements

## General Fund

### Income and expenditure

for the year ended December 31st, 1977

(in thousands of dollars)

Income	1977	1976
<b>Investment income</b>		
Interest on bonds	\$301 898	\$254 576
Dividends, interest on convertible securities	33 975	38 237
Interest on mortgages	22 970	19 067
Real estate revenue	3 552	2 696
Interest on short-term investments	31 082	26 465
	<b>\$393 477</b>	<b>\$341 041</b>
Profit and loss on sale of investments	21 431	6 154
Management fees	1 422	980
Other income	353	55
<b>Total income</b>	<b>\$416 683</b>	<b>\$348 230</b>
<b>Administrative expenditures</b>		
Directors' fees and expenses	\$ 6	\$ 7
Salaries and fringe benefits (Note 6)	4 483	2 414
Travel expenses	106	116
Professional fees	690	476
Bank and safekeeping charges	152	127
Fidelity and other insurance	170	96
Premises and office equipment	827	1 125
Documentation and stationery	92	132
Other	133	132
	<b>\$ 6 659</b>	<b>\$ 4 625</b>
<b>Balance of income</b>	<b>\$410 024</b>	<b>\$343 605</b>
Interest on demand and term deposits — net (Note 7)	7 519	10 471
<b>Net income for the year</b>	<b>\$402 505</b>	<b>\$333 134</b>
Transfer of profit and loss on sale of investments to general reserve (Note 5)	21 431	6 154
<b>Income to be paid out to participation deposit holders</b>	<b>\$381 074</b>	<b>\$326 980</b>

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

# Financial statements

## General Fund

### Income and interest to be paid out to deposit holders

for the year ended December 31st, 1977

(in thousands of dollars)

	Deposit holders		
	Demand and term	Participation	Total
Balance to be paid out at beginning of year	\$ 363	\$ 92 248	\$ 92 611
Interest on demand and term deposits, and income to be paid out to participation deposit holders	7 519	381 074	388 593
	\$ 7 882	\$473 322	\$481 204
Amounts paid	7 736	373 086	380 822
Balance to be paid out at year-end	\$ 146	\$100 236	\$100 382

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

### Disclosure of significant accounting policies

#### Investments

Shares, land, mortgages, and short-term investments are accounted for at cost, and other investments at amortized cost.

#### Transactions under settlement

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

#### Participation deposits

Participation deposits consist of units of participation giving their holders a proportionate share in the net equity and net revenues of the General Fund of the Caisse de dépôt. The value of such units at the end of each quarter is established by dividing the market value of the net assets of this Fund by the total number of units outstanding at that date; the said value is used to calculate the price at which units are to be issued or cancelled at the beginning of the following quarter.

#### General reserve

The general reserve is made up of net gains on sales of investments and the variance between the cost to depositors and the market value of cancelled units of participation deposits.

#### Dividend income

Dividends are taken into income on record date.

#### Fixed assets

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

### Notes to financial statements

1. 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 funds under separate management.

2. At December 31st, 1977, the market value of investments was \$4 697 157 000 (1976, \$4 124 403 000).

During the year, the Caisse de dépôt changed its method of evaluating the market value of mortgages. Formerly, the book value of mortgages was used; they are now evaluated at the amount of capital as expressed by the current rate of yield for each category of mortgage. The market value of investments at December 31st, 1976, was not adjusted to reflect this change.



# Financial statements

## General Fund

3. Moneys entrusted to the Caisse de dépôt 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 de dépôt towards the depositors and bear interest.

The demand and term deposits of the General Fund include the following deposits of the segregated funds and the Individual Fund at December 31st:

	1977 (in thousands of dollars)	1976 (in thousands of dollars)
<b>Segregated funds</b>		
Segregated Fund — Bonds (Fund "O")	\$15 485	\$ 8 821
Segregated Fund — Government Bonds (Fund "G")	1 632	—
Segregated Fund — Stocks (Fund "A")	13 470	4 748
Segregated Fund — Mortgages (Fund "H")	9 500	5 847
<b>Individual Fund</b>	10 811	—
	<b>\$50 898</b>	<b>\$19 416</b>

4. At December 31st, 1977, participation deposits consisted of 5 449 535 units (1976, 4 767 240). During the year, 731 101 units were issued for an amount of \$610 894 746 while 48 806 units, for an amount of \$42 418 307, were cancelled as a result of withdrawals.

At the end of each quarter, the net income of the General 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 deposits account of the depositors, thus adding to the balance at the end of the preceding quarter. The new balance in the demand deposits account may then, at the depositor's option, be allocated, in whole or in part, to the acquisition of units of participation deposits, be converted into term deposits, remain as demand deposits, or be withdrawn.

### 5. General reserve

	1977 (in thousands of dollars)	1976 (in thousands of dollars)
Balance at beginning of year	\$55 658	\$49 504
Transferred from Statement of income and expenditure	21 431	6 154
	<b>\$77 089</b>	<b>\$55 658</b>
Variance between the cost to depositors and the market value of cancelled units of participation deposits	1 418	—
Balance at year-end	<b>\$78 507</b>	<b>\$55 658</b>

# Financial statements

## General Fund

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### Notes to financial statements

6. In the wake of a decision by the Lieutenant-Governor in Council in respect to application of Section 53 of the Civil Service Superannuation Plan, the Caisse de dépôt paid to the Commission administrative du régime de retraite, to cover the balance of the cost of prior service for its officers and employees as well as the commuted value of outstanding pensions, the sum of \$1 602 464, including accrued interest. This disbursement is a final settlement of the employer share not previously paid by the Caisse de dépôt from its establishment up to December 31st, 1976; it has been charged, along with the current contribution, to administrative expenditures for the year.
7. Interest earned on advances by the General Fund to segregated funds and to participation deposit holders has been deducted from interest on demand and term deposits.
8. Sections 19 and 20 of the Charter of the Caisse de dépôt et placement du Québec were amended by Bill 97, assented to December 22nd, 1977.  
New regulations giving effect to such amendments will be submitted for government approval in 1978. In the meantime, the Caisse de dépôt is continuing to apply its present regulations.

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### 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, 1977, the statement of income and expenditure and the statement of income and interest to be paid out to deposit holders 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 General Fund of the Caisse de dépôt were made in compliance with its charter and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 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, 1978

# Financial statements

## Segregated Fund

### Bonds (Fund "O")

#### Balance sheet

as at December 31st, 1977  
(in thousands of dollars)

<b>Assets</b>	<b>1977</b>	<b>1976</b>
Investments (Note 1)		
Bonds	\$384 272	\$255 680
Short-term investments	26 674	10 809
Deposits in the General Fund		
Demand	—	8 821
Term	15 485	—
	<b>\$426 431</b>	<b>\$275 310</b>
Accrued interest	9 439	6 224
	<b>\$435 870</b>	<b>\$281 534</b>
<b>Liabilities</b>		
Advances from the General Fund	\$ 18 967	\$ —
Transactions under settlement	515	—
	<b>\$ 19 482</b>	<b>\$ —</b>
<b>Holder's equity in participation deposits</b>		
Participation deposits (Note 2)	\$338 576	\$239 052
Accumulated income (Note 3)	77 812	42 482
	<b>\$416 388</b>	<b>\$281 534</b>
	<b>\$435 870</b>	<b>\$281 534</b>

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

Marcel Cazavan  
Gill Fortier

#### Income and accumulated income (Note 3)

for the year ended December 31st, 1977  
(in thousands of dollars)

	<b>1977</b>	<b>1976</b>
<b>Investment income</b>		
Interest on bonds	\$ 31 645	\$ 21 309
Interest on short-term investments	1 771	801
Interest on deposits in the General Fund — net (Note 4)	779	741
	<b>\$ 34 195</b>	<b>\$ 22 851</b>
<b>Profit and loss on sale of investments</b>	1 135	1 139
<b>Net income for the year</b>	<b>\$ 35 330</b>	<b>\$ 23 990</b>
Accumulated income at beginning of year	42 482	18 492
<b>Accumulated income at year-end</b>	<b>\$77 812</b>	<b>\$42 482</b>

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

# Financial statements

## Segregated Fund

### Bonds (Fund "O")

#### Disclosure of significant accounting policies

##### Investments

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

##### Transactions under settlement

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

##### Participation deposits

Participation deposits consist of units of participation giving their holders a proportionate share in the net equity and net revenues of the Segregated Fund — Bonds (Fund "O") of the Caisse de dépôt. The value of such units 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; the said value is used to calculate the price at which units are to be issued or cancelled at the beginning of the following month.

#### Notes to financial statements

1. At December 31st, 1977, the market value of investments was \$434 843 000 (1976, \$284 274 000).
2. At December 31st, 1977, participation deposits consisted of 216 758 units of participation (1976, 162 947). During the year, 53 811 units were issued for an amount of \$99 523 982 and there was no withdrawal.
3. Sections 19 and 20 of the Charter of the Caisse de dépôt et placement du Québec were amended by Bill 97, assented to December 22nd, 1977. Pursuant to such sections, the holders of participation deposits in a segregated fund share the net annual income and the Caisse de dépôt establishes by regulation the method of calculating reserves to be set up for such fund. The net annual income, after such reserves have been deducted, must be wholly paid out to the holders of participation deposits of the fund.  
New regulations giving effect to such amendments will be submitted for government approval in 1978. In the meantime, the Caisse de dépôt is continuing to apply its present regulations. Consequently, the net income of the Segregated Fund — Bonds (Fund "O") was not distributed but held in such Fund as accumulated income.
4. Interest paid on advances by the General Fund has been deducted from interest on deposits in the General Fund.
5. The management fees of this Fund are charged directly to the participants and amounted to \$356 000 for the year ended December 31st, 1977 (1976, \$228 000).

#### 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, 1977 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of the Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 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, 1978

# Financial statements

## Segregated Fund

### Government Bonds (Fund "G")

#### Balance sheet

as at December 31st, 1977

(in thousands of dollars)

#### Assets

##### Investments (Note 1)

Bonds	\$84 292
Short-term investments	2 953
Demand deposits in the General Fund	1 632
	<b>\$88 877</b>
Accrued interest	2 431
	<b>\$91 308</b>

##### Holder's equity in participation deposits

Participation deposits (Note 2)	\$86 116
Accumulated income (Note 3)	6 000
Variance between the cost to depositor and the market value of cancelled units of participation deposits	(808)
	<b>\$91 308</b>

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

Marcel Cazavan  
Gill Fortier

#### Income and accumulated income (Note 3)

from March 15th, 1977, when the Fund  
was established, to December 31st, 1977  
(in thousands of dollars)

#### Investment income

Interest on bonds	\$ 4 994
Interest on short-term investments	486
Interest on deposits in the General Fund — net (Note 4)	520

#### Net income for the period and accumulated income as at December 31st, 1977

**\$ 6 000**

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

# Financial statements

## Segregated Fund

### Government Bonds (Fund "G")

#### Disclosure of significant accounting policies

##### Investments

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

##### Transactions under settlement

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

##### Participation deposits

Participation deposits consist of units of participation giving their holders a proportionate share in the net equity and net revenues of the Segregated Fund — Government Bonds (Fund "G") of the Caisse de dépôt. The value of such units 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; the said value is used to calculate the price at which units are to be issued or cancelled at the beginning of the following month.

#### Notes to financial statements

1. At December 31st, 1977, the market value of investments was \$89 910 000.
2. At December 31st, 1977, participation deposits consisted of 84 816 units of participation. During the period, 97 910 units were issued for an amount of \$99 410 363 while 13 094 units, for an amount of \$13 294 600, were cancelled as a result of withdrawals.
3. Sections 19 and 20 of the Charter of the Caisse de dépôt et placement du Québec were amended by Bill 97, assented to December 22nd, 1977. Pursuant to such sections, the holders of participation deposits in a segregated fund share the net annual income and the Caisse de dépôt establishes by regulation the method of calculating reserves to be set up for such fund. The net annual income, after such reserves have been deducted, must be wholly paid out to the holders of participation deposits of the fund.  
New regulations giving effect to such amendments will be submitted for government approval in 1978. In the meantime, the Caisse de dépôt is continuing to apply its present regulations. Consequently, the net income of the Segregated Fund — Government Bonds (Fund "G") was not distributed but held in such Fund as accumulated income. At December 31st, 1977, there was only one deposit holder in this Fund.
4. Interest paid on advances by the General Fund has been deducted from interest on deposits in the General Fund.
5. The management fees of this Fund are charged directly to the participant and amounted to \$67 000 for the period ended December 31st, 1977.

#### 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, 1977 and the statement of income and accumulated income for the period then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of the Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 and the results of its operations for the period then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements.

Gérard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1978

# Financial statements

## Segregated Fund

### Stocks (Fund "A")

#### Balance sheet

as at December 31st, 1977

(in thousands of dollars)

Assets	1977	1976
Investments (Note 1)		
Shares and convertible securities	\$215 534	\$150 286
Short-term investments	5 490	10 003
Deposits in the General Fund		
Demand	7 985	4 747
Term	5 485	—
	<b>\$234 494</b>	<b>\$165 036</b>
Investment income receivable	1 632	1 057
	<b>\$236 126</b>	<b>\$166 093</b>
<b>Liabilities</b>		
Transactions under settlement	\$ 2 002	\$ 727
<b>Holder's equity in participation deposits</b>		
Participation deposits (Note 2)	\$199 684	\$143 441
Accumulated income (Note 3)	34 440	21 925
	<b>\$234 124</b>	<b>\$165 366</b>
	<b>\$236 126</b>	<b>\$166 093</b>

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

Marcel Cazavan  
Gill Fortier

#### Income and accumulated income (Note 3)

for the year ended December 31st, 1977

(in thousands of dollars)

	1977	1976
<b>Investment income</b>		
Dividends, interest on convertible securities	\$ 9 056	\$ 5 855
Interest on short-term investments	476	846
Interest on deposits in the General Fund	870	1 222
	<b>\$ 10 402</b>	<b>\$ 7 923</b>
<b>Profit and loss on sale of investments</b>	2 113	2 228
<b>Net income for the year</b>	<b>\$ 12 515</b>	<b>\$ 10 151</b>
Accumulated income at beginning of year	21 925	11 774
<b>Accumulated income at year-end</b>	<b>\$ 34 440</b>	<b>\$ 21 925</b>

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

# Financial statements

## Segregated Fund

### Stocks (Fund "A")

#### Disclosure of significant accounting policies

##### Investments

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

##### Transactions under settlement

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

##### Participation deposits

Participation deposits consist of units of participation giving their holders a proportionate share in the net equity and net revenues of the Segregated Fund — Stocks (Fund "A") of the Caisse de dépôt. The value of such units 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; the said value is used to calculate the price at which units are to be issued or cancelled at the beginning of the following month.

##### Dividend income

Dividends are taken into income on record date.

#### Notes to financial statements

1. At December 31st, 1977, the market value of investments was \$240 251 000 (1976, \$159 305 000).
2. At December 31st, 1977, participation deposits consisted of 166 044 units of participation (1976, 124 379). During the year, 41 665 units were issued for an amount of \$56 243 088 and there was no withdrawal.
3. Sections 19 and 20 of the Charter of the Caisse de dépôt et placement du Québec were amended by Bill 97, assented to December 22nd, 1977. Pursuant to such sections, the holders of participation deposits in a segregated fund share the net annual income and the Caisse de dépôt establishes by regulation the method of calculating reserves to be set up for such fund. The net annual income, after such reserves have been deducted, must be wholly paid out to the holders of participation deposits of the fund.  
New regulations giving effect to such amendments will be submitted for government approval in 1978. In the meantime, the Caisse de dépôt is continuing to apply its present regulations. Consequently, the net income of the Segregated Fund — Stocks (Fund "A") was not distributed but held in such Fund as accumulated income.
4. The management fees of this Fund are charged directly to the participants and amounted to \$286 000 for the year ended December 31st, 1977 (1976, \$203 000).

#### 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, 1977 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of the Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 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, 1978



# Financial statements

## Segregated Fund

### Mortgages (Fund "H")

#### Balance sheet

as at December 31st, 1977  
(in thousands of dollars)

<b>Assets</b>	<b>1977</b>	<b>1976</b>
Investments (Note 1)		
Mortgages	\$225 290	\$145 066
Short-term investments	60 951	20 417
Deposits in the General Fund		
Demand	—	5 847
Term	9 500	—
	<b>\$295 741</b>	<b>\$171 330</b>
Accrued interest	4 493	1 578
	<b>\$300 234</b>	<b>\$172 908</b>
<b>Liabilities</b>		
Advances from the General Fund	\$ 18 916	\$ —
Mortgagor deposits	554	—
	<b>\$ 19 470</b>	<b>\$ —</b>
<b>Holdings' equity in participation deposits</b>		
Participation deposits (Note 2)	\$225 682	\$141 710
Accumulated income (Note 3)	55 082	31 198
	<b>\$280 764</b>	<b>\$172 908</b>
	<b>\$300 234</b>	<b>\$172 908</b>

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

Marcel Cazavan  
Gill Fortier

#### Income and accumulated income (Note 3)

for the year ended December 31st, 1977  
(in thousands of dollars)

	<b>1977</b>	<b>1976</b>
<b>Investment income</b>		
Interest on mortgages — net (Note 4)	\$ 18 556	\$ 12 529
Interest on short-term investments	5 486	1 056
Interest on deposits in the General Fund — net (Note 5)	(158)	1 088
<b>Net income for the year</b>	<b>\$ 23 884</b>	<b>\$ 14 673</b>
Accumulated income at beginning of year	31 198	16 525
<b>Accumulated income at year-end</b>	<b>\$ 55 082</b>	<b>\$ 31 198</b>

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

# Financial statements

## Segregated Fund

### Mortgages (Fund "H")

#### Disclosure of significant accounting policies

##### Investments

Mortgages negotiated directly with the borrowers by the Caisse de dépôt are accounted for at cost; those negotiated en bloc with third parties are accounted for at amortized cost. Short-term investments and deposits in the General Fund are at cost.

##### Participation deposits

Participation deposits consist of units of participation giving their holders a proportionate share in the net equity and net revenues of the Segregated Fund — Mortgages (Fund "H") of the Caisse de dépôt. The value of such units 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; the said value is used to calculate the price at which units are to be issued or cancelled at the beginning of the following quarter.

#### Notes to financial statements

1. At December 31st, 1977, the market value of investments was \$295 423 000. During the year, the Caisse de dépôt changed its method of evaluating the market value of mortgages. Formerly, the book value of mortgages was used; they are now evaluated at the amount of capital as expressed by the current rate of yield for each category of mortgage. The market value of investments at December 31st, 1976, was not adjusted to reflect this change.
2. At December 31st, 1977, participation deposits consisted of 154 685 units of participation (1976, 104 953). During the year, 49 732 units were issued for an amount of \$83 971 780 and there was no withdrawal.
3. Sections 19 and 20 of the Charter of the Caisse de dépôt et placement du Québec were amended by Bill 97, assented to December 22nd, 1977. Pursuant to such sections, the holders of participation deposits in a segregated fund share the net annual income and the Caisse de dépôt establishes by regulation the method of calculating reserves to be set up for such fund. The net annual income, after such reserves have been deducted, must be wholly paid out to the holders of participation deposits of the fund.  
New regulations giving effect to such amendments will be submitted for government approval in 1978. In the meantime, the Caisse de dépôt is continuing to apply its present regulations. Consequently, the net income of the Segregated Fund — Mortgages (Fund "H") was not distributed but held in such Fund as accumulated income.
4. An amount of \$204 000 (1976, \$176 000) for the servicing of mortgages by third parties has been deducted from interest on mortgages.
5. Interest paid on advances by the General Fund has been deducted from interest on deposits in the General Fund.
6. The management fees of this Fund are charged directly to the participants and amounted to \$382 000 for the year ended December 31st, 1977 (1976, \$231 000).

#### 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, 1977 and the statement of income and accumulated income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the charter of the Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 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, 1978

# Financial statements

## Individual Fund

### Balance sheet

as at December 31st, 1977

(in thousands of dollars)

### Assets

#### Investments (Note 1)

Bonds	\$286 471
Short-term investments	4 908
Deposits in the General Fund	
Demand	811
Term	10 000

**\$302 190**

Accrued interest

7 593

**\$309 783**

### Liabilities

Account payable (Note 2)

\$ 22

Net income to be paid out to the participation  
deposit holder (Note 3)

7 762

**\$ 7 784**

### Holder's equity in participation deposits

Participation deposits (Note 3)

301 999

**\$309 783**

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

Marcel Cazavan  
Gill Fortier

### Income and expenditure

for the year ended December 31st, 1977

(in thousands of dollars)

### Income

#### Investment income

Interest on bonds and short-term investments	\$ 21 378
Interest on deposits in the General Fund — net (Note 4)	1 276

**\$ 22 654**

Profit and loss on sale of investments

589

**\$ 23 243**

### Expenditure

Management fees (Note 2)

72

**Net income for the year, to be paid out  
to participation deposit holder**

**\$ 23 171**

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

# Financial statements

## Individual Fund

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### Disclosure of significant accounting policies

#### Investments

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

#### Transactions under settlement

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

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### Notes to financial statements

1. At December 31st, 1977, the market value of investments was \$310 196 000.
2. Safekeeping charges to be paid totalling \$14 000 are not recorded at December 31st, 1977; the practice of the Caisse de dépôt is to account for such charges in the following quarter.
3. In keeping with provisions of Bill 97, Act amending the Charter of the Caisse de dépôt et placement du Québec, assented to December 22nd, 1977, the Caisse may receive participation deposits in individual funds. The individual funds each have one depositor only and may be made up of various categories of investments. The regulations governing operations of such funds will be submitted for government approval in 1978.  
The holder of participation deposits in this Individual Fund is the Commission des accidents du travail de Québec.  
For purposes of financial presentation, the Caisse de dépôt has decided to give effect to the operations of this Individual Fund by recording in this Fund a net sum of \$121 550 000 deposited by the Commission in 1977. Furthermore, the deposits of the Commission at December 31st, 1976, in the amount of \$180 449 000, which had been recorded in a separate fund in 1975 and 1976, were transferred to such Individual Fund as of January 1st, 1977.
4. Interest paid on advances by the General Fund has been deducted from interest on deposits in the General Fund.

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### 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, 1977 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 charter of the Caisse de dépôt and these financial statements present fairly the financial position of this Fund as at December 31st, 1977 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.

Gérard Larose, C.A.  
Auditor-General  
Québec, March 3rd, 1978





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