

Investing in people,  
around the world



**CDP Capital**

Caisse de dépôt et placement  
du Québec

# The “Caisse Way”

## Our two keys to success...

*Partnership*, because it allows us to benefit from our partners' knowledge and know-how in their particular fields, while offering them our strategic and financial expertise in return.

*Information*, because the quality and originality of the data available to our decision-makers are crucial. That is why we devote substantial resources to acquiring and processing information.

## ...and our fundamental values

*Performance*, a value central to our corporate mission. Our objective is to obtain superior, high-quality returns for our clients and depositors. Performance is built upon the calibre of our human resources and systematic diversification by product, team and region.

*Commitment*, from individual employees and the institution as a whole, toward the community, to continually move forward and grow stronger – as our new slogan says, “*Investing more than money.*”

*Creativity*, a quality we value and encourage, both in our partners and in our own personnel, because creativity is what sets us apart and helps us make a difference.

*Entrepreneurship*, because we believe in those who take the initiative, with well-calculated risks. Internally, this value is conveyed through the “intrapreneurship” of our managers, who enjoy a great deal of autonomy in the conduct of their affairs.

*Integrity*, a quality that manifests itself in every aspect of our operations and our relations with our clients and partners. Integrity is what makes us rigorous and transparent in our accountability to our clients.

*Ethics*, which implies first our social commitment to respecting the values of the communities we invest in. It is also a value shaped by our role as Canada's largest shareholder – a fact that drives us to respect the highest standards of conduct in terms of corporate governance.

*Caution*, a value conveyed by the sense of security that our management generates. Of course, we must act with boldness, without which neither added value nor performance can be achieved. But without caution, we would run the risk of losing both. We believe it is this judicious balance of boldness and caution that leads to success.

# CDP, a World Leader in Fund Management

*With total assets of \$125 billion under management, the Caisse de dépôt et placement du Québec (CDP Capital) offers a broad range of fund management services worldwide. The institution is the leading fund manager in Canada and among the largest portfolio managers in the Americas.*

CDP Capital manages the largest portfolio of Canadian stocks, is the major holder of Québec public sector bonds and has the largest real estate portfolio in Canada. Its diversified holdings in the commercial, residential and office sectors are actively managed primarily by CDP Real Estate subsidiaries. CDP is also Canada's leading private equity and venture capital investor. The CDP Private Equity subsidiaries offer a very broad range of financial products to Québec, Canadian and foreign businesses. In addition, the CDP Accès Capital network, comprising 12 business offices covering Québec and the Maritimes, is the local gateway to the services offered by the CDP group.

CDP seeks to preserve capital under management and to obtain an optimal return on its investments while contributing to the vitality of the economy wherever it invests.

The institution is active on five continents, managing its North American operations mainly from its business offices in Montréal and Québec City. Some of its subsidiaries also operate from New York, Toronto, Vancouver, Mexico City, Bilbao and London. CDP is present in Europe with offices and representatives in Paris, Brussels, Warsaw and Budapest. In Asia, it has offices in Hong Kong, Tokyo, Bangkok and Seoul. It is also active in Latin America, in Buenos Aires.

As the largest Canadian investor in foreign markets, CDP Capital has become a major financial partner in many investment funds worldwide. These financial partnerships give the hundreds of businesses in which it has an interest access to networks that greatly facilitate their international expansion.

## HIGHLIGHTS

*in million of dollars*

	2000	1999
Depositors' assets	113,420	100,738
Assets under management <sup>1, 3</sup>	10,271	3,923
Assets administered <sup>2, 3</sup>	1,243	1,342
<b>TOTAL ASSETS UNDER MANAGEMENT</b>	<b>124,934</b>	<b>106,003</b>
Net depositors' assets	88,263	81,543
Total income from investments	4,943	11,272
Net deposits by depositors	1,777	1,271
Increase in net assets	6,720	12,543

<sup>1</sup> Assets managed by the CDP group subsidiaries on behalf of the clients-owners. Management services include selection of investments and provision of advice.

<sup>2</sup> Assets with respect to which the CDP group subsidiaries provide administrative services (administration of real estate property and management of securitized loans) on behalf of the clients-owners. Administration fees are collected in exchange for these services.

<sup>3</sup> Not included in the statement of cumulative net assets.

	2000	1995-2000
Total return	6.2%	13.2%

## Message from the Chairman and CEO



### **A global approach to fund management**

In 2000, the Caisse de dépôt et placement du Québec remained steadily on course in terms of its objectives for growth and profitability. In addition to setting its sights on quality returns, it strove to increase assets under management by securing additional clients and earning new management mandates.

As a result, despite a dramatic drop in global financial markets, not only did CDP Capital, its management team, preserve the integrity of its capital, it also brought up the total assets managed by its teams to \$125 billion. This rise in critical mass enhances its capacity as a player on world markets and enables it to attract the most talented managers, two essential ingredients in maintaining its position as a worldwide leader in fund management.

### **Remarkable performance in difficult times**

Turbulent times are often an ideal opportunity for winning investment approaches. In 2000, the diversification strategy based on sector, geography and product, proved once again successful, producing an overall return of 6.2%. This is remarkable considering the negative performance on many financial markets around the world. The “Caisse way” is an active management approach featuring a well-considered combination of boldness and caution. This year, CDP Capital achieved an added value of \$996 million over the results that managers would have generated if they had simply reproduced their benchmark indices. Furthermore, total investment income and gains on the sale of investments reached \$10.7 billion, while net income totalled \$4.9 billion.

From 1996 to 2000, the management teams outperformed their benchmark indices, generating an average annual return of 12.2%. Over the same period, cumulative income from investments reached \$37.5 billion. For the six-year period from 1995 to 2000, the overall return stands at 13.2%. All in all – come rain, come shine – CDP Capital stands out because of the quality of its performance, a long-term insurance policy for clients who can count on the stability and growth of their capital.

### **A well-defined growth strategy**

The strategy for increasing assets under management represents the culmination of a rethinking process that led to the adoption of four major corporate objectives. These act as guideposts, keeping CDP on track as it ventures further into the global market.

#### ***Ranking among the world's best fund managers***

CDP Capital, the management teams of the Caisse de dépôt et placement du Québec, was the "Best fund management group in Canada" in the Reuters Survey 2000, a poll of 292 Canadian public companies. We now strive to enter the world leagues.

#### ***Offering fund management services to new clients***

Securing new clients will play a key role in our plans to increase assets under management. This objective will be realized largely outside Canada, where we intend to lend our expertise to other pension and investment funds. This year alone, two Hungarian pension plans entrusted their funds to CDP Global Asset Management's team of experts in major financial markets.

#### ***Increasing private equity investments***

Over the past six years, the proportion of private equity investments in the overall portfolio has grown consistently. This has been a winning strategy both for our returns and for numerous portfolio companies.

#### ***Establishing the framework to attain our goals***

This objective was instrumental in the decision to consolidate our Québec operations in two central locations, in Montréal and Québec City. The construction of a new business office in Montréal and the development of Québec City's Price building as head office will enhance the synergy among the various teams that make up the CDP group.

### **Up to new challenges**

Becoming a worldwide leader in fund management is a decidedly grand goal, but CDP Capital is more than equal to the challenge.

To achieve this objective, we will continue to rely on our far-reaching global network of partners, which includes many highly respected and influential players. These companies provide invaluable support to our core portfolio, private equity and real estate activities. A partnership approach is frequently a preferred means of investing, not only because it reduces the level of risk by lowering the costs of an investment, but also because it enables us to join forces with companies whose sound expertise often complements our own.

With assets under management growing consistently – they climbed from \$46 billion to \$125 billion over the past six years alone – we have the financial resources needed to spring into action when the right business opportunities arise. Alone or in partnership, we have the ability to rapidly free up the capital required for strategic investments.

Most of all, CDP Capital sets itself apart from many of its peers by actively managing nearly all its assets. This in turn requires highly qualified, skilled and creative human resources. Our managers have a thorough knowledge of the market sectors, geographical areas and products in which they invest, and strive to remain on top of the latest economic, political and financial developments that are likely to have an impact on their activities.

On behalf of the Board of Directors, I thank and congratulate each and every one of our teams for their achievements in 2000. Their expertise and dedication are at the very root of these outstanding results.

I would also like to extend my appreciation to all the members of the Board of Directors for their sound advice and unwavering support, and for the trust they place in us.



Jean-Claude Scraire

## 2000 in Review

### **Outperforming benchmark indices and posting strong asset growth**

Although the world's stock markets fell significantly in 2000, CDP Capital achieved returns equal or superior to its benchmark indices for all of its asset classes, namely equities, real estate and mortgages. This performance once again led to an increase in total assets under management, which have more than doubled over the past six years.

### **Consolidating operations to support synergy**

In order to promote stronger synergy among its various business units, the CDP group took steps to reinforce its Québec operations, which within two years will be located in two central locations in Québec City and Montréal. In addition, a new office was opened in Paris in January, and constitutes the main gateway to CDP's European operations.

#### **Québec City head office**

CDP Capital has selected the Price building, an architectural gem in Old Québec, as the site of its new head office, where it will consolidate its activities in the area. Major renovations are under way and will be completed in the spring of 2001.

#### **Montréal business office**

Currently under construction in Montréal's international district (Quartier international de Montréal), this new 67,260-m<sup>2</sup> building will house some 1,500 employees and be located strategically between the downtown business district, Old Montréal and the Cité du Multimédia. Occupancy is scheduled for late 2002. A live on-line view of the building's progress can be seen at [www.cdpcapital.com/destinationcdp](http://www.cdpcapital.com/destinationcdp).

### **Europe office**

The Paris office is the main gateway to CDP Capital's European operations. It serves the entire continent and covers all the CDP group's investment sectors. The staff work closely with all the teams specializing in the various investment sectors in Québec.

### **Creation of Quebecor Media**

The creation of Quebecor Media, following the offer to purchase Vidéotron's shares, was undoubtedly one of the major events of 2000. A new company that combines print and electronic media, cable, Internet access, and Web content and technology under one umbrella, Quebecor Media is clearly part of the global trend toward the synergy of pipes and content that was much in evidence during the year.

### **Fund management for new clients**

CDP continued its efforts to extend its fund management services to new clientele. Its new clients include the pension funds of Hungary's armed forces and Ministry of Agriculture employees, and Maestral Mutual Funds, a new family of funds offered by Mouvement Desjardins.

In the real estate sector, SITQ IMMOBILIER now manages properties in Paris for the SPID fund of the Caisse des Dépôts et Consignations, a prominent French institutional investor, who co-owns the buildings. Cadim also acquired a major interest in Praedium, a U.S. company whose real estate investments total over US\$2 billion. This transaction has enabled Cadim to tap into an extensive network of investments and investors in the United States.

### **Creating a new investment fund**

A US\$500-million investment fund was created this year. The CDP Korean Telecom and Infrastructure Fund, which will invest in the infrastructure and telecommunications sectors in South Korea, has already attracted a number of prestigious Korean investors, including Korean Development Bank, Hanvit Bank, Samsung Life Insurance Company, Kyobo Life Insurance Company and Tong Yang Investment Bank.



## Building a strategic partnership in the entertainment industry

An investment was made in Mosaic Media Group, a U.S. enterprise involved in production of records, films, television programs and Internet content, as well as talent management. This partnership provides CDP Capital with the opportunity to join forces with one of Hollywood's leading suppliers of films, television programs, musical recordings and new media content.

## Diversifying the real estate portfolio through top-notch acquisitions

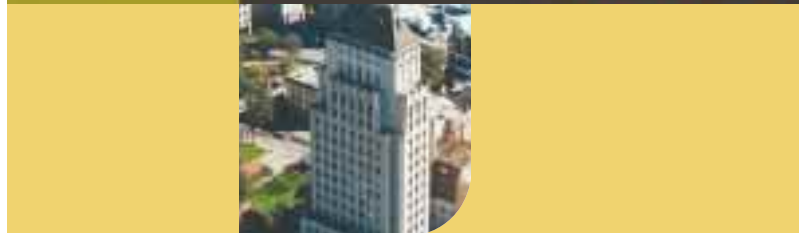
On October 1, 2000, Cambridge Shopping Centres Limited, one of Canada's main real estate companies specializing in shopping centres, became Ivanhoe's wholly-owned subsidiary. The acquisition has given a considerable boost to Ivanhoe's quality assets in Canada.

Cadim has a new subsidiary in Acanthus Real Estate Corporation, a company specializing in the residential sector with a high-calibre Canada-wide portfolio valued at some \$480 million.

## New business solutions

Many new business solutions were launched during the year to meet the specific needs of companies:

- *Term loans ranging from \$1 million to \$15 million*, now available to rapidly growing SMEs.
- *Imprésario*, a product designed for cultural and communications companies.
- *InnovAccès*, for sponsored early-stage companies operating in the technology sector.
- A team now focuses exclusively on investments in the *recreation and tourism sector*.
- *Accès Relève*, a product designed to facilitate the orderly transfer of SME ownership to family members or company executives.



## CDP Capital named best fund manager in Canada

In the Reuters Survey 2000 conducted by Tempest Consultants, CDP Capital was ranked the best fund manager in Canada. The survey findings reflect the opinions of 292 Canadian businesses whose stock market capitalization represents 85% of the TSE 300. These companies were asked to evaluate the management methods of more than 50 fund managers.

# Profitable Growth

## Creating value amid turbulence

Although the world stock markets were down sharply in 2000, the “Caisse way” enabled the institution to weather the storm and produce an overall return of 6.2%. CDP not only succeeded in preserving the capital it manages, but its investment activities generated total investment income and gains on the sale of investments of \$10.7 billion. Net income totals \$4.9 billion. Considering the net deposits of \$1.8 billion from the depositors and new management mandates, the total assets under management increased by some 18%, up to \$125 billion. Diversification proved successful this year, considering the broad yield spreads witnessed in different regions, asset classes and sectors of the economy.

## SPECIALIZED PORTFOLIOS RETURNS

in percentage

	2000	1996-2000 (5 years)	1995-2000 (6 years)	1991-2000 (10 years)
Short-term securities	5.8	5.1	5.5	6.1
Mortgages	12.3	7.5	8.6	9.2
Bonds	10.2	8.5	10.6	10.8
Canadian equities	12.5	18.7	18.5	14.6
U.S. equities <sup>1</sup>	(4.8)	17.7	20.9	–
Foreign and emerging markets equities <sup>2</sup>	(8.6)	12.3	12.1	11.1
Québec International bonds <sup>3</sup>	(5.5)	–	–	–
Real estate	18.3	15.0	12.7	4.0
Total return <sup>4</sup>	6.2	12.2	13.2	11.7

<sup>1</sup> Includes the Canadam specialized short-term securities portfolio created December 1, 1999.

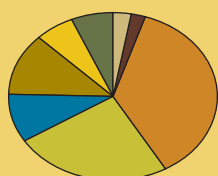
<sup>2</sup> Data prior to April 1994 includes U.S. equities.

<sup>3</sup> This portfolio was created on July 1, 1999, and its return is linked to the international stock markets.

<sup>4</sup> The total return includes results of asset allocation transactions, and tactical and strategic investments.

## BREAKDOWN BY SPECIALIZED PORTFOLIO

as at December 31, 2000  
fair value – in percentage



	%
Short-term securities and other net assets	2.8
Mortgages	2.2
Bonds	36.6
Canadian equities	24.5
U.S. equities	9.3
Foreign and emerging markets equities	12.0
Québec International bonds	6.1
Real estate	6.5

## Specialized short-term securities portfolio

Again in 2000, active management of short-term securities contributed to the positive return of this portfolio, which posted 5.8% and outperformed its benchmark index, the SCM – 91-day Canadian T-Bill, by 33 basis points. The longer-term results also reflect successful management: at 5.1% over five years, 48 basis points over its benchmark index.

## Specialized bond portfolio

As the world's stock markets tumbled in 2000, many investors turned to safe havens such as bonds. Indeed, as at December 31, North American bond indices posted positive returns for the entire year.

The specialized bond portfolio's return stood at 10.2%, the same level as its benchmark, the SCM – Universe Index. Over five years, the return outperforms the benchmark index by 62 basis points, to stand at 8.5%.



### Specialized Canadian equities portfolio

The Canadian stock market performed well in 2000, despite the correction toward the end of the year. Nine of the 14 sub-indices posted positive results, especially energy and financial services.

The specialized Canadian equities portfolio achieved an excellent return of 12.5%, outperforming the TSE 300 by 507 basis points. Its five-year return stands at 18.7%, 322 basis points over the benchmark index.

### Specialized U.S. equities portfolios

In 2000, several star securities in the U.S. new economy sector lost more than half their value, causing U.S. exchanges to experience a drastic downturn.

CDP Capital continued to vary the management styles used for these portfolios by combining active and index-linked approaches. This approach proved to be well-founded, as the portfolio beat out the S&P 500 index by 411 basis points. The five-year return surpasses the index by 61 basis points, reaching 17.7%. In addition, the in-house active management of the specialized U.S. equities portfolios produced a 1.3% unhedged return in 2000, outperforming the index by more than 720 basis points. The five-year return stands at 22.6%, outperforming the S&P 500 by over 200 basis points, a performance in itself.

### Specialized foreign and emerging markets equities portfolios

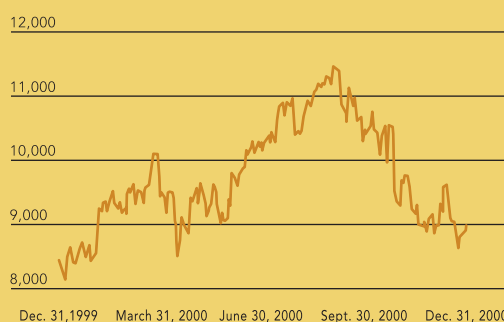
The stock markets in Europe, Asia and the emerging economies had a difficult year. European exchanges reacted negatively to the weakness of the euro, Japan's erratic economic recovery affected the Tokyo Stock Exchange and the situation was not much better anywhere else in Asia, with the exception of China, which posted solid economic growth. Apart from Brazil, the South American stock markets also had a dismal year.

Despite all this, the specialized foreign and emerging markets equities portfolios still managed to outperform the MSCI-EAFE + EMF partially hedged, by 38 basis points. The five-year return stands at 12.3%, 163 basis points above the index.



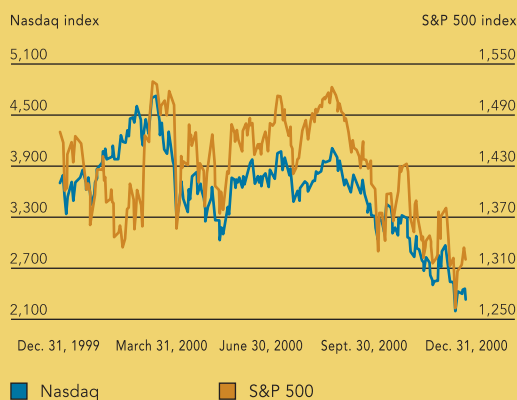
#### CHANGES IN THE TSE 300 INDEX

Based on weekly quotes



#### CHANGES IN THE S&P 500 AND NASDAQ INDICES

Based on weekly quotes





## A NEW CURRENCY HEDGING POLICY

*The CDP group regularly reviews its investment policy in order to achieve the best possible performance for its clients, while respecting their risk tolerance level. The year 2000 marked the beginning of a gradual shift from complete hedging to 50% hedging of the U.S. and foreign equities portfolios by the end of 2001. The primary purpose of this change is to benefit from the diversification related to a currency portfolio.*

## Specialized real estate and mortgage portfolio

The real estate team's active management approach, which promotes strategic investments and divestitures in both local and global arenas, allowed to fully capitalize on market cycles. Furthermore, the real estate market was particularly strong this year, and several large-scale transactions contributed to a significant increase in the value of the portfolio. As a result, the specialized real estate portfolio posted 18.3%, 392 basis points above the Aon index. The portfolio's five-year return stands at 15.0%, outperforming the index by 261 basis points.

The specialized mortgage portfolio reported an excellent 12.3% return, 210 basis points above its benchmark.

## Stability – a CDP hallmark

CDP's performance in 2000 was no chance occurrence – as may be seen from the consistently strong results posted in recent years. CDP Capital is noted for producing consistent returns, as a result of a cautious management style combined with a measure of boldness.

For the period from 1996 to 2000, the average returns for all the specialized portfolios outperformed their respective benchmark indices, and the average overall return stands at 12.2%. Over six years, the average overall return is 13.2%, and the 10-year return is 11.7%. The active management produced an added value of \$3.9 billion over six years.

These excellent long-term results reflect a substantial increase in total assets under management: in 1981, this figure stood at \$11 billion; in 1995, it had climbed to \$46 billion; and at the end of 2000 it topped \$125 billion. This growth has provided CDP Capital with the critical mass needed to carve out a select position for itself in the global arena. Today, CDP ranks solidly among the world's leading fund managers.

# CDP Global Asset Management



*Michel Nadeau  
President*

## **Active management and a multi-manager approach**

CDP Global Asset Management offers high-quality portfolio management services, drawing on CDP's recognized expertise and 35 years of investment experience. It was created to serve an increasingly diversified global clientele and aims to generate optimal financial returns above recognized indices, while ensuring preservation of capital through effective risk control. CDP Global Asset Management has in excess of \$82.3 billion of assets under management.

More than 60 highly experienced managers, who combine expertise and skill with a rigorous investment process, are divided into various independent, specialized teams according to their niche or management style.

Portfolios are managed actively by individual managers who make their own investment decisions based on quantitative, fundamental or technical analysis. Transactions are carried out by seasoned traders, and an independent risk management team monitors the portfolios on a daily basis.

CDP Global Asset Management uses a multi-manager approach, wherein each manager is responsible for a portion of the funds according to a well-defined mandate. This strategy relies on a synergy among team members and complementary management styles, rather than banking on a single management style and a specific manager. This approach enables individual managers to make a concrete contribution to the group's overall results.

## **Fixed income and currencies**

This team emphasizes diversification by management style to optimize the risk-return ratio. Allocation by types of bonds is managed actively on the basis of business cycles and the state of the markets.

One team is also responsible for hedging the CDP group portfolios. In their tactical portfolios, these professionals hold short-term positions to take advantage of global currency movements.

The fixed income and currencies team has total assets of \$48.8 billion under management. This year, the team introduced new management approaches, one of which was replacing a portion of the Canadian bond portfolio with interest rate derivatives. This shift required the financial engineering expertise of the team, which achieved superior returns with no increase in risk.







## TOP STORY

### **Four new clients in 2000**

*CDP Global Asset Management is now responsible for managing the funds of Honved, the Hungarian armed forces' pension fund, and Aranykorona, the retirement fund for Hungarian Ministry of Agriculture employees. The combined assets under management amount to some \$60 million (12 billion forints) and the prospects for growth are strong. These funds are expected to reach \$200 million by 2004.*

*In addition, CDP Global Asset Management now manages four of StrategicNova's Mutual funds offered by StrategicNova Funds Management, an integrated Canadian financial services company, and a portion of Gestion Placements Desjardins' Maestral Mutual Funds, which consist of 10 different funds based on the multi-management approach.*

## **Canadian stock markets**

Two teams are responsible for managing Canadian stock market transactions. The first is the sectorial equity management team, which consists of professionals specializing in the TSE 300's industrial sectors. In addition to their financial market expertise, they possess in-depth knowledge of the various industries, which they share with their colleagues in other management teams. This group manages \$8.0 billion in assets.

The second team is responsible for specialized management. Each manager has his or her own style (generalist, dynamic, etc.) and covers a highly specific segment of the Canadian market (small, mid or large caps, cyclical or non-cyclical sectors). This team, which manages \$7.7 billion in assets, includes an arbitrageur, who uses various strategies to take advantage of yield spreads among certain securities.

## **International stock markets**

Many professionals in this team have previous work experience abroad – in fact, among them, they speak a total of seven languages. Divided into teams that specialize by country or region, they work closely with the sectorial management team, which provides them with industry-based research reports. In total, CDP's international stock market team manages \$17.7 billion in assets.

This team uses management styles adapted to the economic situation in each country. External mandates are also awarded in order to call in specific expertise, especially for investments in emerging markets.

## **Tactical investments: capitalizing on short-term market fluctuations**

The tactical operations of CDP Global Asset Management aim to take advantage of worldwide opportunities by using derivatives. Management decisions are based on short-term movements on financial markets, and various models have been developed to capture variations. This is all incorporated into an overall risk-management model.

In addition to the tactical investment portfolio, CDP Global Asset Management manages the Varan Fund through its subsidiary Varan Tactical Asset Management. The Varan Fund is a hedge fund available to institutional investors that was created in partnership with Northern Trust Global Advisors. The Varan Fund had two new clients at year-end. Hedge funds aim for an absolute return, and are generally characterized by tight risk control.

Moreover, three funds of funds are managed externally in partnership with Northern Trust Global Advisors to diversify tactical management styles.

### **Strategic management of asset mix**

The first objective of strategic asset allocation is to add value to portfolios by underweighting or overweighting certain asset classes and taking advantage of investment opportunities. Positions are taken either by shifting funds among the various portfolios or by using derivatives.

During the year, the main asset allocation strategies consisted in delaying the movement from bonds to equities and reducing equity positions in favour of real estate to offset the effects of markets that were flying high despite a U.S. economy on the verge of overheating and stock market valuations that were considered risky. This view of the market materialized and yielded significant financial gains, as real estate outperformed stocks in 2000.



# Investing Around the World

## ***Customized tools, a global network and recognized expertise***

*CDP Capital puts its expertise, sustained levels of performance, strength and business network and the wide-ranging skills of its expert teams to work to attain its objectives. In the next few years, it intends to double its total assets under management. To achieve this goal, it has chosen to step up its presence in foreign markets, but it has also explored other options, such as establishing investment funds with partners and offering management services to the leading institutional investors around the world.*



## Exporting know-how

### Accès Capital International

Accès Capital International's primary objective is to provide financing to SMEs looking to go global, and it does so by investing in expansion projects such as the acquisition of a foreign company, the creation of a joint venture or the establishment of a subsidiary.



### Groupe Expordev

Groupe Expordev is the result of a partnership with Telesystem, Bombardier, Bronterra International Corporation (Claridge), SNC-Lavalin International and the Export Development Corporation (EDC). Its mandate is to market value-added products in sectors with a strong potential through strategic partnerships and networks abroad.

### Cadim-FSTQ New Markets Fund

Created in partnership with the Fonds de solidarité des travailleurs du Québec (FSTQ), this fund finances projects associated with real estate development, construction and exporting of construction-related goods and services, in particular to Central Europe and Latin America. The fund also provides financing for Québec construction companies looking to expand into foreign markets.

## Expertise at work around the globe

*The mission of CDP Advisory Services is to participate in the establishment, management and administration of social support and group savings plans and in the efficient management of the resulting reserves. This mission is accomplished through providing advisory services and building partnerships with local specialists.*

*The main objective is two-fold: to enhance the vitality of local financial markets through sound management and to participate in the implementation of a social safety net, particularly through the establishment of pension funds.*

CDP Capital's business model and expertise are exportable commodities, especially in emerging markets. That is why CDP Advisory Services has been mandated to evaluate and secure new business opportunities. The services offered range from transfers of expertise (technical assistance and training for institutional managers) to asset management for or jointly with partners.

With its solid skill set, CDP Capital has already acquired several clients for whom it provides management and technical assistance services.



#### ***In North America***

- The Public Curator of Québec entrusted the management of all its common trust funds to CDP in 1999.
- CDP Global Asset Management manages four Mutual funds for StrategicNova Funds Management, an integrated financial services company.
- CDP Global Asset Management manages a portion of Cartier Mutual Funds, through the Desjardins Select Cartier Fund.
- CDP Global Asset Management is one of the managers of Maestral Mutual Funds, which belong to the Gestion Placements Desjardins family of funds.

#### ***In Europe***

- CDP Global Asset Management manages the pension funds of the Hungarian armed forces and Ministry of Agriculture employees.
- CDP is providing technical assistance to the complementary pension fund in the Tyrol (Northern Italy) to support that region's efforts to create an institution modelled after the Québec CDP.

#### ***In the Middle East***

- An alliance was formed in Israel. Since the Israeli government plans to authorize investments abroad and promote the development of private pension funds, CDP Global Asset Management could be granted a mandate to manage international funds.
- A mandate to review and document institutional mechanisms and bond market operations was awarded by the Algerian Ministry of Finance. In addition to validating current processes, this initiative reflects the Algerian government's intention to increase contractual savings and invigorate local financial markets.
- A partnership with the Moroccan Caisse de Dépôt et de Gestion has been ongoing for a few years. In 2000, CDP provided training to the institution's senior staff members and created a joint venture capital fund targeting the Moroccan private sector.

#### ***In Asia***

- CDP Capital was selected by the Sri Lankan government to assist in a legislative and regulatory review, and in the creation of a supervisory and control body for the insurance and pension fund sectors. A project designed to carry out this mandate and provide the relevant training and on-site support is currently under negotiation with Sri Lankan authorities.



### Creating investment funds

One of the avenues CDP Capital has explored to increase its critical mass is the creation of investment funds – either independently or in partnership:

- Created in 2000, the CDP Korea Telecom and Infrastructure Fund invests in the infrastructure and telecommunications sectors in South Korea. The Fund will be managed by a firm whose majority shareholder is CDP. A number of prestigious investors have already come aboard, including Korean Development Bank, Hanvit Bank, Samsung Life Insurance Company, Kyobo Life Insurance Company and Tong Yang Investment Bank.
- The Varan Fund was created a few years ago in partnership with Northern Trust Global Advisors.
- The Asia Equity Infrastructure Fund (AEIF) was initially set up in partnership with AMP Life and the Asian Development Bank. Several other partners have since joined, including Nippon Life of Japan, the Belgian venture capital firm GIMV, Perez Companac of Argentina, AXA of France and the Fonds de solidarité des travailleurs du Québec. AEIF invests exclusively in Asian infrastructure projects related to the telecommunications, transportation, energy and environment industries.

### A worldwide network of business contacts

Through the years CDP, either directly or through its subsidiaries, has developed a vast network of prominent business contacts around the world, some of which include:

Korea Telecom  
Carlyle Group  
BNP Paribas  
Callahan Associates International  
France Telecom  
Veronis Suhler & Associates  
Microsoft  
Qualcomm  
Alcatel  
Deutsche Telecom  
Mosaic  
Northern Trust Global Advisors  
Putnam Lovell  
Asian Development Bank  
AXA  
Caisse des Dépôts et Consignations  
Group Concord  
Schroders Ventures  
GIC Singapore  
Praedium Group  
Schroeders  
Pillar Property  
USAA  
Lone Star Opportunity Fund  
Delta Associates  
BVP Management  
H&Q Asia Pacific  
Quilvest  
Violy, Byorum & Partners  
Stabilitas  
State Street  
Capital Guardian  
Wellington Management  
Caisse de Dépôt et Gestion  
Gilde  
Genesis II  
Emerging Markets Investors  
Merrill Lynch  
Bank of America Equity Partners  
GE Capital Structure Finance Group  
Banco Português de Investimento, SA  
Caixa Geral de Depósitos  
Evercore  
Blackstone  
H&Q Japan  
3i Group

# CDP Private Equity



Claude Séguin  
President

## Teaming up with the world

The CDP Private Equity subsidiaries offer a broad range of financial vehicles and various types of support to small, mid-sized and large businesses in all industries.

They team up and work hand-in-hand with businesses, from start-ups to major corporations, traditional to new-economy, local to international. As a result, they contribute to creating value for portfolio companies by opening up new horizons through business solutions designed to suit their particular needs.

### Consolidated portfolio

Fair value: \$15.3 billion, up 27% from \$12 billion in 1999.  
Proportion of total assets under management: 12.2%, versus 11.3% in 1999.  
Average annual growth rate: 38% since the first subsidiaries were created in 1995.  
Foreign securities: 45% of the fair value of the overall private investments portfolio.

### Canadian equities

Fair value: \$10.6 billion, or 43% of the fair value of the specialized Canadian equities portfolio.  
Average return over five years: 25.2%.

### Foreign equities

Fair value: \$1.9 billion, or 19% of the fair value of the specialized foreign equities portfolios.  
Average return over five years: 15.9%.

### U.S. equities

Fair value: \$176 million, or 2% of the fair value of the specialized U.S. equities portfolio investments.

### Debt securities

Fair value: \$2.6 billion.  
Average return over five years: 8.5%, 59 basis points over the SCM – Universe Index.

## CDP PRIVATE EQUITY PORTFOLIO

as at December 31, 2000  
in millions of dollars

Subsidiaries	Number	Fair value
		\$
CDP Accès Capital	134	106.7
CDP Capital Communications	109	4,326.6
CDP Capital d'Amérique	271	6,635.6
CDP Capital International	69	1,493.5
CDP Montréal Mode Investissements	5	6.9
Montréal Mode International	1	24.4
CDP Financial Services	67	801.7
CDP Sofinov	168	1,895.0
Consolidated total <sup>1</sup>	781	15,290.4

<sup>1</sup> Certain investments are managed jointly by more than one subsidiary.

The CDP Private Equity subsidiaries were very active during the year on an ebullient market. They approved investments in 325 companies, for a total value of \$6.2 billion in various sectors of the economy, and disposed of roughly \$3.6 billion in assets.

## Investing worldwide in all sectors

The strength of the CDP Private Equity teams lies in their thorough knowledge of the businesses in which they invest, the prevailing conditions in their particular sector and the rules of their respective markets. Following are a few examples of the transactions that took place this past year.

## TOP STORIES

- *Creation of Quebecor Media, a new corporation integrating print and electronic media, cable, Internet access, and Web content and technology. It was through this new entity that all of Vidéotron's shares were purchased. In total, the CDP group invested \$2.2 billion in the creation of Quebecor Media, excluding the transfer of the Vidéotron shares it already held. CDP group now holds 45.3% of Quebecor Media, one of Canada's largest communications groups.*

- Creation of the CDP Korea Telecom and Infrastructure Fund, a US\$500-million fund that will invest in the telecommunications and infrastructure sectors in South Korea. The fund has already attracted a number of prestigious local investors.
- Strategic partnership with Violy, Byorum & Partners (VB&P) and a \$10-million investment in VB&P Holdings, which encompasses the investment and asset management operations of the group. This partnership will enable VB&P's growth and consolidate CDP Capital's position in Latin America. This addition to the network will benefit portfolio companies interested in expanding into the area.

## Communications, telecommunications and multimedia

### In North America

- A \$1.2-million investment in PV-Tron of Montréal, an electronic components broker for the telecommunications industry.
- Acquisition of a 20% interest in Diesel Marketing, a Montréal firm intent on promoting an approach that combines interactive and mass communications.
- Strategic investment in Mosaic Media Group, a U.S. joint venture involved in the production of records, films, television programs and Internet content, as well as in talent management. This partnership will be beneficial to the entertainment-industry businesses in CDP's portfolio.

### In Asia

- A US\$35 million investment, through the Asia Equity Infrastructure Fund, in Hughes Telecom India Limited, a company operating a fixed network in the state of Maharashtra, India.

## Software, information technologies and industrial technologies

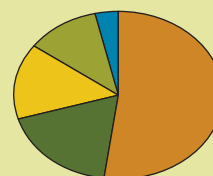
### In North America

- \$950,000 in Nomino, a natural language search engine developed at the Université du Québec à Montréal.
- \$1.5 million in Avantas Networks, a new company specializing in fibre optics.
- \$4.6 million in Micro Optics Design, a New Brunswick company that designs precision equipment used in the automated manufacture of prescription lenses.
- \$6 million in Silanis Technology, a Saint-Laurent company that developed the first multi-signature electronic approval management software.



## BREAKDOWN OF THE CDP PRIVATE EQUITY PORTFOLIO

as at December 31, 2000

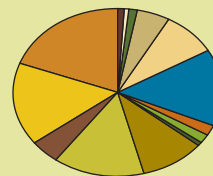


		Number	Fair value millions \$
Under \$5 million	52.2%	408	558.3
\$5 – 10 million	11.4%	89	674.1
\$10 – 25 million	18.2%	142	2,441.7
\$25 – 100 million	14.6%	114	5,459.2
\$100 million and up	3.6%	28	6,157.1
<b>Total</b>		<b>781</b>	<b>15,290.4</b>

## SECTORIAL BREAKDOWN

as at December 31, 2000

fair value – in percentage



	%
Metals and minerals	0.4
Gold and precious minerals	0.1
Oil and gas	0.7
Paper and forest products	5.1
Consumer products	8.5
Industrial products	14.8
Real estate	2.0
Transportation and environmental services	1.7
Pipelines	0.4
Utilities	10.0
Communications	14.1
Distribution and services	4.6
Financial services	15.9
Private investment funds	21.7

<sup>1</sup> The underlying assets of private investment funds are invested in most sectors.





## INNOVATING FOR OUR PARTNERS

Several new business solutions were created to fulfill the specific needs of companies, including:

**Term loans ranging from \$1 million to \$15 million** are now available to rapidly growing SMEs that must meet substantial needs to ensure their expansion. The amortization period varies from 5 to 15 years, and the rates can be fixed or variable.

**Imprésario**, a business solution for cultural and communications companies. In addition to making investments of up to \$2 million, Imprésario offers companies professional services designed to support their growth, and access to a global network of business contacts and partners.

**InnovAccès** will enable sponsored early-stage companies in the technological sector to rapidly obtain venture capital to ensure their growth.

**Accès Relève**, a turnkey financial product that facilitates the orderly transfer of SME ownership to family members or company executives.

A new team was also put in place to deal exclusively with investments in the **recreation and tourism sector**, thereby meeting the needs of promoters who have often found it difficult to obtain the means to launch their projects in a viable manner.

- \$7.5 million in SiGe Microsystems, an Ottawa firm that designs electronic components made of silicon-germanium.
- \$9.5 million in Proxima, a Montréal-based provider of customer care and billing software solutions for the cable, telephony and Internet services markets.
- \$10 million in I.C. Axon, a Montréal firm that develops multimedia and E-learning solutions for the global healthcare industry.
- \$10.6 million in D. J. Livingston & Co., a New Hampshire firm that designs and manufactures real-time validation systems for manufacturing processes.

### **In the Middle East**

- \$36.5 million in Genesis Partners II LDC, an Israeli venture capital fund that invests in information technology companies.

### **Biotechnology and health care**

#### **In North America**

- \$320,000 in the start-up of Altertek Bio, a Québec City company specializing in tissue engineering whose technologies were first developed at Université Laval.
- \$650,000 in the start-up of Converzyme, whose research on enzymes originated at the Clinical Research Institute of Montréal.
- \$2 million in Neurochem, a Saint-Laurent firm that develops therapeutic molecules used to treat diseases of the nervous system, such as Alzheimer's.
- \$7.3 million in Genaissance Pharmaceuticals, a U.S. provider of pharmacogenomic services for the design of personalized medical treatment.
- \$22.2 million in Forward Ventures IV, L.P., a U.S. health and biotechnology venture capital fund that invests in biopharmaceuticals and start-ups.
- \$43 million in Veterinary Centers of America (VCA), a joint investment with Leonard Green & Partners, L.P. VCA manages a network of veterinary clinics in the United States.

#### **In Latin America**

- \$3.7 million in GSSLA, a Latin-American subsidiary of the Québec company Générale de Services Santé N.A. GSSLA manages various hospitals and medical clinics in Venezuela and Chile.

#### **In Europe**

- \$89 million in General Healthcare, a company that manages private hospitals in Great Britain. This investment was made jointly with BC Partners.



## Technologies, manufacturing and agri-food

### *In North America*

- \$1.2 million in Les Produits Forestiers J.V. of Saint-Nicolas, Québec, a manufacturer of decorative mouldings and furniture components.
- \$1.6 million in Techn-o-Laser of Sainte-Julie, Québec, a company that recycles laser and ink-jet printer cartridges.
- US\$10 million in NutraSweet, a U.S. firm that has been the leading manufacturer of high-intensity sweeteners.
- US\$11 million in MHD Holding of Chicago, a manufacturer and distributor of food products.
- \$22.1 million in the Mobile Storage Group, a U.S. company that specializes in container and trailer storage. This investment was made jointly with Winward Capital Partners.
- \$48.5 million in Camoplast of Sherbrooke, Québec, a manufacturer of polymer composite parts for recreational and other vehicles.

### *In Europe*

- US\$20 million in Automotive Sealing Systems Holdings, a Luxembourg manufacturer of automotive sealing products.

## Financial services and banks

### *In North America*

- Partnership agreement with Assurance vie Desjardins-Laurentienne, whereby CDP takes a 30% interest in Services financiers La Laurentienne, one of Québec's largest networks of representatives in life and health insurance, mutual funds and financial planning.
- \$2.9 million in Northstar Trade Finance, a firm that provides financing to foreign buyers of Canadian goods.
- Acquisition of a 25% interest in Putnam Lovell Group, a leading investment bank focused on the financial services industry.

### *In Europe*

- \$2.7 million in Groupe BBSP of Paris, the leading European analysis adviser on the G7 interest rate, index and foreign exchange markets.

### *In Asia*

- US\$50 million in KorAm Bank, a Korean commercial bank with assets of US\$20 billion. This investment was part of a larger US\$430-million transaction involving a number of major investors.

## Fashion

- Acquisition of the North American assets and operations of Old River, a designer, manufacturer and retailer of men's clothing.

- Acquisition of Rio Sud, a company that designs and distributes men's and women's clothing.
- Partnership with Marcel Dénomme, a prominent Québec designer well-known for his Dénomme Vincent label.
- Investments in Esteem Fashions, a manufacturer and distributor of women's clothing, and Freedom, a retail clothing chain for teenagers.

## Early-stage Québec businesses

The CDP Accès Capital network of 12 offices extends throughout Québec and the Maritimes, and focuses primarily on early-stage companies. In 2000, some \$3.2 million was invested in loans to 16 early-stage companies. Some examples include:

- \$125,000 in Groupe SNS of Saint-Joseph-de-Beauce, which makes a mobile unit for emptying septic tanks.
- \$200,000 in Laval-based NEKS Recherche et Développement, which makes a device used to seal off interproximal tooth surfaces.
- \$250,000 in Extenso Tech of Drummondville, which has designed an audioguide for tourists exploring an area on foot.

## Sponsorship centres associated to CDP Accès Capital

- Centre de développement d'entreprises technologiques (Outaouais)
- Centre de haute technologie Jonquière (Saguenay/Lac-Saint-Jean)
- Centre d'entrepreneurs technologiques de l'École de technologie supérieure (Montréal)
- Centre d'entreprises et d'innovation de Montréal
- Centre d'entreprises technologiques montréalais (South Shore of Montréal)
- Centre québécois d'innovation en biotechnologies (Laval)
- Émergence entrepreneur (Québec City)
- Centre d'entrepreneurs technologiques (Eastern Townships)
- Enviro-Accès (Québec-wide)
- Inno-Centre Québec
- Société de développement économique de Drummondville
- Pépinière d'entreprises innovantes de Beauce

# CDP Real Estate



Fernand Perreault  
President

## Building our world

Diversified real estate portfolios, conventional and innovative mortgage financing, local, national and international investments, that is the scope of CDP Real Estate's activities.

In 2000, in line with its objective of dynamic investment management, CDP Real Estate selected investments on the basis of products and sectorial and geographical markets, maximized arbitrage opportunities ensuring an adequate balance between holding properties directly and owning real estate securities, and sold certain assets that no longer corresponded to its growth objectives.

## Retail properties

### In North America

- Redevelopment of the Eaton's building in downtown Montréal, an investment that will ultimately total \$154 million. Les Ailes de la Mode, a leader in the Québec retail industry, will be the main occupant of the first five floors, where the focus will be on stores and businesses. The upper floors will be designated as office space.
- Acquisition of the Montréal Eaton Centre, a prestigious shopping mall located on Montréal's busiest commercial thoroughfare.
- Acquisition of a 50% interest in Place Laurier, in suburban Québec City. Ivanhoe manages the mall for partner OMERS Realty Corporation.
- Opening of the Colossus movie theatre complex, which marked the launch of Centropolis Laval. All in all, \$200 million will have been invested in this vast retail and entertainment complex.
- On-going construction of International Plaza in Florida. This upscale shopping centre, which is already more than 80% leased, is the product of a partnership with Taubman Centers. The official opening is slated for September 2001.

### In Europe

- Continued construction work on a shopping centre in Banbury, England, a project of more than \$100 million.

## CDP REAL ESTATE PORTFOLIO

as at December 31, 2000

fair value – in millions of dollars

Subsidiaries	Depositors' assets <sup>1</sup>	Assets under management and assets administered	Total assets under management	Percentage
Cadim	2,539.8	1,960.4	4,500.2	17.3
Ivanhoe	6,892.9	995.8	7,888.7	30.4
SITQ IMMOBILIER	6,803.3	3,894.1	10,697.4	41.2
CDP Mortgages	2,862.3	20.3	2,882.6	11.1
<b>Total</b>	<b>19,098.3</b>	<b>6,870.6</b>	<b>25,968.9</b>	<b>100.0</b>

<sup>1</sup> Includes the specialized mortgage and real estate portfolios.

## TOP STORY

*Acquisition of all the shares of Cambridge Shopping Centres Limited. The transaction culminated in a merger between the two companies in 2001. The resulting company, Ivanhoe Cambridge, thus becomes one of the largest real estate management, development and investment firms in Canada. Its operations will focus on prime urban shopping centres in Canada and the United States.*

## Offices and business parks

### In North America

- Acquisition of five prestigious buildings in downtown Montréal with a combined total leasable space of some 407,700 m<sup>2</sup> (Place Ville-Marie, 700 de la Gauchetière Ouest, 1010 Sherbrooke Ouest, 2020 University and 360 Saint-Jacques Ouest). The value of the transaction amounts to \$728.1 million.
- Acquisition of a 50% interest in the Sun Life Building – an architectural landmark in downtown Montréal – for \$65.4 million.

- Continued construction of the Cité du Multimédia office complex. Four buildings were completed in 2000, and two others will be completed in the summer of 2001.
- Acquisition of First National Bank Center, in San Diego, California, following the creation of the San Diego Equities REIT I. The 52,850-m<sup>2</sup> office complex is held jointly with U.S.-based USAA Real Estate Company.

### **In Europe**

- An agreement was signed with Lucia, a subsidiary of Colony Capital Fund, to acquire building rights for 202,000 m<sup>2</sup>, which includes Tour Adria, a 39-story building in the La Défense district of Paris.
- Construction of phase I of the Chiswick business park in London – a \$300-million project that involved a \$25.5-million expenditure in 2000.

### **TOP STORY**

*First partnership between SITQ IMMOBILIER and the SPID real estate fund, a subsidiary of France's Caisse des Dépôts et Consignations. SITQ IMMOBILIER assumes the management of buildings in Paris, held jointly with its new partner.*

### **Residential sector and new products**

#### **In North America**

- Acquisition of a major interest in The Praedium Group, a U.S. company specializing in real estate investments in North America whose investments to date total US\$2 billion. This transaction has enabled Cadim to tap into an extensive network of investments and investors in the United States.
- Acquisition of 58 industrial properties in Toronto, with partners Cargill, Ellis and Caber, for a total of \$60 million.
- Acquisition of an interest in a 276-unit residential complex in the United States through a REIT co-owned with Lend Lease Real Estate Investments, Cornell University, Fanny Mae and Bank One.
- Acquisition of a U.S.-based 516-unit apartment complex, in partnership with Lend Lease Real Estate Investments, for \$28 million.
- A \$52-million investment in RioCan, the largest REIT in Canada.
- Investments totalling \$392 million in various funds, including Lone Star Opportunity Fund, Asian Property Partners and Lazard & Frères.



### **A profitable year**

#### **Real estate portfolio**

Returns: 15.0% over five years; 18.3% in 2000 (Aon index: 14.4%).

Assets: \$16.2 billion, up 19% over 1999.

Investment income: \$830 million, compared with \$505 million in 1999.

#### **Mortgage portfolio**

Returns: 7.5% over five years; 12.3% in 2000 (SCM – Universe: 10.2%).

Assets: \$2.9 billion, versus \$1.9 billion in 1999.



- Establishment of a new partnership with the Paulo Octavio group, a Brazilian company whose real estate assets are valued at US\$152 million. This alliance was formed for the purposes of developing a residential complex in Brasilia.

## Mortgages

Approved investments totalled \$1.4 billion in 2000.

### A few examples

- \$50 million for Les Rivières shopping centre (Trois-Rivières, Québec)
- \$60 million for 630 René-Lévesque (Montréal, Québec)
- \$85 million for the Atrium on Bay (Toronto, Ontario)
- \$148 million for 483 Bay Street (Toronto, Ontario)

## TOP STORY

*CDP Mortgages successfully floated two public issues of commercial mortgage-backed securities (CMBS) on the Canadian market. The first issue, with a face value of \$235 million, involved three mortgage loans on shopping centres in Québec. The second issue, with a face value of \$251 million, involved 57 mortgage loans secured by 71 properties across Canada.*

*CDP Mortgages also launched a new product – interim financing – intended for financing needs during the construction phase. This product enables builders to obtain a loan at the outset of a project for roughly a two-year term, until the property becomes eligible for long-term financing. The product is available throughout Canada and, in 2000, loans totalling \$221 million were provided.*

## In Europe

- Sale of the Foncière de la Cité portfolio comprising some 40 residential and office buildings in France, mainly in the greater Paris area.

## TOP STORY

*Acquisition of all the shares of Acanthus Real Estate Corporation, a publicly traded Canadian company specializing in the residential sector. Acanthus holds a high-quality Canada-wide portfolio valued at some \$480 million.*

*Disbursements of some \$48 million in the form of mezzanine loans, a vehicle introduced in 1999 that is a cross between a conventional loan and a direct investment. A mezzanine loan overlays conventional loans, offering a high loan-to-value ratio and reducing the equity required for property acquisition, development or construction.*

### Cadim-FSTQ New Markets Fund

- Creation, with Québec partner J.O. Lévesque Ltée, of a vehicle to obtain certification for Québec construction materials in Poland.
- Financing of the construction of a residential complex of 152 apartments and townhouses in suburban Warsaw, in partnership with Québec company Indra Internationale. The fund has invested US\$3.6 million in this project.

## Quartier international de Montréal

Located in the heart of the downtown sector, close to Old Montréal, Montréal's international district aims to capitalize on the warm, inviting atmosphere, the draw and the quality of life and services available in this area of the city. The project, backed by an investment of more than \$60 million from both public- and private-sector partners, is expected to include real estate investments of more than \$1 billion. This real estate development project will be the largest ever in Canada.

In 2000, development work progressed rapidly, involving construction of a pedestrian tunnel linking the Convention Centre to Old Montréal, building an underground parking lot near Place-du-Palais and covering the Ville-Marie Expressway. Several real estate projects also started up in this sector.



# Commitment, Expertise and Professionalism

## Supporting performance

The CDP group's performance relies on the know-how and professionalism of its teams. Almost all the institution's assets are managed actively, an approach that requires qualified, skilled and creative personnel. A solid team also supports CDP's operations, in administration, accounting, portfolio management support, marketing and communications.

Professional investors need to have a solid background in all sectors. That is why of the CDP group's 440 full-time employees (including CDP Global Asset Management and the CDP Private Equity subsidiaries), 307 are university graduates. Of these, six hold doctorates and 137 have Master's degrees. Furthermore, 67 employees are chartered financial analysts (CFA) and 85 more are currently studying to become CFAs. In fact, CDP has the highest concentration of CFAs in Canada. Finally, 53 of our employees have earned their professional accounting designations (CA, CGA or CMA). In addition, CDP Real Estate and its subsidiaries collectively have some 975 full-time employees whose competencies and expertise are reflected in the group's performance.

In its concern to help build a new generation of investment professionals, CDP Capital participates in various internship programs for recent university graduates. In 2000, 45 graduates took part in such initiatives, and 13 went on to obtain temporary or full-time employment with various teams within the CDP group.



# Depositors

as at December 31, 2000  
fair value – in millions of dollars

	Abbreviation	First deposit	Number of contributors <sup>1</sup>	Depositors' holdings			
				2000		1999	
				\$	%	\$	%
<b>PUBLIC PENSION PLANS</b>							
<b>Régie des rentes du Québec</b>	RRQ						
Fonds du Régime de rentes du Québec		1966	3,568,626	<b>18,599</b>	<b>21.1</b>	17,811	21.8
<b>Commission de la construction du Québec</b>	CCQ						
Supplemental Pension Plan for Employees of the Québec Construction Industry		1970	91,790	<b>8,084</b>	<b>9.1</b>	7,727	9.5
<b>Commission administrative des régimes de retraite et d'assurances</b>	CARRA						
Government and Public Employees Retirement Plan (unionized level)	RREGOP	1973	425,000	<b>31,638</b>	<b>35.8</b>	29,719	36.5
Pension Plan for Management <sup>2</sup>	PPM	1973	22,000	<b>4,820</b>	<b>5.5</b>	4,474	5.5
Retirement Plan for Mayors and Councillors of Municipalities <sup>3</sup>		1975	–	–	–	–	–
Individual Plans		1977	320	<b>197</b>	<b>0.3</b>	190	0.2
Pension Plan for Elected Municipal Officers		1989	2,100	<b>209</b>	<b>0.2</b>	195	0.3
<b>Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec</b>	RRTAQ	1990	3,349	<b>122</b>	<b>0.2</b>	108	0.1
<b>Fonds d'amortissement des régimes de retraite gouvernementaux</b>	FARRG	1994	1	<b>7,023</b>	<b>8.0</b>	4,595	5.6
<b>INSURANCE PLANS</b>							
<b>Régie des marchés agricoles et alimentaires du Québec</b>	RMAAQ						
Fonds d'assurance-garantie		1967	78	<b>5</b>	–	4	–
<b>Régie des assurances agricoles du Québec</b>		1968	20,297	<b>22</b>	–	13	–
<b>Régie de l'assurance-dépôts du Québec</b>		1969	1,026	<b>203</b>	<b>0.2</b>	181	0.2
<b>Commission de la santé et de la sécurité du travail</b>	CSST	1973	181,474	<b>9,183</b>	<b>10.4</b>	8,636	10.6
<b>Société de l'assurance automobile du Québec</b>	SAAQ	1978	4,579,218	<b>7,663</b>	<b>8.7</b>	7,409	9.1
<b>Fonds d'assurance-prêts agricoles et forestiers du Québec</b>	FAPAF	1978	1	<b>83</b>	<b>0.1</b>	71	0.1
<b>La Fédération des producteurs de bovins du Québec</b>		1989	23,566	<b>3</b>	–	3	–
<b>Régime de rentes de survivants</b>		1997	1	<b>377</b>	<b>0.4</b>	364	0.5
<b>OTHER DEPOSITORS</b>							
<b>Office de la protection du consommateur</b>	OPC	1992	1,092	<b>9</b>	–	9	–
<b>Centre de recherche industrielle du Québec<sup>4</sup></b>	CRIQ	1994	–	–	–	–	–
<b>Société des alcools du Québec<sup>4</sup></b>	SAQ	1994	–	–	–	26	–
<b>Commission des valeurs mobilières du Québec<sup>4</sup></b>	CVMQ	1998	–	<b>23</b>	–	8	–
<b>TOTAL</b>				<b>88,263</b>	<b>100.0</b>	81,543	100.0

<sup>1</sup> Estimate.

<sup>2</sup> Previously known as the Government and Public Employees Retirement Plan – contributions from non-unionized level employees.

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

<sup>4</sup> These depositors solely use CDP's cash management services.



# Financial highlights

as at December 31  
in millions of dollars

<b>NET ASSETS</b>	<b>2000</b>	<b>1999</b>
<b>ASSETS</b>		
Investments at fair value		
Specialized portfolios		
Short-term securities	979	2,041
Mortgages	1,965	1,667
Bonds	32,347	28,644
Canadian equities	21,616	22,287
Diversified, strategic and tactical investments	990	-
U.S. equities	8,170	6,448
Foreign and emerging markets equities	10,559	12,788
Québec International bonds	5,379	2,783
Real estate	5,765	4,166
	<b>87,770</b>	<b>80,824</b>
Other net assets	493	719
<b>DEPOSITORS' HOLDINGS</b>	<b>88,263</b>	<b>81,543</b>
<b>CHANGES IN NET ASSETS FOR THE YEAR</b>	<b>2000</b>	<b>1999</b>
<b>INVESTMENTS</b>		
Net investment income	3,734	3,027
Gains and losses on the sale of investments	7,012	3,711
Unrealized increase (decrease) in value	(5,803)	4,534
<b>TOTAL INCOME FROM INVESTMENTS</b>	<b>4,943</b>	<b>11,272</b>
Excess depositors' deposits over withdrawals	1,777	1,271
<b>INCREASE IN NET ASSETS</b>	<b>6,720</b>	<b>12,543</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>81,543</b>	<b>69,000</b>
<b>NET ASSETS, END OF YEAR</b>	<b>88,263</b>	<b>81,543</b>

# Breakdown of specialized portfolios

in millions of dollars

	2000			1999		
	Fair value	Cost	%	Fair value	Cost	%
<b>Short-term securities</b>						
Short-term securities	5,871	5,867		4,891	4,889	
Other net assets (liabilities)	(4,892)	(4,890)		(2,850)	(2,849)	
	979	977	1.1	2,041	2,040	2.5
<b>Mortgages</b>						
Mortgages						
Commercial and office buildings	2,067	2,045		1,198	1,205	
Industrial	423	412		356	360	
Residential	135	131		134	132	
	2,625	2,588		1,688	1,697	
Other net assets (liabilities)	(660)	(641)		(21)	6	
	1,965	1,947	2.2	1,667	1,703	2.1
<b>Bonds</b>						
Bonds						
Gouvernement du Québec	9,820	9,206		10,554	10,322	
Government of Canada	11,906	11,634		7,238	7,404	
U.S. Government	1,459	1,474		1,260	1,304	
Government guaranteed	6,445	5,731		7,431	6,956	
Corporate and other	5,582	5,707		3,583	3,792	
	35,212	33,752		30,066	29,778	
Other net liabilities	(2,865)	(2,650)		(1,422)	(1,361)	
	32,347	31,102	36.6	28,644	28,417	35.1
<b>Canadian equities</b>						
Shares and convertible securities						
Domestic securities						
Industrial products	4,719	4,267		5,325	2,717	
Utilities	1,391	1,193		4,247	1,540	
Financial services	4,870	2,883		3,314	2,437	
Other	8,408	7,073		9,882	8,426	
U.S.	4,094	3,735		2,416	1,993	
Other	643	422		464	379	
	24,125	19,573		25,648	17,492	
Other net liabilities	(2,509)	(2,209)		(3,361)	(2,927)	
	21,616	17,364	24.5	22,287	14,565	27.3
<b>Diversified, strategic and tactical investments</b>						
Shares and convertible securities	2,671	2,915		-	-	
Other net liabilities	(1,681)	(1,828)		-	-	
	990	1,087	1.1	-	-	-
<b>U.S. equities</b>						
Shares and convertible securities – U.S.	4,491	3,828		3,963	2,681	
Short-term securities	7,451	7,432		2,429	2,429	
Other net assets (liabilities)	(3,772)	(3,801)		56	54	
	8,170	7,459	9.3	6,448	5,164	7.9
<b>Foreign and emerging markets equities</b>						
Shares and convertible securities						
Europe	5,951	5,113		6,991	5,100	
Pacific	2,431	2,653		3,753	2,679	
America	442	398		906	702	
Emerging markets	1,764	1,974		1,620	1,344	
Other	154	182		376	320	
	10,742	10,320		13,646	10,145	
Short-term securities	4,405	4,444		9	45	
Other net liabilities	(4,588)	(4,494)		(867)	(1,006)	
	10,559	10,270	12.0	12,788	9,184	15.7
<b>Québec International Bonds</b>						
Bonds						
Gouvernement du Québec	3,744	3,635		1,758	1,792	
Government of Canada	962	937		148	148	
Government guaranteed	82	81		-	-	
Shares and convertible securities	149	159		157	149	
	4,937	4,812		2,063	2,089	
Other net assets	442	440		720	720	
	5,379	5,252	6.1	2,783	2,809	3.4
<b>Real estate</b>						
Real estate holdings	13,830	13,577		11,806	11,982	
Shares and convertible securities	1,400	1,296		863	883	
Mortgages	334	330		309	311	
Other net liabilities	(9,799)	(9,570)		(8,812)	(8,788)	
	5,765	5,633	6.5	4,166	4,388	5.1
<b>Other net assets hold directly by the funds</b>	493	400	0.6	719	708	0.9
<b>Net assets</b>	<b>88,263</b>	<b>81,491</b>	<b>100.0</b>	<b>81,543</b>	<b>68,978</b>	<b>100.0</b>

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**Board of directors** *The Board of Directors consists of the Chief Executive Officer of CDP Capital, who is the Chairman, depositors' representatives, namely as at December 31, 2000, the President and General Manager of Régie des rentes du Québec, the Chairman of the Commission administrative des régimes de retraite et d'assurances, the Chairman and Chief Executive Officer of the Société de l'assurance automobile du Québec, as well as members of the business community and the co-operative sector and labour union leaders.*

<sup>1</sup> **Audit Committee** *The Audit Committee examines the annual and quarterly financial statements and recommends their approval to the Board of Directors. It also evaluates the mandate and the nature of the audit work performed and monitors the effectiveness of the internal-control systems and mechanisms.*

<sup>2</sup> **Resources Committee** *The Resources Committee receives proposals, submits its opinions and makes recommendations to the Board of Directors regarding human, financial and computer resources. More specifically, it studies the remuneration policy and the operating and capital budgets.*

<sup>3</sup> **Resources Committee – Senior Management** *The Resources Committee – Senior Management examines the process used to appoint members of CDP's senior management, defines their respective responsibilities and ensures the succession plan is appropriate. The committee also receives proposals, submits opinions and makes recommendations to the Board of Directors regarding the senior management organization chart, and the selection and hiring of any member of senior management. For the position of Chairman and Chief Executive Officer, it makes its recommendations to the Québec government.*

<sup>4</sup> **Real Estate Portfolio Management Committee** *The Real Estate Portfolio Management Committee (the CDP Real Estate Board of Directors) studies the annual strategic plan, receives management reports and approves or recommends certain investment proposals to the CDP's Board of Directors.*

<sup>5</sup> **Ethics, Professional Conduct and Corporate Governance Committee** *The Ethics, Professional Conduct and Corporate Governance Committee studies reports on the application of the Code of Ethics and Professional Conduct and on the exercise of the CDP's voting rights. It provides opinions on any matter covered by the Code or pertaining to its application, as required. It also ensures that the Corporate Governance Policy is updated.*

**Investment Committees** *CDP has eight investment committees and sub-committees. The main mandate of the Investment Steering Committee is to review general investment policy as well as specific policies arising therefrom, including sectorial policies, monitoring of depositors' investment policies, and general risk management as well as performance analysis. It also provides opinions and makes recommendations as required, as well as overseeing the activities of the team responsible for management of depositor accounts. The Integrated Risk Management Committee, sub-committee of the Investment Steering Committee, proposes strategic risk management orientations and policies for the entire CDP group, recommends priority work plans to assign resources to the most important risk elements, harmonizes the methods, systems and models used to identify and analyze risk, reviews the structure for delegation of authority and the approval limits and monitors risk to ensure it is managed properly. As for the Equity Management, Interest Rate Management and Currency Management Committees, they propose sector-based investment policies, approve management methods and oversee the investment activities of their sectors. The Asset Allocation Active Management Committee provides tactical and strategic management of fund allocation and investment positions among the major asset categories. The CDP Real Estate Committee and the CDP Private Equity Committee have a mandate to propose sector-based investment policies, ensure client satisfaction and quality of service, determine strategic orientations suited to Québec's economy and ensure a flow of information among all the components of the CDP group.*

<sup>6</sup> *Ex officio chairman of the Board of Directors of CDP Private Equity subsidiaries.*

<sup>7</sup> *Ex officio chairman of the Board of Directors of CDP Real Estate subsidiaries.*

<sup>8</sup> *Member of the Steering Committee.*

<sup>9</sup> *Fernand Perreault, Ex officio chairman of the Board of Directors of CDP Real Estate subsidiaries.*

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