Caisse de dépôt et placement du Québec

COMBINED FINANCIAL STATEMENTS

2007

MANAGEMENT'S RESPONSIBILITY FOR COMBINED FINANCIAL REPORTING

Preparation and presentation of the combined financial statements of the Caisse de dépôt et placement du Québec (the "Caisse") are the responsibility of management. The combined financial statements were prepared in accordance with generally accepted accounting principles (GAAP) in Canada. We ensure that the financial data in the Annual Report are consistent with those in the combined financial statements.

The combined financial statements include amounts based on management's best estimates and judgment, with due regard for their relative importance. Moreover, in the preparation of the financial data, management has made decisions regarding the information to be presented, has made estimates and has made assumptions that affect the information presented. Future results may differ considerably from our current estimates, because of changes in the financial markets or other events that may have an impact on the fair value of the investments established as at December 31, 2007.

In our responsibility for the reliability of financial information, we use a sophisticated internal control mechanism applied systematically on all levels of the organization. This mechanism consists of organizational and operational controls, financial information disclosure controls and procedures, and internal control over financial information. The Caisse's internal control mechanism is based, among other things, on a clear definition of responsibilities, effective allocation of duties, delegation of powers, competent resources, appropriate procedures, information systems, tools and practices, relevant and reliable information whose adequacy enables all employees to fulfill their responsibilities, control, compliance and integrated risk management measures that are proportional to the issues specific to each process and designed to reduce risks likely to affect achievement of the Caisse's objects, and oversight of compliance with an extensive body of internal policies.

This control mechanism makes it possible to ensure that appropriate internal controls are in place as regards operations, assets and records. Moreover, the Caisse's internal audit group reviews the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the combined financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which the Caisse is subject, including the Act respecting the Caisse de dépôt et placement du Québec.

Each year, we certify that the design of the internal control regarding financial information is sufficient and that the design and functioning of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of the Caisse, as necessary.

The Auditor General of Québec has audited the combined financial statements of the Caisse, and his report covers the nature and scope of the audit and expresses his opinion. The Auditor General has unrestricted access to the Audit Committee to discuss any matter relating to his audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks and evaluation of major transactions. Moreover, it approves the combined financial statements and the Annual Report.

The Board of Directors has approved the combined financial statements as at December 31, 2007. It is assisted in its responsibilities by the Audit Committee, of which all members are outside directors. This Committee meets with management and the Auditor General, examines the combined financial statements and recommends their approval to the Board of Directors.

Henri-Paul Rousseau
President and Chief Executive Officer

Ghislain Parent, FCA
Executive Vice-President, Finance and Operations

Montréal, February 15, 2008

AUDITOR’S REPORT

To the National Assembly

I have audited the combined statement of net assets of the Funds of the Caisse de dépôt et placement du Québec as at December 31, 2007, along with the combined statement of income and changes in net assets for the year then ended. These financial statements are the responsibility of the Caisse’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada. These standards require that I plan and perform an audit in such a way as to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of these Funds as at December 31, 2007, as well as the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that in my opinion, with the exception of the changes in accounting principles presented in Note 3, these principles have been applied on a consistent basis with that of the preceding year.

Renaud Lachance, CA

Auditor General of Québec
Québec City, February 15, 2008

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
(R.S.Q., chapter C-2)

COMBINED STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2007

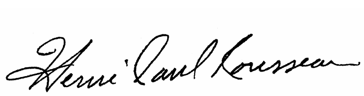
	2007	**2006**
	(in millions of dollars)	
ASSETS		
Investments at fair value *(notes 4a and b)*	222,797	203,491
Advances to depositors	372	1,024
Investment income, accrued and receivable	1,209	1,097
Transactions being settled	1,567	1,277
Other assets	1,204	625
	227,149	207,514
LIABILITIES		
Liabilities related to investments *(note 4c)*	66,100	60,644
Transactions being settled	2,087	514
Other liabilities	1,561	1,509
Non-controlling interests *(note 4d)*	2,051	1,368
	71,799	64,035
DEPOSITORS' HOLDINGS ***(note 5)***	155,350	143,479

DERIVATIVE FINANCIAL INSTRUMENTS ***(note 9)***

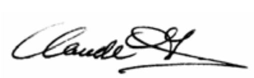
COMMITMENTS AND CONTINGENCIES ***(note 11)***

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

For the Board of Directors,



Henri-Paul Rousseau



Claude Garcia

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED STATEMENT OF INCOME AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	(in millions of dollars)	
Investment income *(note 6a)*	6,531	5,522
Less:		
Operating expenses *(note 7)*	261	227
External management fees	69	54
Net investment income	6,201	5,241
Gains (losses) on the sale of investments *(note 6d)*	9,427	4,607
Total realized income	15,628	9,848
Unrealized increase (decrease) in the value of investments and liabilities related to investments *(note 6e)*	(5,860)	7,920
Unrealized decrease in the value of investments in third-party ABCP being restructured and others *(note 4b)*	(1,897)	- -
Total unrealized increase (decrease) in value	(7,757)	7,920
Net investment results	7,871	17,768
Excess depositors' deposits over withdrawals	4,000	3,552
INCREASE IN COMBINED NET ASSETS	11,871	21,320
COMBINED NET ASSETS, BEGINNING OF YEAR	143,479	122,159
COMBINED NET ASSETS, END OF YEAR	155,350	143,479

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

1. Constitution and operations

The Caisse de dépôt et placement du Québec, a legal person established in the public interest within the meaning of the *Civil Code*, is governed by the *Loi sur la Caisse de dépôt et placement du Québec* (R.S.Q., chapter C-2). It receives funds, the deposit of which is provided under the Act. Pursuant to both the federal and provincial income tax acts, the Caisse is not subject to income taxes.

General Fund (consolidated statements)

The General Fund comprises all treasury operations (management of demand and term deposits, and corporate financing) as well as results from net investments related to third-party asset-backed commercial paper being restructured ("third-party ABCP being restructured") held in the specialized Bonds portfolio (760).

Individual funds

The individual funds are comprised of diversified investments, and each fund has only one depositor that exclusively makes participation deposits therein. The individual funds are for the use of the following depositors:

Fund 300: Fonds du Régime de rentes du Québec administered by the Régie des rentes du Québec;

Fund 301: Government and Public Employees Retirement Plan administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 302: Pension Plan for Management administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 303: Individual plans administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 305: Pension Plan for Elected Municipal Officers administered by the Commission administrative des régimes de retraite et d'assurances;

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers oeuvrant au Québec;

Fund 307: Fonds d'assurance automobile du Québec administered by the Société de l'assurance automobile du Québec;

Fund 311: Supplemental Pension Plan for employees of the Québec construction industry – general account – administered by the Commission de la construction du Québec;

Fund 312: Supplemental Pension Plan for employees of the Québec construction industry – retirees account – administered by the Commission de la construction du Québec;

Fund 313: Supplemental Pension Plan for employees of the Québec construction industry – supplementary account – administered by the Commission de la construction du Québec;

Fund 314: Fonds d'assurance-dépôts administered by the Autorité des marchés financiers;

Fund 315: Fonds d'assurance-prêts agricoles et forestiers administered by La Financière agricole du Québec;

Fund 316: Fonds d'amortissement du régime de retraite – RREGOP administered by the ministère des Finances, Government of Québec;

Fund 317: Fonds d'amortissement du régime de retraite – RRPE administered by the ministère des Finances, Government of Québec;

Fund 318: Fonds d'amortissement des autres régimes de retraite administered by the ministère des Finances, Government of Québec;

Fund 326: Fonds d'assurance-récolte administered by La Financière agricole du Québec;

Fund 327: Fédération des producteurs de bovins du Québec;

Fund 328: Régime de rentes de survivants administered by the Conseil du trésor, Government of Québec;

Fund 329: Fonds d'assurance-garantie administered by the Régie des marchés agricoles et alimentaires du Québec;

Fund 330: Fonds de la santé et de la sécurité du travail administered by the Commission de la santé et de la sécurité du travail;

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels administered by the Office de la protection du consommateur;

Fund 333: Fonds d'indemnisation des clients des agents de voyages administered by the Office de la protection du consommateur;

Fund 341: Fonds réservé administered by the Autorité des marchés financiers;

Fund 342: Régime de retraite de l'Université du Québec administered by the Comité de retraite du Régime de retraite de l'Université du Québec;

Fund 343: Fonds d'assurance parentale administered by the Conseil de gestion de l'assurance parentale;

Fund 346: Fonds d'assurance parentale – Réserve administered by the Conseil de gestion de l'assurance parentale (closed November 1, 2007);

Fund 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec administered by the Groupe-conseil Aon;

Fund 348: Régime complémentaire de retraite des employés syndiqués de la Commission de la construction du Québec administered by the Comité de retraite du Régime complémentaire de retraite des employés syndiqués de la CCQ;

Fund 351: Fonds des générations administrated by the ministère des Finances, Government of Québec (created February 1, 2007);

Fund 353: Régime de retraite des membres de la Sûreté du Québec – caisse participants administered by the Commission administrative des régimes de retraite et d'assurances (created April l, 2007);

Fund 361: Régime de rentes pour le personnel non enseignant de la Commission des écoles catholiques de Montréal administered by the Commission administrative des régimes de retraite et d'assurances (created January 1, 2007);

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale administered by the Commission administrative des régimes de retraite et d'assurances (created January 1, 2007);

Fund 363: Régime de retraite des employés de la Ville de Laval administrated by the Comité du Régime de retraite des employés de la Ville de Laval (created July 1, 2007);

Fund 364: CCQ – Valeurs à court terme administered by the Commission de la construction du Québec (created July 1, 2007 and closed November 1, 2007).

Specialized portfolios

The specialized portfolios are pooled funds for participation deposits of the various funds. The specialized portfolios are the following:

- Short Term Investments (740)
- Real Return Bonds (762)
- Bonds (760)
- Long Term Bonds (764)
- Canadian Equity (720)
- U.S. Equity – hedged (731)
- U.S. Equity – unhedged (734)
- Foreign Equity – hedged (730)
- Foreign Equity – unhedged (733)
- Emerging Markets Equity (732)
- Québec International (761)
- Investments and Infrastructures (781) (consolidated statements)
- Private Equity (780) (consolidated statements)
- Real Estate Debt (750) (consolidated statements)
- Real Estate (710) (consolidated statements)
- Commodity Financial Instruments (763)
- Hedge Funds (770) (consolidated statements)
- Asset Allocation (771)

2. Accounting policies

The preparation of the combined financial statements of the Caisse in accordance with generally accepted accounting principles in Canada requires that management make estimates and assumptions, which have an impact on the accounting of assets and liabilities, the presentation of contingent assets and liabilities at the date of the financial statements and the accounting of revenues and expenses during the financial year covered by the financial statements. Actual results may differ from such estimates.

A statement of cash flows is not presented as it would provide no further useful information for the comprehension of cash flows during the year.

a) Combined financial statements

The combined financial statements comprise the accounts of the Caisse's subsidiaries, along with those of the General Fund, the individual funds, and the specialized portfolios. The accounts of each fund and each portfolio are presented in financial statements audited by the Auditor General of Québec.

b) Investments and joint operations

Investments and related assets and liabilities are accounted for at fair value, which is the estimated exchange value that would be agreed upon in an arm's-length transaction between competent, willing parties in conditions of full competition, established at year-end.

Transaction costs which are directly attributable to the acquisition and sale of investments are included in income and applied against gains and losses on the sale of investments. Transaction costs include commissions and stock exchange fees.

Fixed-income securities

Fixed-income securities comprise short-term investments, bonds, third party ABCP being restructured and mortgages. Acquisitions and sales of fixed-income securities are recorded at the transaction date.

i) Valuation method

The fair value of fixed-income securities is determined by means of valuation methods used in capital markets, such as the annualization of future cash flows at the current interest rate and the prices of the major stock exchanges as well as those provided by recognized financial institutions. In addition, certain valuations are conducted by means of valuation methods commonly used, based on market data or on similar transactions on a arm's length basis. The valuation method used for third-party ABCP being restructured is presented in note 4b).

ii) Investment income and gains and losses on the sale of investments

Investment income from fixed-income securities includes amortization of the premium and the discount, which makes it possible to maintain a constant real return until maturity. Income from mortgages are reduced by operating expenses, financial costs of CMBS and write-off of deferred charges and are recorded under Investment Income – Fixed-income securities.

Gains and losses on the sale of investments represent the difference between the unamortized cost and the net realizable fair value on the sale of investments. The unamortized cost represents the acquisition cost adjusted to reflect the amortization of the premium or discount.

Variable-income securities

Variable-income securities comprise equities and convertible securities as well as real estate holdings. Acquisitions and sales of equities and convertible securities are recorded at the transaction date, while acquisitions and sales of real estate are recorded at settlement date.

i) Valuation method

The fair value of equities traded on a stock exchange is determined based on prices on major stock exchanges as well as those provided by recognized financial institutions. For unlisted shares and real estate, certain valuations are made by independent valuators while others are made using commonly used valuation methods based on market data or similar transactions made on an arm's length basis. The valuations of equities and convertible securities that are not publicly traded are reviewed biannually by an independent valuation committee while those of real estate are reviewed by independent valuators.

ii) Investment income and gains and losses on the sale of investments

Dividend income is recognized on the ex-dividend date. Income from real estate holdings is reduced by operating expenses related to real estate holdings, operation expenses and loan financial expenses, and is recorded under the item Investment income – Variable-income securities.

Gains and losses on the sale of investments represent the difference between the cost and the net realizable value on the sale of investments. The cost of investments is the acquisition cost, except for the acquisition cost of investments in joint ventures, which are accounted for using the equity method.

Derivative financial instruments

Pursuant to its investment management, the Caisse conducts transactions involving various derivative financial instruments to manage the risks associated with exchange rate, interest rate and market fluctuations.

Derivative financial instruments whose fair value is favourable are recorded under the item Investments, whereas those whose fair value is unfavourable are recorded under Liabilities related to investments.

i) Valuation method

Derivative financial instruments are recorded at their fair value at year-end. These values are established from prices on the major stock exchanges as well as those provided by recognized financial institutions. In the case of unlisted instruments, certain valuations are made on the basis of similar arm's-length transactions, or according to recognized, commonly used models, based on market data.

ii) Investment income and gains and losses on the sale of investments

Investment income from derivative financial instruments is included in income from fixed-income and variable-income securities, whereas gains and losses from derivative financial instruments are included in gains (losses) on the sale of investments on the basis of the underlying investments.

Securities acquired under reverse repurchase agreements

The Caisse conducts security-borrowing operations involving short-term investments and bonds to cover short sales or to generate additional income from security-borrowing operations. These security-borrowing operations are recorded under Securities acquired under reverse repurchase agreements. Interest earned on reverse repurchase agreements is recorded as interest income under the item Investment income – Fixed-income securities.

Securities sold under repurchase agreements

The Caisse conducts security-lending operations involving short-term investments and bonds to generate cash flow liquidity or to generate additional income from security-lending operations. These security-lending operations are recorded under Securities sold under repurchase agreements. Interest paid on repurchase agreements is applied against Investment income – Fixed-income securities.

Short selling of securities

Short selling of securities represents the commitment by the Caisse to purchase securities from third parties to cover such positions. Interest related to commitments involving short selling of short-term investments and bonds are recorded under Investment income – Fixed-income securities, whereas costs related to commitments involving short selling of equities are recorded under Investment income – Variable-income securities.

Gains and losses on commitments related to short selling of short-term investments and bonds are recorded in Gains and losses on the sale of investments – Fixed-income securities, whereas those related to short selling of equities are recorded in Gains and losses on the sale investments – Variable-income securities.

c) Administered property and property under management

The Caisse and its subsidiaries administer and manage property entrusted to them by clients and on their behalf. This property is not included in the combined statement of net assets of the Caisse. The Caisse and its subsidiaries receive fees in return for such portfolio management services and administrative services, which include the administration of real estate properties and management of securitized loans.

d) Foreign currency translation

The fair value of investments and any other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rate of exchange prevailing at year-end.

The cost of investments in equities and that of real estate holdings from integrated foreign operations and the unamortized costs of investments in bonds, mortgages, and short-term investments are translated at the rate of exchange prevailing on the acquisition date. The cost of investments from self-sustaining foreign operations is translated at the rate prevailing at year-end.

Income is translated at the rate of exchange prevailing on the transaction date, with the exception of income from the specialized real estate portfolio, which is translated at the average rate for the year.

e) Loan securitization

The Caisse periodically securitizes loans and mortgages by selling such loans and mortgages to a collaterized security entity, which subsequently issues securities to investors. Such transactions are recorded as sales where the Caisse is deemed to have relinquished control over such assets and to have received compensation other than the beneficial rights attached to the assets disposed of, in accordance with Accounting Guideline AcG-12 “Transfers of receivables” in the Canadian Institute of Chartered Accountants (“CICA”) Handbook. At time of securitization, no beneficial right attached to the securitized loans is retained. Any gains and losses deriving from such transactions are recorded under Gains (losses) on sale of investments – Mortgages and Bonds.

Companies under common control usually continue to manage loans after disposition. Since management fees are established on the basis of the market for such services, no assets or liabilities under management are recorded at the date of disposition.

f) Operating expenses

Operating expenses represent all expenses related to portfolio management and administration, with the exception of those related to external management. Operating expenses are presented under a specific item in the “Combined statement of income and changes in net assets”. Expenses related to the management of the specialized real estate and real estate debt portfolios are included in operating expenses. Operating expenses related to the management and administration of real estate holdings and mortgages are deducted from real estate holdings investment income and mortgages investment income respectively.

g) External management fees

External management fees represent amounts paid to external financial institutions, principally institutional fund managers active on international stock markets, for the management of Caisse funds on behalf of the Caisse. External management fees are presented under a specific item in the "Combined statement of income and changes in net assets".

3. Changes in accounting policies

a) Section 3855 is adopted "Financial Instruments – Recognition and Measurement"

i) Description

As of January 1, 2007, the Caisse adopted Section 3855 "Financial Instruments – Recognition and Measurement" in the CICA Handbook. As the Caisse qualifies as an investment company according to the Accounting Guideline No. 18 "Investment companies", the only provisions in Section 3855 applying to Caisse investments are those concerning the accounting, regular-way purchase or sale and measurement at fair value. The major change deriving from these new provisions involves determining the fair value of investments traded on active markets (equities and derivatives). The adoption of these new standards has had no significant impact on the combined financial statements.

This new standard also has an impact on the accounting of transaction costs related directly to the acquisition of investments. Previously such costs were capitalized in the cost of investments and must now be applied directly to income in the year such costs were incurred. Transaction costs include commissions and stock exchange fees. For the year ended December 31, 2007, transaction costs of $150 million were recorded in income under "Transaction costs of investments". As at December 31, 2006, such costs amounted to $120 million.

ii) Opening balance adjustments

The comparative combined financial statements were not adjusted. However certain opening balances in the depositors' holdings were adjusted to reflect the transaction costs capitalized in the cost of investments as at Januray 1, 2007. These adjustments are as follows:

	(in millions of dollars)		
Depositor's holdings	**Balance as at January 1, 2007 before adjustments**	**Adjustments**	**Balance as at January 1, 2007 after adjustments**
Caisse's indebtedness toward depositors	1,545		1,545
Participation deposit holders' holdings	115,947		115,947
Gains not allocated on the sale of investments	12,414	(120)	12,294
Unrealized increase (decrease) in value of investments and other related assets and liabilities	13,573	120	13,693
	143,479	- -	**143,479**

b) Adoption of section 3861 "Financial Instruments -Disclosure and presentation"

The CICA issued section 3861 "Financial Instruments – Disclosure and Presentation", which establishes standards for the presentation of financial instruments and non-financial derivatives, and specifies which information is to be given regarding such instruments. The application of these new standards has had no other significant impact than the addition of a new note: Note 8 – Identification and management of risks related to financial instruments.

c) Consolidation of variable interest entities

On January 1, 2007, the Caisse adopted the CICA changes to accounting guidelines AcG-15 "Consolidation of variable interest entities" and AcG-18 "Investment companies". According to these new dispositions an investment company which is the primary beneficiary of a variable interest entity (VIE) which itself is an investment company is no longer required to consolidate such VIE except in specific circumstances as specified in AcG-18.

This change was applied retroactively and the comparative financial statements were restated to reflect the impact of such new standards. The restatement has had no impact on the statement of income and changes in net assets or depositors' holdings as at December 31, 2006 but it has resulted in a change in the following items:

NET ASSETS	**Diminution** *(in millions of dollars)*
ASSETS	
Investments at fair value	(328)
Investment income, accrued and receivable	(1)
Other assets	(15)
	(344)
LIABILITIES	
Liabilities related to investments	(213)
Other liabilities	(25)
Non-controlling interests	(106)
	(344)

d) Section 3862 "Financial Instruments - Disclosure", and Section 3863 "Financial Instruments - Presentation"

The CICA issued Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation", which now replace Section 3861 "Financial Instruments – Disclosure and Presentation" and represent a revision and enhancement of the disclosure requirements of Section 3861. Presentation requirements are unchanged however. As required by the transitional provisions, the Caisse will apply these sections as of the fiscal year ending December 31, 2008.

4. Investments and liabilities related to investments

	2007		**2006**	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
a) Investments				
Fixed-income securities				
Short-term investments				
Canadian	9,889	9,894	28,945	28,947
Foreign	4,865	4,898	4,107	4,058
	14,754	14,792	33,052	33,005
Bonds				
Issued or guaranteed by:				
Canadian government	23,586	22,966	18,213	17,794
Province of Québec	8,592	7,831	9,309	8,388
Other Canadian provinces	2,304	2,236	4,002	3,907
Municipalities and other Canadian bodies	1,728	1,724	1,535	1,505
Canadian government corporations	13,311	12,619	10,681	9,932
U.S. government	205	208	1,180	1,148
Other foreign governments	1,759	1,814	950	916
Mortgage securities				
Canadian	284	276	342	323
Foreign	2,022	2,601	3,292	3,305
Canadian corporations	15,947	16,260	14,583	14,447
Foreign corporations	4,695	5,315	3,076	3,068
Inflation-indexed securities				
Canadian	934	895	1,054	978
Foreign	3,381	3,664	3,328	3,380
Hedge funds	2,132	2,323	2,428	2,327
	80,880	80,732	73,973	71,418

a) Investments *(cont.)*	2007 Fair value	2007 Cost	2006 Fair value	2006 Cost
	(in millions of dollars)			
Third-party ABCP being restructured *(note 4b)*	10,740	12,607	- -	- -
Mortgages				
Canadian	5,979	5,939	4,877	4,779
Foreign	4,481	4,574	2,036	2,057
	10,460	10,513	6,913	6,836
Total fixed-income securities	116,834	118,644	113,938	111,259
Variable-income securities				
Equities and convertible securities				
Canadian	17,179	14,943	17,586	14,602
U.S.	18,211	20,130	15,897	15,569
Foreign and emerging markets	26,822	24,278	24,359	19,024
Hedge funds	4,848	5,051	4,477	4,267
	67,060	64,402	62,319	53,462
Real estate holdings [1]				
Canadian	13,413	9,330	11,181	8,156
Foreign	9,027	8,397	7,440	6,656
	22,440	17,727	18,621	14,812
Total variable-income securities	89,500	82,129	80,940	68,274
Amounts receivable with respect to investments				
Securities acquired under reverse repurchase agreements				
Canadian	2,457	2,127	1,332	1,332
Foreign	4,986	5,110	3,914	3,870
Amount pertaining to derivative instruments				
Canadian	525	34	423	17
Foreign	8,495	1,997	2,944	1,169
	16,463	9,268	8,613	6,388
Total investments	222,797	210,041	203,491	185,921

[1] Investments – Real estate holdings includes investments in joint ventures now reported on an equity basis. These investments at fair value were as follows:

	2007	2006
	(in millions of dollars)	
Investments in joint ventures	**8,401**	**5,957**
Real estate holdings	14,356	8,656
Short-term investments	29	6
Investment income, accrued and receivable	6	7
Other assets	586	236
	14,977	8,905
Loans and notes payable	106	- -
Mortgage loans payable	5,367	2,448
Other liabilities	1,053	485
Non-controlling interests	50	15
	6,576	2,948

b) Third-party ABCP being restructured

As at December 31, 2007, the Caisse holds investments in the Canadian market for commercial paper backed by assets that are not sponsored by banks and are being restructured ("third-party ABCP being restructured"). ABCP is a short-term financing instrument issued by trusts, also referred to as "conduits," generally for maturities ranging from one to three months. The third-party ABCP being restructured is backed by various assets, such as mortgage debt or consumer and financial assets. The subprime mortgage crisis in the United States caused disruption on the international markets, which resulted in a liquidity crisis on the Canadian ABCP market in mid-August 2007. Since August 13, 2007, the Caisse has not been able to redeem, on maturity, the third-party ABCP that it holds. At the time of its acquisition by the Caisse, the third-party ABCP was rated "R-1 (High)" by the rating agency DBRS Limited ("DBRS"), namely the highest rating assigned by DBRS for asset-backed commercial paper.

Considerable progress has been made in order to restructure the third-party ABCP since August 13, 2007. On August 15, 2007, a group of investors and financial institutions, including the Caisse, proposed an agreement, the "Montréal Accord", designed to re-establish the climate of trust and to identify an effective resolution strategy. Under this agreement, the investors and the financial institutions undertook not to place the conduits in default in order to avoid a forced sale of the underlying debt and financial assets (the "standstill").

On September 6, 2007, a pan-Canadian committee, consisting of participants in the Montréal Accord, was formed to oversee the restructuring process. The Caisse is actively involved in the committee. On October 16, 2007, the committee chairman announced the successful restructuring of the first of the 22 conduits covered by the Montréal Accord, namely Skeena Capital Trust. On December 20, 2007, the Caisse received securities and cash totalling $754 million on completion of the restructuring of its $764.2 million of investments in Skeena Capital Trust.

On November 6, 2007, DBRS issued a public information document providing precise information on the composition of each conduit. DBRS confirmed that 97% of the underlying debt and financial assets was of "strong" quality and maintained its AAA rating and that 2% was rated AA or AA (low). DBRS has since changed the rating of one of the conduits to "R-4 (Under Review with Developing Implications)".

On December 23, 2007, the pan-Canadian investors committee approved a proposed restructuring agreement, the "restructuring proposal", for all the other trusts covered by the Montréal Accord, with the exception of Devonshire Trust. In all likelihood, definitive approval for the restructuring proposal will be given by the end of March 2008.

On February 4, 2008, the pan-Canadian investors committee reported on its new progress in implementing the restructuring proposal announced on December 23, 2007. The committee expects that complete information on the restructuring and the approval process will be available at the end of February, and the objective is still to complete the restructuring by March 31, 2008. The standstill has been extended until February 22, 2008, and the extension also applies to Devonshire Trust, which was not part of the restructuring proposal announced in December 2007. The committee has also reached an agreement in principle with several Canadian banks for their participation as lenders in a margin-call facility. Lastly, the committee has selected BlackRock as the administrator and manager of the proposed restructuring vehicles. The restructuring has been approved in principle by the pan-Canadian investors committee, certain merchant-bank asset suppliers and the promoters of each of the trusts.

The main objectives of the restructuring proposal announced on December 23, 2007, are to replace the third-party ABCP with new securities that have maturities similar to those of the underlying debt and financial assets, to pool certain series of third-party ABCP that are backed in whole or in part by synthetic assets, to mitigate the margin-call obligations of the existing conduits, to put in place margin facilities and to support the liquidity needs of holders of third-party ABCP as necessary. The restructuring proposal includes:

- A comprehensive and contemporaneous restructuring with separate solutions for:
  - Third-party ABCP backed by synthetic assets or a combination of synthetic and traditional securitized assets ("synthetic and hybrid assets");
  - Third-party ABCP backed exclusively by traditional securitized assets ("traditional assets");
  - Third-party ABCP backed by certain high-risk assets in the United States ("high-risk assets");
- The restructuring of substantially all triggers so that they become more remote and transparent spread-loss triggers;
- Investment-grade ratings for the restructured notes, which are expected by the investors committee and its advisers to be AAA for the synthetic assets and AAA and AA for the traditional assets.

As part of the restructuring, it is expected that the synthetic and hybrid assets will be divided into two restructuring vehicles, namely two limited partnerships that will issue variable-rate notes in exchange for existing third-party ABCP. Moreover, the parties have agreed that the participants in the two limited partnerships will put in place margin facilities in addition to those existing already. As a member of the first limited partnership, the Caisse would provide a margin facility of $5,267 million. The Caisse included in its valuation technique, described below, an estimate of the financial impact of a margin facility in respect of its third-party ABCP, in accordance with the restructuring proposal.

Given that there is no active market for the third-party ABCP being restructured, the Caisse established, in accordance with CICA guidelines, the fair values of its holdings of various types of third-party ABCP according to a valuation technique based on a financial model whose assumptions and probabilities reflect uncertainties related to the amounts and the maturities of the cash flow, the credit risk of the underlying debt and financial assets and the return. The assumptions, based on the information available as at December 31, 2007, use as much as possible observable market data, such as interest rates and credit quality. By establishing the fair values of the securities, the Caisse is attributing a strong probability of success to the restructuring proposal and a low probability to the scenario involving orderly or forced liquidation.

The Caisse estimated the fair value of each series of third-party ABCP being restructured by calculating the present value of the projected cash flows according to various default and loss scenarios, the real maturities of the securities as well as a relevant discount rate increased by a premium to reflect the current illiquidity of the third-party ABCP being restructured.

The Caisse took into account the probability that the historic cumulative default rates, corresponding to the discount period, would be more severe in the next few years. The scenario corresponding to the success of the restructuring proposal takes into account an estimated default rates that makes it possible to establish an amount of "unproductive" assets with adverse impacts on the forecast cash flow. For the synthetic and hybrid assets, the estimated default rates apply to all the underlying assets. For the traditional assets and the synthetic assets that are excluded from the restructuring proposal, the Caisse applied a method similar to that used for the assets that are included, applying a multiplier to increase the level of the losses, given the uncertainty surrounding their restructuring. In the event that the restructuring proposal was not retained, the Caisse established scenarios based on an orderly liquidation or a forced liquidation of the synthetic and hybrid assets and the traditional assets. Moreover, the fair value of the high-risk assets has been reduced by 60%.

Given the foregoing, the Caisse recorded, against its portfolio of third-party ABCP being restructured, a total unrealized decrease in value of $1,897 million (including $30 million for restructuring costs) in its combined statement of income and changes in net assets for the year ended December 31, 2007. No interest receivable was recorded at year-end in respect of these securities.

As at December 31, 2007, the Caisse held third-party ABCP being restructured whose cost totalled $12,607 million ($10,740 million at fair value).

	Fair value	**Unrealized decrease in value**	**Cost**
		(millions of dollars)	
Synthetic and hybrid assets [1]	**9,231**	**1,295**	**10,526**
Traditional assets [2]	**1,196**	**103**	**1,299**
High-risk assets [3]	**313**	**469**	**782**
Restructuring costs	**- -**	**30**	**- -**
Total	**10,740**	**1,897**	**12,607**

Management is of the opinion that the recorded estimate of the fair values is reasonable and is the most appropriate as at December 31, 2007. Nevertheless, the fair values are established as a function of the information available as at December 31, 2007, the Caisse's assessment of the state of the financial markets and a weighted approach using a set of assumptions and probabilities, including that of the success of the restructuring proposal. Accordingly, the fair values presented may vary significantly in subsequent periods. The most critical assumption regarding the valuation technique is based on the restructuring proposal's probability of success. Attributing greater weight to a liquidation scenario in the valuation technique would significantly increase the estimated unrealized decrease in value. Conversely, acceptance of the restructuring proposal and a return to normal market conditions would increase the estimated fair value. The Caisse believes it is unlikely that the proposal will fail, given its benefits for all stakeholders. The possible effect on the valuation technique of a 10% variation in the other assumptions and probabilities would not significantly change the estimate of the fair values as at December 31, 2007.

[1] Investments in the following trusts and series (the percentage indicates the proportion of the series attributable to synthetic and hybrid assets): Apollo series A (100%), Apsley series A (62.5%), Aria series A (10.6%), Aurora series A, E (76.8%) and F (94.4%), Comet series A (100%), Devonshire (100%), Encore series A (100%) and E (100%), MMAI-I series A (100%), Opus series A (100%) and E (100%), Planet series A (55.5%), E (78.7%) and F (100%), Rocket series A (86.8%) and E (100%), SAT series A (100%) and E (100%), Silverstone series A (100%), SIT III series A (100%) and E (100%), Symphony series A (100%) and E (100%), Whitehall series A (100%), White Knight (100%)

[2] Investments in the following trusts and series (the percentage indicates the proportion of the series attributable to traditional assets): Apollo series H (100%), Comet series E (87.1%) and F (100%), Gemini series A (100%), E (100%) and F (100%), Newshore series A (100%) and 01-1 (100%), Slate series A-1 (100%) and E-1 (100%)

[3] Investments in the following trusts and series (the percentage indicates the proportion of the series attributable to high-risk assets): Apsley series A, (37.5%), Aria series A (10.6%), Aurora series E (23.2%) and F (5.6%), Comet series E (12.9%), Planet series A (44.5%) and E (21.3%), Rocket series A (13.2%), Ironstone series B (100%)

	2007		2006	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
c) Liabilities related to investments				
Securities sold under repurchase agreements				
Canadian	30,084	29,786	26,944	26,951
Foreign	6,554	6,647	3,650	3,615
Commercial paper payable				
Canadian	1,990	1,990	4,111	4,112
Foreign	46	48	- -	- -
Medium-term notes	917	916	1,091	1,090
Loans payable				
Canadian	345	346	160	159
Foreign	557	561	361	359
Canadian commercial mortgage-backed securities				
Canadian	302	291	333	311
Foreign	- -	- -	847	843
Short selling of securities				
Canadian	8,843	8,208	13,392	12,245
Foreign	7,716	7,498	5,116	4,844
Mortgage loans payable				
Canadian	277	269	466	446
Foreign	1,253	1,280	954	958
Amount pertaining to derivative instruments				
Canadian	291	20	192	39
Foreign	6,925	1,709	3,027	856
	66,100	59,569	60,644	56,828

	2007		2006	
	(in millions of dollars)			
	Fair value	**Cost**	**Fair value**	**Cost**
d) Non-controlling interests				
Canadian	1,408	1,135	1,209	1,021
Foreign	643	671	159	166
	2,051	1,806	1,368	1,187

e) Summary currency breakdown - Fair value of investments and liabilities related to investments

2007 *(in millions of dollars)*

	Currency[1]						
	Canadian dollar	**US dollar**	**Euro**	**GBP**	**Other**	**Subtotal**	**Total**
Investments							
Fixed-income securities	93,244	15,937	2,622	2,028	3,003	23,590	116,834
Equities and convertible securities	17,186	25,040	8,240	6,215	10,379	49,874	67,060
Real estate holdings	13,413	3,176	4,544	1,132	175	9,027	22,440
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	2,457	2,240	925	447	1,374	4,986	7,443
Amount pertaining to derivative instruments	525	7,457	644	193	201	8,495	9,020
	126,825	53,850	16,975	10,015	15,132	95,972	222,797
Liabilities related to investments							
Conventional debt	42,758	8,809	2,480	1,349	3,488	16,126	58,884
Amount pertaining to derivative instruments	291	5,996	638	105	186	6,925	7,216
	43,049	14,805	3,118	1,454	3,674	23,051	66,100
Non-controlling interests	1,408	107	63	473	- -	643	2,051
Net investments	82,368	38,938	13,794	8,088	11,458	72,278	154,646

2006 *(in millions of dollars)*

	Currency[1]						
	Canadian dollar	**US dollar**	**Euro**	**GBP**	**Other**	**Subtotal**	**Total**
Investments							
Fixed-income securities	93,466	15,084	1,485	1,989	1,914	20,472	113,938
Equities and convertible securities	17,598	22,281	7,141	6,341	8,958	44,721	62,319
Real estate holdings	11,181	2,452	3,666	1,218	104	7,440	18,621
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	1,332	2,255	219	573	867	3,914	5,246
Amount pertaining to derivative instruments	423	2,174	459	168	143	2,944	3,367
	124,000	44,246	12,970	10,289	11,986	79,491	203,491
Liabilities related to investments							
Conventional debt	46,497	6,794	935	1,498	1,701	10,928	57,425
Amount pertaining to derivative instruments	192	2,282	498	164	83	3,027	3,219
	46,689	9,076	1,433	1,662	1,784	13,955	60,644
Non-controlling interests	1,209	124	35	- -	- -	159	1,368
Net investments	76,102	35,046	11,502	8,627	10,202	65,377	141,479

[1] Investments are presented under the currency they are denominated in and are translated into Canadian dollars.

f) Summary of maturities of investments and liabilities related to investments at par value

	2007					2006	
	(in millions of dollars)						
	Less than 2 years	**2 to 5 years**	**More than 5 years**	**Total**	**Effective interest rate**	**Total par value**	**Effective interest rate**
Fixed-income securities							
Short-term investments							
Canadian	9,881	32	- -	9,913	4.8%	29,144	4.5%
Foreign	4,756	- -	54	4,810	6.9%	4,115	6.8%
	14,637	32	54	14,723	5.5%	33,259	4.8%
Bonds							
Securities issued or guaranteed by:							
Canadian government	2,491	5,618	13,267	21,376	4.2%	16,361	4.1%
Province of Québec	306	1,674	5,108	7,088	4.9%	7,340	4.8%
Other Canadian provinces	5	65	2,103	2,173	4.7%	3,605	4.6%
Municipalities and other Canadian bodies	390	427	955	1,772	5.1%	1,493	5.2%
Canadian government corporations	2,169	6,264	3,422	11,855	4.6%	9,426	4.6%
U.S. government	- -	2	196	198	4.3%	1,180	4.7%
Other foreign governments	144	- -	1,576	1,720	2.9%	950	3.9%
Mortgage securities							
Canadian	5	89	213	307	12.2%	267	13.0%
Foreign	- -	108	2,945	3,053	11.1%	5,412	11.3%
Canadian corporations	4,037	2,931	9,418	16,386	5.3%	14,295	5.0%
Foreign corporations	1,963	517	2,673	5,153	6.7%	3,067	6.3%
Inflation-indexed securities							
Canadian	- -	- -	630	630	2.1%	658	2.3%
Foreign	95	682	2,401	3,178	1.8%	3,151	1.9%
	11,605	18,377	44,907	74,889	4.9%	67,205	5.1%
Third-party ABCP being restructured	- -	- -	12,607	12,607	- -	- -	- -
Mortgages							
Canadian	2,227	1,753	1,966	5,946	7.0%	4,779	6.8%
Foreign	3,616	838	120	4,574	7.8%	2,057	7.9%
	5,843	2,591	2,086	10,520	7.3%	6,836	7.2%
	32,085	21,000	59,654	112,739	5.3%	107,300	5.1%
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements							
Canadian	2,525	- -	- -	2,525	4.4%	1,332	4.2%
Foreign	4,603	- -	- -	4,603	3.0%	3,949	3.9%
	7,128	- -	- -	7,128	3.5%	5,281	4.0%
Liabilities related to investments							
Securities sold under repurchase agreements	36,573	- -	- -	36,573	4.1%	30,826	4.2%
Commercial paper payable	2,050	- -	- -	2,050	4.8%	4,143	4.3%
Medium-term notes	917	- -	- -	917	4.3%	1,092	4.2%
Loans payable	902	- -	- -	902	3.9%	521	4.4%
Canadian commercial mortgage-backed securities	8	301	- -	309	6.9%	1,095	13.3%
Short selling of securities	1,088	831	6,759	8,678	3.5%	11,099	5.3%
Mortgage loans payable	483	495	571	1,549	6.8%	1,599	6.7%
	42,021	1,627	7,330	50,978	4.2%	50,375	4.7%

The fair value of investments includes Canadian ad foreign private companies' securities for which no market price is available. The fair value of such securities details as follows:

	2007	2006
	(in millions of dollars)	
Canadian securities		
Short-term investments	1,234	1,303
Bonds	1,244	814
Third-party ABCP being restructured	10,740	- -
Equities and convertible securities	4,789	4,154
	18,007	6,271
Foreign securities		
Short-term investments	3,030	2,248
Bonds	769	751
Equities and convertible securities	16,593	13,800
	20,392	16,799
	38,399	23,070

5. Depositors' holdings

Demand and term deposits bear interest, and constitute indebtedness on the part of the Caisse toward the depositors.

During the year, the Caisse paid $4 million ($6 million in 2006) in interests on demand and term deposits.

Participation deposits are expressed in units, and each unit gives its holder a proportionate share in the net equity and the net income of a particular fund. At the end of each monthly period for the General Fund and the individual funds, the net investment income and the gains and losses on the sale of investments are distributed to participation deposit holders. At the beginning of the following period, the amounts distributed are paid out to (recovered from) the depositors' demand deposit accounts.

During the year, the Caisse paid $10,921 million ($8,724 million in 2006) in net income to participation deposit holders.

	2007	2006
	(in millions of dollars)	
Caisse's indebtedness toward depositors		
Demand deposits	143	739
Term deposits	66	24
Interest on demand and term deposits	1	- -
Net income to be paid out to participation deposit holders	317	782
	527	1,545
Participation deposit holders' holdings		
Participation deposits		
Balance, beginning of year	115,947	104,162
Units issued	16,882	12,119
Units cancelled	(1,269)	(334)
Balance, end of year	131,560	115,947
Gains not allocated on the sale of investments	17,283	12,414
Unrealized increase (decrease) in value of investments and other related assets and liabilities	5,980	13,573
	154,823	141,934
Depositors' holdings	155,350	143,479

6. Investment income, gains (losses) on the sale of investments, and unrealized increase (decrease) in value of investments and liabilities related to investments

	2007	2006
	(in millions of dollars)	
a) Investment income		
Fixed-income securities		
Short-term investments	685	489
Bonds	2,701	2,589
Mortgages *(note 6b)*	305	206
	3,691	3,284
Variable-income securities		
Equities and convertible securities	2,068	1,544
Real estate holdings *(note 6c)*	784	713
	2,852	2,257
Other income	61	57
Non-controlling interests	(73)	(76)
	6,531	5,522

Investment income – Fixed-income securities were reduced of $1,221 million ($1,003 million in 2006) in net expenses related to securities sold (acquired) under repurchase (reverse repurchase) agreements.

	2007	2006
	(in millions of dollars)	
b) Net income from mortgages		
Income from mortgages	424	332
Less:		
Expenses related to real estate debt subsidiaries		
Operation expenses	50	36
Financial costs of CMBS	69	79
Write-off of deferred charges	- -	11
	119	126
	305	206

	2007	2006
	(in millions of dollars)	
c) Net income from real estate holdings		
Income from real estate holdings	2,482	1,965
Less:		
Expenses related to real estate subsidiaries		
Operating expenses related to real estate holdings	1,335	952
Operation expenses	99	83
Loan financial expenses	285	238
	1,719	1,273
Other income	21	21
	784	713

	2007	2006
	(in millions of dollars)	
d) Gains (losses) on the sale of investments		
Fixed-income securities		
Short-term investments	49	31
Bonds	306	(195)
Mortgages	23	(2)
	378	(166)
Variable-income securities		
Equities and convertible securities	8,789	4,837
Real estate holdings	458	(45)
	9,247	4,792
Non-controlling interests	(48)	(19)
	9,577	4,607
Transaction costs of investments	150	- -
	9,427	4,607

In addition, gains in the amount of $9,427 million ($4,607 million in 2006) on the sale of investments recorded in changes in net assets were increased by foreign exchanges gains of $1,826 million (decreased by foreign exchange losses of $3,383 million in 2006).

e) Unrealized increase (decrease) in value of investments and liabilities related to investments

	2007	2006
	(in millions of dollars)	
Fixed-income securities		
Short-term investments	217	187
Bonds	(1,291)	328
Mortgages	(124)	(23)
Securities acquired under reverse repurchase agreements	155	80
	(1,043)	572
Variable-income securities		
Equities and convertible securities	(3,144)	7,482
Real estate holdings	1,105	2,218
	(2,039)	9,700
Total investments	(3,082)	10,272
Less:		
Liabilities related to investments		
Securities sold under repurchase agreements	177	72
Commercial paper payable	(1)	(1)
Medium-term notes	- -	(8)
Loans payable	(8)	- -
Commercial mortgage-backed securities	(15)	(3)
Short selling of securities	(566)	751
Mortgage loans payable	(35)	(18)
Derivative financial instruments	3,162	1,507
Non-controlling interests	64	52
	2,778	2,352
	(5,860)	7,920

7. Operating expenses

	2007	2006
	(in millions of dollars)	
Salaries and employee benefits	140	116
Professional services	45	42
Data services and subscriptions	15	14
Premises and equipment	17	16
Depreciation of fixed assets	15	12
Other	15	16
	247	216
Safekeeping of securities	14	11
	261	227

8. Identification and management of risks related to financial instruments

At the Caisse, risk management is based on an integrated risk management policy adopted by the Board of Directors. This policy, which is revised on a regular basis, is intended to promote a risk management culture and ensure appropriate risk management practices to help the Caisse better achieve its mission with depositors. More specifically, the risk management policy defines the governance and management of risk within the Caisse and establishes the level of risk that is acceptable in order to avoid excessive loss. In addition, this level of risk is related to the targeted value added to net assets, and promotes the efficient allocation of risk.

The governance of risk management is supported by three levels of control:

Level 1 - Portfolio managers are primarily responsible for managing the risks related to their daily operations;

Level 2 - The Depositors and Risks Committee (DRC) and DRC –Transactions;

Level 3 - The Board of Directors and its Risk Management Committee.

The risk management policy includes reporting mechanisms for each of these levels. The policy also includes a framework for the outsourcing the management of investments, the management of operational risks and the management of derivative financial instruments.

To ensure the objectivity and rigour required to manage risks adequately, teams that are independent of portfolio managers are responsible for defining and monitoring the integrated risk management policy as well as the investment policies applying to the specialized portfolios.

The policy also includes a procedure for the recommendation of investments for all investment groups. This process is organized based on responsibility levels as follows:

- the manager
- the investment committee of the investment group or the board of directors of a real estate subsidiary or unit
- DRC – Transactions
- the president and CEO
- the Board of Directors’ risk management committee
- the Board of Directors

The Caisse’s integrated risk management policy focuses on the following major issues:

- investment policies
- market risk
- absolute risk and active risk
- credit and concentration risk
- counterparty risk
- financing liquidity risk

Investments policies

The various investment policies define the limits for the specialized portfolios.

These policies specify the philosophy and management style, structure, investment universe, performance thresholds in terms of value added or absolute return, criteria applying to allocation and currency risk hedging. Finally, the policies establish the limits for concentration of investments by type of investment, issuer and currency.

Market risk

Market risk represents the risk of financial loss deriving from changes in the value of financial instruments. The value of a financial instrument depends on the value of market risk variables such as interest rates, exchange rates, share prices and commodity prices as well as their volatility. The risk derives from the volatility in the price of a financial instrument, which itself results from the volatility of such market variables.

Market risk is measured using the method known as the Value at Risk (VaR), based on the statistical measurement of the volatility of the market value of each position and their correlations.

The Caisse manages all market risks following an integrated and comprehensive approach whereby major factors contributing to risk, such as industries, countries and issuers, are taken into account in analysing market risk.

The Caisse can use derivative financial instruments traded either on exchanges or directly with banks and securities dealers, as part of the management of market risks deriving from its operations.

Absolute risk and active risk

As at December 31, 2007, the absolute risk and active risk of the Caisse were 725 bps and 195 bps respectively. The absolute risk and the active risk are defined as follows:

> The absolute risk of the Caisse's benchmark portfolio (target portfolio of depositors as a whole) is the result of the risk (volatility) of the benchmark indices of asset classes included in the portfolio. For example, should depositors decide to increase the weight of shares in their respective benchmark portfolio, such risk would automatically increase due to the higher level of volatility of this asset class. Consequently the expected absolute return would also be increased. The absolute risk of the total portfolio (comprised of the actual investments) is the result of the risk (volatility) of positions included in the Caisse's total portfolio. The absolute risk of the total portfolio and that of the benchmark portfolio are calculated using the same method, but they include different portfolios, such as the total portfolio actually invested by the Caisse and the benchmark portfolio targeted by depositors.
>
> The active risk represents the possibility that the Caisse's active management of its total portfolio produce a return that is different than that posted by its benchmark portfolio. The higher the active risk, the more different the absolute return expected from the total portfolio will be compared to the benchmark portfolio return.
>
> The absolute risk of the Caisse's benchmark portfolio, the absolute risk of the total portfolio as well as the active risk are measured on a regular basis.

Credit and concentration risk

Credit risk is the possibility of a loss of market value in the event that a borrower, endorser, guarantor or counterparty does not honour its obligation to repay a loan or to fulfill any other financial commitment, or sees its financial situation deteriorate.

The analysis of concentration risk measures the fair value of a group of financial products (fixed-income and variable-income securities) related to a single issuer or a group of issuers [4] with similar characteristics (geographical area, industry, credit rating). The concentration limit by group of issuers was set at 3% of the Caisse's total assets, with the exception of securities issued by the government of Canada, the government of Québec or another Canadian province or territory, as well as by their departments and agencies, which are not subject to concentration limits[5]. Sovereign issuers with a credit rating of AAA are also excluded from this limit on concentration.

As at December 31, 2007 the concentration by credit rating of the Caisse's group of issuers was as follows:

Credit rating[6]	**AAA – AA**	**A**	**BBB**	**BB or less**	**No rating**	**Total**
Total investments[7]	27.6 %	13.3 %	4.8 %	4.0 %	50.3 %	100.0 %

[4] A group of issuers represents a number of issuers under the control of a parent company.

[5] The exposure to an issuer deriving from positions in derivative financial instruments is not accounted for in the concentration risk analysis.

[6] The various credit ratings are obtained from major public credit rating agencies and are aggregated using an algorithm developed in house.

[7] The percentage of investments represents net positions by group of issuers.

The analysis of credit risk includes measuring the probability of default and the rate of recovery on debt securities held by the Caisse, as well as monitoring the changes in the credit rating of issuers and groups of issuers whose securities are held in the Caisse portfolios.

During 2007, 204 groups of issuers held in the Caisse specialized portfolios benefited from an improved long-term credit rating awarded by credit rating agencies, while 140 groups of issuers were awarded lower ratings.

Counterparty risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving OTC derivative financial instruments.

Transactions involving derivative financial instruments are negotiated with financial institutions whose credit rating is established by a recognized credit rating agency and whose operational limits are specified by management. In addition, the Caisse has signed agreements allowing to benefit from the offsetting impact of amounts at risk and the exchange of collaterals in order to limit its net exposure to this credit risk.

Risk is measured by counterparty in the total specialized portfolios of the Caisse, according to the agreement in effect, based on which it is possible to calculate the net exposure resulting from total derivative financial instruments negotiated over the counter and collaterals exchanged.

As at December 31, 2007, net exposure of the Caisse to counterparty risk totalled $1,037 million, involving 75 active counterparties.

Financing liquidity risk

For a financial institution such as the Caisse, the financing liquidity risk corresponds to the possibility that the Caisse may not always be able to fulfill its commitments without having to obtain funds at abnormally high prices or sell assets.

Compliance to pre-established rules is monitored on a monthly basis and follow-up on cash is performed daily. The Caisse uses various scenario simulations to estimate the potential impact on cash. Managers responsible for the management of cash evaluate the liquidity of markets on which Caisse operations are based. They also ensure the Caisse is active on various financial markets and maintains relationships with credit rating agencies which rate the Caisse as well as capital providers.

9. Derivative financial instruments

Derivative financial instruments are financial contracts whose value fluctuates as a function of the underlying asset, and which do not require holding or delivering the underlying asset itself. This underlying value may be of a financial nature (interest rate, foreign currency, stock market security or index) or a commodity (precious metal, foodstuff or oil).

The notional amount of a derivative financial instrument represents the value of the notional principal to which a rate or a price applies to determine the exchange of future cash flows, and does not reflect the credit risk pertaining to the instrument.

The Caisse uses derivative financial instruments that include the following:

> Forward contracts and futures contracts are undertakings that enable the purchase or sale of an underlying value, the quantity and price of which are determined in the contract, which includes a predetermined delivery date. A forward contract involves customized conditions negotiated directly between the parties on the over-the-counter market. A futures contract has terms and conditions determined by an organized market.
>
> A swap is a transaction whereby two parties agree to exchange financial returns on predetermined conditions that include a notional amount and a term.
>
> An option is a contract negotiated by mutual agreement or traded on an organized market that gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity, at a strike price stipulated in advance, either at a determined date or at any time before a specified maturity date.

Foreign exchange risk arises from investments and liabilities related to investments denominated in foreign currencies, as well as from related derivative financial instruments. To manage exchange risk, the Caisse uses instruments negotiated with banks; maturities generally range from one to 12 months in the case of forward contracts and options, and from one to two years for foreign currency swaps. Upon maturity, new derivative financial instruments are negotiated to maintain effective long-term management of foreign exchange risks associated with investments and liabilities related to investments in foreign currencies.

Derivative instruments that are traded on exchanges or with banks and securities dealers are used to manage the interest rate and market risks of the total investment portfolio, as well as to generate income from transactions, which is included in investment income from fixed-income and variable-income securities.

a) Summary of derivative financial instruments

	2007				2006
	(in millions of dollars)				
		Fair value			
	Notional amount	Assets	Liabilities	Net amount	Net amount
Foreign exchange risk management					
Foreign currency swaps					
Purchases	1,804	302	- -	302	- -
Sales	1,742	11	21	(10)	(23)
Forward contracts	45,758	916	233	683	(600)
Over-the-counter foreign currency options					
Purchases	171	5	- -	5	- -
	49,475	1,234	254	980	(623)
Interest rate and market risk management					
Interest rate and foreign currency swaps	225,677	1,564	1,681	(117)	86
Equity swaps	57,553	685	489	196	116
Credit risk swaps	20,124	221	203	18	(26)
Futures contracts	48,223	- -	- -	- -	- -
Forward contracts	69,736	3,030	2,940	90	62
Exchange-traded options					
Purchases	46,280	242	- -	242	241
Sales	31,087	- -	234	(234)	(227)
Over-the-counter options					
Purchases	66,286	1,892	- -	1,892	997
Sales	60,896	- -	1,414	(1,414)	(648)
Warrants	284	152	1	151	170
	626,146	7,786	6,962	824	771
Total derivative financial instrument contracts	**675,621**	**9,020**	**7,216**	**1,804**	**148**

b) Summary of derivative financial instrument maturities

	2007				2006
	(in millions of dollars)				
	Notional amount - Maturity				
	Less than 2 years	2 to 5 years	More than 5 years	Total	Notional amount
Foreign exchange risk management					
Foreign currency swaps					
Purchases	8	1,796	- -	1,804	- -
Sales	763	155	824	1,742	2,249
Forward contracts	45,606	44	108	45,758	40,189
Over-the-counter foreign currency options					
Purchases	- -	171	- -	171	- -
	46,377	2,166	932	49,475	42,438
Interest rate and market risk management					
Interest rate and foreign currency swaps	57,575	63,257	104,845	225,677	110,309
Equity swaps	47,872	2,601	7,080	57,553	57,110
Credit risk swaps	2,003	16,873	1,248	20,124	8,784
Futures contracts	30,930	14,781	2,512	48,223	59,862
Forward contracts	65,844	3,875	17	69,736	54,652
Exchange-traded options					
Purchases	46,048	232	- -	46,280	159,382
Sales	30,873	214	- -	31,087	136,765
Over-the-counter options					
Purchases	36,604	18,543	11,139	66,286	57,649
Sales	29,952	22,013	8,931	60,896	36,849
Warrants	160	114	10	284	290
	347,861	142,503	135,782	626,146	681,652
Total derivative financial instruments contracts	**394,238**	**144,669**	**136,714**	**675,621**	**724,090**

Notional amounts for 2006 have changed from the information reported in the combined financial statements as at December 31, 2006. This change applies mainly to futures contracts derivatives. The change affected notional amounts only and had no impact on the fair value of assets and liabilities related to such instruments. This change had no impact on the statement of income and changes in net assets as at December 31, 2006.

10. Securitizations

During the year, a wholly-owned subsidiary of the Caisse securitized financial assets in the amount of $ 2,273 million (nil in 2006) through the issuance of commercial mortgage-backed securities. The wholly-owned subsidiary received a net income of $731 million as well as all non-offered classes included in the issue ("A-2" to "K") for a fair value of $1,542 million. Net losses of $26 million (nil in 2006) on the sale were reported in Gains (losses) on the sale of investments – Bonds. Expenses related to the transaction were assumed by the collateralized security entity.

In the course of Caisse securitization operations, commercial mortgage-backed securities and notes payable acquired by the Caisse over the last few years from a collateralized security entity, are recorded in the combined statement of net assets, under Mortgages securities. As at December 31, 2007 these securities amounted to $1,699 million ($294 million in 2006). Securitization operations have allowed companies under common control to generate management fees representing $4 million in 2007 ($2 million in 2006). No losses are expected owing to the nature and quality of such loans.

11. Commitments and contingencies

Given the nature of its operations, the Caisse has a number of commitments.

Commitments to buy investments mean the Caisse is committed to buying investments that will be settled in the coming financial years, in accordance with the terms and conditions in each agreement.

For the Caisse, collaterals and loan guarantees consist in securing future income deriving from the sale of investments and transactions on derivatives as well as the reimbursement of loans made by investee companies to financial institutions and corporations. Collaterals related to the reimbursement of loans have no specific maturity date, except in some cases, where terms vary between one and ten years.

	2007	**2006**
	(in millions of dollars)	
Commitments to buy investments	20,822	20,741
Collaterals and loan guarantees (maximum amount)	953	567
	21,775	21,308

12. Collaterals

In the normal course of business, the Caisse conducts transactions involving the lending and borrowing of securities in exchange for collaterals or assets, with various counterparties, with which clearing agreements have been signed to limit credit risk. In its securities lending operations, the Caisse received assets as collateral. As at December 31, 2007, the Caisse had pledged and received as collateral securities and other assets for amounts of $51,656 million ($39,460 million in 2006) and $11,330 million ($8,318 million in 2006) respectively. The amount of the assets pledged as collateral consists of assets with a value of $723 million ($764 million in 2006), which were pledged with depositaries to participate in clearing and payment systems.

13. Comparative figures

Certain figures from the 2006 financial statements have been reclassified to conform to the presentation adopted in 2007.

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(in millions of dollars)	SHORT TERM INVESTMENTS (740)		REAL RETURN BONDS (762)		BONDS (760)		LONG TERM BONDS (764)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
ASSETS								
Investments at fair value								
Bonds	-	-	871.0	1,053.9	73,297.8	52,994.3	3,174.7	3,001.8
Equities and convertible securities	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-
Short-term investments	762.1	27,493.9	-	-	18,074.2	5,820.4	-	-
Securities acquired under reverse repurchase agreements	767.3	21,002.5	-	-	15,148.7	11,044.9	17.8	27.5
Third-party ABCP being restructured	-	-	-	-	10,739.4	-	-	-
Demand deposits in the General Fund	1,610.6	-	61.3	310.1	-	5,775.0	1,237.2	1,251.2
	3,140.0	48,496.4	932.3	1,364.0	117,260.1	75,634.6	4,429.7	4,280.5
Other assets	6.4	732.5	2.4	24.9	2,727.8	1,349.3	36.0	235.2
	3,146.4	49,228.9	934.7	1,388.9	119,987.9	76,983.9	4,465.7	4,515.7
LIABILITIES								
Advances from the General Fund	-	7,176.4	-	-	10,670.9	-	-	-
Securities sold under repurchase agreements	779.1	24,423.1	72.7	328.6	33,110.3	26,556.8	1,266.9	1,279.2
Short selling of securities	-	16.1	-	-	15,073.2	13,372.1	21.9	41.7
Loans and notes payable	-	14,787.7	-	-	19,323.6	-	-	-
Mortgage loans payable	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-
Derivative financial instruments	1.9	8.2	-	-	1,776.5	659.3	-	-
Other liabilities	5.4	128.4	-	0.1	822.0	651.3	13.3	13.6
Non-controlling interests	-	-	-	-	-	-	-	-
	786.4	46,539.9	72.7	328.7	80,776.5	41,239.5	1,302.1	1,334.5
NET HOLDINGS OF FUNDS	2,360.0	2,689.0	862.0	1,060.2	39,211.4	35,744.4	3,163.6	3,181.2

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Bonds	-	-	39.7	32.4	1,476.8	1,527.8	134.3	130.6
Equities and convertible securities	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-
Short-term investments	440.6	392.7	-	-	640.1	178.9	-	-
Real estate holdings	-	-	-	-	-	-	-	-
Demand deposits in (advances from) the General Fund	158.9	197.2	(0.5)	-	(112.1)	(26.8)	3.9	2.6
	599.5	589.9	39.2	32.4	2,004.8	1,679.9	138.2	133.2
Other income	-	-	-	-	-	3.8	-	-
	599.5	589.9	39.2	32.4	2,004.8	1,683.7	138.2	133.2
Operating expenses	1.0	2.8	0.8	0.6	37.6	27.4	2.4	1.1
External management fees	-	-	-	-	-	0.1	-	-
INCOME BEFORE THE FOLLOWING ITEMS	598.5	587.1	38.4	31.8	1,967.2	1,656.2	135.8	132.1
Interest on notes payable	461.0	425.0	-	-	56.4	2.3	-	-
Non-controlling interest	-	-	-	-	-	0.1	-	-
NET INVESTMENT INCOME (LOSS)	137.5	162.1	38.4	31.8	1,910.8	1,653.8	135.8	132.1

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	137.5	162.1	38.4	31.8	1,910.8	1,653.8	135.8	132.1
Gains (losses) on sale of investments	(28.3)	(8.5)	11.3	21.5	394.8	430.2	(22.7)	(8.0)
Unrealized increase (decrease) in value of investments and liabilities related to investments	16.9	(1.7)	(39.8)	(91.4)	(938.0)	(645.1)	28.2	9.7
Net investment results	126.1	151.9	9.9	(38.1)	1,367.6	1,438.9	141.3	133.8
Participation units issued (cancelled)	(317.6)	(1,340.3)	(169.7)	(120.5)	4,010.2	(129.2)	(23.1)	1,249.1
Net investment loss (net income) recovered from (allocated to) participation unit holders	(137.5)	(162.1)	(38.4)	(31.8)	(1,910.8)	(1,653.9)	(135.8)	(132.1)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	(329.0)	(1,350.5)	(198.2)	(190.4)	3,467.0	(344.2)	(17.6)	1,250.8
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	2,689.0	4,039.5	1,060.2	1,250.6	35,744.4	36,088.6	3,181.2	1,930.4
CONSOLIDATED NET ASSETS, END OF YEAR	2,360.0	2,689.0	862.0	1,060.2	39,211.4	35,744.4	3,163.6	3,181.2

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Bonds	-	-	838.2	981.4	69,942.1	51,182.4	3,090.1	2,946.1
Equities and convertible securities	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-
Real estate holdings	-	-	-	-	-	-	-	-
Short-term investments	759.3	27,499.0	-	-	17,798.9	5,722.7	-	-
Securities acquired under reverse repurchase agreements	773.2	20,984.4	-	-	15,078.1	11,029.8	18.0	27.5
Third-party ABCP being restructured	-	-	-	-	12,606.5	-	-	-
Demand deposits in the General Fund	1,610.6	-	61.3	310.1	-	5,775.0	1,237.2	1,251.2
	3,143.1	48,483.4	899.5	1,291.5	115,425.6	73,709.9	4,345.3	4,224.8
LIABILITIES								
Securities sold under repurchase agreements	790.7	24,405.2	72.7	328.7	33,063.3	26,545.4	1,267.1	1,279.5
Short selling of securities	-	16.1	-	-	15,084.3	13,372.2	22.0	42.1
Loans and notes payable	-	14,787.7	-	-	19,322.2	-	-	-
Mortgage loans payable	-	-	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-	-	-
Derivative financial instruments	0.2	3.1	-	-	490.1	194.6	-	-
Non-controlling interests	-	-	-	-	-	-	-	-

SUPPLEMENTARY INFORMATION

SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

(continued)

(in millions of dollars)	CANADIAN EQUITY (720)		U.S. EQUITY HEDGED (731)		U.S. EQUITY UNHEDGED (734)		FOREIGN EQUITY HEDGED (730)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
ASSETS								
Investments at fair value								
Bonds	**-**	-	**-**	-	**-**	-	**-**	-
Equities and convertible securities	**12,949.3**	12,369.1	**7,131.5**	7,603.7	**-**	-	**11,207.8**	10,065.1
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**11,329.0**	11,606.3	**1,413.5**	26.7	**4,245.2**	5,459.0	**17.5**	5.1
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**363.2**	151.9	**1,403.0**	-	**-**	64.1	**159.5**	-
	24,641.5	24,127.3	**9,948.0**	7,630.4	**4,245.2**	5,523.1	**11,384.8**	10,070.2
Other assets	**34.2**	72.4	**44.4**	565.5	**20.1**	7.9	**25.2**	162.7
	24,675.7	24,199.7	**9,992.4**	8,195.9	**4,265.3**	5,531.0	**11,410.0**	10,232.9
LIABILITIES								
Advances from the General Fund	**-**	-	**-**	159.1	**37.7**	-	**-**	731.1
Securities sold under repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Short selling of securities	**3,677.2**	4,785.1	**2,490.3**	695.6	**-**	-	**115.4**	82.4
Loans and notes payable	**-**	25.6	**4,481.8**	5,422.6	**-**	-	**6,940.1**	6,149.9
Mortgage loans payable	**-**	-	**-**	-	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial instruments	**216.4**	48.3	**201.1**	113.3	**24.9**	-	**108.4**	93.0
Other liabilities	**850.7**	527.2	**297.9**	35.5	**14.9**	5.5	**634.1**	15.2
Non-controlling interests	**-**	-	**-**	-	**-**	-	**-**	-
	4,744.3	5,386.2	**7,471.1**	6,426.1	**77.5**	5.5	**7,798.0**	7,071.6
NET HOLDINGS OF FUNDS	**19,931.4**	18,813.5	**2,521.3**	1,769.8	**4,187.8**	5,525.5	**3,612.0**	3,161.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Bonds	**-**	-	**-**	-	**-**	-	**-**	-
Equities and convertible securities	**434.3**	463.6	**227.1**	150.6	**-**	-	**712.9**	374.2
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**520.6**	388.4	**29.7**	0.6	**173.5**	105.5	**2.2**	0.2
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in (advances from) the General Fund	**(23.7)**	(34.2)	**7.7**	(8.2)	**0.2**	0.2	**(13.9)**	(24.5)
	931.2	817.8	**264.5**	143.0	**173.7**	105.7	**701.2**	349.9
Other income	**-**	2.3	**-**	-	**-**	-	**-**	-
	931.2	820.1	**264.5**	143.0	**173.7**	105.7	**701.2**	349.9
Operating expenses	**35.7**	33.5	**7.2**	6.1	**18.2**	17.5	**8.9**	8.3
External management fees	**-**	0.4	**3.5**	3.0	**9.5**	8.6	**6.7**	4.9
INCOME BEFORE THE FOLLOWING ITEMS	**895.5**	786.2	**253.8**	133.9	**146.0**	79.6	**685.6**	336.7
Interest on notes payable	**0.6**	0.6	**182.0**	105.7	**-**	-	**467.8**	238.8
Non-controlling interest	**-**	-	**-**	-	**-**	-	**-**	-
NET INVESTMENT INCOME (LOSS)	**894.9**	785.6	**71.8**	28.2	**146.0**	79.6	**217.8**	97.9
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**894.9**	785.6	**71.8**	28.2	**146.0**	79.6	**217.8**	97.9
Gains (losses) on sale of investments	**2,056.4**	2,671.1	**1,207.3**	(545.6)	**(609.2)**	538.1	**1,133.3**	(692.1)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(539.6)**	138.1	**(1,347.0)**	761.5	**(185.8)**	115.6	**(1,258.7)**	1,067.0
Net investment results	**2,411.7**	3,594.8	**(67.9)**	244.1	**(649.0)**	733.3	**92.4**	472.8
Participation units issued (cancelled)	**(398.9)**	(1,395.8)	**891.2**	(117.5)	**(542.7)**	(319.3)	**576.1**	324.4
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(894.9)**	(786.0)	**(71.8)**	(29.2)	**(146.0)**	(82.4)	**(217.8)**	(99.7)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**1,117.9**	1,413.0	**751.5**	97.4	**(1,337.7)**	331.6	**450.7**	697.5
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**18,813.5**	17,400.5	**1,769.8**	1,672.4	**5,525.5**	5,193.9	**3,161.3**	2,463.8
CONSOLIDATED NET ASSETS, END OF YEAR	**19,931.4**	18,813.5	**2,521.3**	1,769.8	**4,187.8**	5,525.5	**3,612.0**	3,161.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Bonds	**-**	-	**-**	-	**-**	-	**-**	-
Equities and convertible securities	**10,134.5**	8,648.5	**7,317.5**	6,834.4	**-**	-	**10,677.3**	7,973.5
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**11,319.2**	11,599.7	**1,447.0**	25.4	**4,294.9**	5,347.8	**17.4**	5.1
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**363.2**	151.9	**1,403.0**	-	**-**	64.1	**159.5**	-
	21,816.9	20,400.1	**10,167.5**	6,859.8	**4,294.9**	5,411.9	**10,854.2**	7,978.6
LIABILITIES								
Securities sold under repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Short selling of securities	**3,079.9**	3,631.2	**2,062.5**	638.3	**-**	-	**119.1**	71.7
Loans and notes payable	**-**	25.4	**4,534.9**	5,352.9	**-**	-	**6,995.2**	5,885.6
Mortgage loans payable	**-**	-	**-**	-	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial instruments	**6.7**	13.1	**41.9**	50.5	**-**	-	**0.1**	0.1
Non-controlling interests	**-**	-	**-**	-	**-**	-	**-**	-

SUPPLEMENTARY INFORMATION

SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

(continued)

(in millions of dollars)	FOREIGN EQUITY UNHEDGED (733)		EMERGING MARKETS EQUITY (732)		QUEBEC INTERNATIONAL (761)		INVESTMENTS AND INFRASTRUCTURES (781)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
ASSETS								
Investments at fair value								
Bonds	**-**	-	**-**	-	**12,106.8**	10,756.4	**1,630.3**	960.5
Equities and convertible securities	**-**	-	**4,806.8**	4,187.5	**1,625.6**	1,302.5	**8,875.4**	9,732.3
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**6,549.8**	6,195.5	**172.5**	66.6	**3,658.1**	2,641.8	**3,910.8**	3,242.9
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**477.5**	925.7	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**-**	26.6	**45.8**	-	**8,965.2**	5,002.1	**-**	-
	6,549.8	6,222.1	**5,025.1**	4,254.1	**26,833.2**	20,628.5	**14,416.5**	13,935.7
Other assets	**6.7**	4.6	**7.1**	56.6	**164.5**	152.8	**87.8**	57.9
	6,556.5	6,226.7	**5,032.2**	4,310.7	**26,997.7**	20,781.3	**14,504.3**	13,993.6
LIABILITIES								
Advances from the General Fund	**148.2**	-	**-**	8.8	**-**	-	**401.1**	856.8
Securities sold under repurchase agreements	**-**	-	**-**	-	**9,969.6**	6,249.7	**-**	-
Short selling of securities	**-**	-	**-**	-	**1,058.6**	854.1	**-**	40.6
Loans and notes payable	**-**	-	**-**	-	**924.8**	-	**6,730.9**	3,853.7
Mortgage loans payable	**-**	-	**-**	-	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial instruments	**112.6**	26.2	**6.6**	0.3	**13.8**	49.4	**36.1**	116.3
Other liabilities	**-**	2.0	**23.4**	8.8	**475.0**	559.5	**31.2**	54.5
Non-controlling interests	**-**	-	**-**	-	**-**	-	**896.2**	427.4
	260.8	28.2	**30.0**	17.9	**12,441.8**	7,712.7	**8,095.5**	5,349.3
NET HOLDINGS OF FUNDS	**6,295.7**	6,198.5	**5,002.2**	4,292.8	**14,555.9**	13,068.6	**6,408.8**	8,644.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Bonds	**-**	-	**-**	-	**476.7**	426.4	**88.7**	55.4
Equities and convertible securities	**-**	-	**87.2**	60.4	**16.9**	12.5	**298.6**	187.0
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**436.7**	227.2	**5.9**	2.1	**131.1**	101.2	**275.4**	111.9
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in (advances from) the General Fund	**0.6**	0.2	**2.0**	1.5	**22.6**	(25.0)	**(10.1)**	(19.4)
	437.3	227.4	**95.1**	64.0	**647.3**	515.1	**652.6**	334.9
Other income	**-**	-	**-**	-	**-**	-	**27.6**	25.3
	437.3	227.4	**95.1**	64.0	**647.3**	515.1	**680.2**	360.2
Operating expenses	**16.3**	16.9	**12.3**	8.7	**11.9**	4.3	**34.3**	30.9
External management fees	**12.3**	10.0	**15.4**	7.8	**3.5**	3.3	**-**	-
INCOME BEFORE THE FOLLOWING ITEMS	**408.7**	200.5	**67.4**	47.5	**631.9**	507.5	**645.9**	329.3
Interest on notes payable	**-**	-	**-**	-	**41.1**	-	**354.2**	110.5
Non-controlling interest	**-**	-	**-**	-	**-**	-	**25.9**	23.2
NET INVESTMENT INCOME (LOSS)	**408.7**	200.5	**67.4**	47.5	**590.8**	507.5	**265.8**	195.6
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**408.7**	200.5	**67.4**	47.5	**590.8**	507.5	**265.8**	195.6
Gains (losses) on sale of investments	**(416.5)**	1,054.0	**601.9**	163.7	**105.1**	1,472.9	**1,673.8**	(265.8)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(341.4)**	69.7	**32.8**	702.1	**(60.3)**	(95.4)	**(1,096.1)**	910.1
Net investment results	**(349.2)**	1,324.2	**702.1**	913.3	**635.6**	1,885.0	**843.5**	839.9
Participation units issued (cancelled)	**855.1**	(723.9)	**74.7**	2,146.7	**1,442.5**	856.8	**(2,813.2)**	3,315.7
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(408.7)**	(204.2)	**(67.4)**	(47.7)	**(590.8)**	(508.0)	**(265.8)**	(195.6)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**97.2**	396.1	**709.4**	3,012.3	**1,487.3**	2,233.8	**(2,235.5)**	3,960.0
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**6,198.5**	5,802.4	**4,292.8**	1,280.5	**13,068.6**	10,834.8	**8,644.3**	4,684.3
CONSOLIDATED NET ASSETS, END OF YEAR	**6,295.7**	6,198.5	**5,002.2**	4,292.8	**14,555.9**	13,068.6	**6,408.8**	8,644.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Bonds	**-**	-	**-**	-	**11,952.0**	10,637.7	**1,687.4**	981.3
Equities and convertible securities	**-**	-	**3,768.6**	3,203.7	**1,645.2**	1,164.5	**8,449.6**	8,195.3
Mortgages	**-**	-	**-**	-	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-	**-**	-	**-**	-
Short-term investments	**6,495.0**	5,885.7	**175.6**	65.7	**3,660.4**	2,641.8	**3,908.6**	3,217.8
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**480.2**	908.1	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**-**	26.6	**45.8**	-	**8,965.2**	5,002.1	**-**	-
	6,495.0	5,912.3	**3,990.0**	3,269.4	**26,703.0**	20,354.2	**14,045.6**	12,394.4
LIABILITIES								
Securities sold under repurchase agreements	**-**	-	**-**	-	**9,972.8**	6,251.1	**-**	-
Short selling of securities	**-**	-	**-**	-	**1,092.3**	844.4	**-**	21.4
Loans and notes payable	**-**	-	**-**	-	**946.8**	-	**6,698.0**	3,853.3
Mortgage loans payable	**-**	-	**-**	-	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial instruments	**-**	-	**-**	-	**3.6**	17.9	**4.2**	4.4
Non-controlling interests	**-**	-	**-**	-	**-**	-	**939.8**	449.5

SUPPLEMENTARY INFORMATION

SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

(continued)

(in millions of dollars)	PRIVATE EQUITY (780)		REAL ESTATE DEBT (750)		REAL ESTATE (710)		COMMODITY FINANCIAL INSTRUMENTS (763)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
ASSETS								
Investments at fair value								
Bonds	**384.0**	605.6	**-**	-	**-**	32.0	**2,005.5**	1,983.4
Equities and convertible securities	**11,995.1**	8,362.7	**-**	-	**4,817.3**	4,445.9	**2,366.8**	939.6
Mortgages	**-**	-	**9,364.7**	6,700.4	**1,257.3**	375.9	**-**	-
Mortgage securities	**-**	-	**2,621.6**	3,579.1	**99.4**	125.1	**-**	-
Real estate holdings	**-**	-	**50.3**	1.1	**22,687.2**	18,697.9	**-**	-
Short-term investments	**358.1**	310.6	**15.5**	-	**306.6**	82.0	**501.1**	500.0
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**-**	-	**2.3**	35.8	**-**	-	**-**	2.1
	12,737.2	9,278.9	**12,054.4**	10,316.4	**29,167.8**	23,758.8	**4,873.4**	3,425.1
Other assets	**36.3**	27.8	**117.4**	295.5	**830.6**	414.1	**195.6**	113.1
	12,773.5	9,306.7	**12,171.8**	10,611.9	**29,998.4**	24,172.9	**5,069.0**	3,538.2
LIABILITIES								
Advances from the General Fund	**766.7**	912.8	**-**	-	**930.4**	500.5	**298.8**	-
Securities sold under repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Short selling of securities	**145.7**	81.4	**-**	-	**122.0**	55.4	**-**	-
Loans and notes payable	**474.2**	89.2	**-**	-	**7,318.5**	5,695.5	**-**	-
Mortgage loans payable	**-**	-	**-**	-	**1,683.3**	1,582.3	**-**	-
Commercial mortgage-backed securities	**-**	-	**349.2**	1,236.0	**-**	-	**-**	-
Derivative financial instruments	**40.0**	70.2	**217.4**	220.4	**205.6**	390.4	**2,105.2**	893.1
Other liabilities	**14.9**	17.4	**136.7**	81.0	**1,121.6**	1,163.1	**141.5**	332.4
Non-controlling interests	**-**	-	**-**	-	**1,154.7**	939.9	**-**	-
	1,441.5	1,171.0	**703.3**	1,537.4	**12,536.1**	10,327.1	**2,545.5**	1,225.5
NET HOLDINGS OF FUNDS	**11,332.0**	8,135.7	**11,468.5**	9,074.5	**17,462.3**	13,845.8	**2,523.5**	2,312.7

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Bonds	**38.9**	28.3	**-**	-	**2.4**	1.4	**(4.8)**	54.9
Equities and convertible securities	**218.0**	169.6	**-**	-	**74.6**	114.5	**0.4**	-
Mortgages	**-**	-	**757.1**	485.4	**51.8**	38.3	**-**	-
Mortgage securities	**-**	-	**-**	-	**8.9**	8.8	**-**	-
Short-term investments	**52.4**	34.4	**0.2**	-	**54.3**	31.0	**21.9**	20.2
Real estate holdings	**-**	-	**-**	-	**473.1**	500.2	**-**	-
Demand deposits in (advances from) the General Fund	**(2.9)**	(3.1)	**9.4**	7.6	**(24.7)**	(6.5)	**22.9**	(3.4)
	306.4	229.2	**766.7**	493.0	**640.4**	687.7	**40.4**	71.7
Other income	**23.0**	14.6	**9.6**	13.3	**-**	-	**-**	-
	329.4	243.8	**776.3**	506.3	**640.4**	687.7	**40.4**	71.7
Operating expenses	**26.8**	24.3	**8.4**	6.4	**9.4**	8.4	**5.9**	6.0
External management fees	**7.6**	10.3	**6.0**	5.7	**-**	-	**-**	-
INCOME BEFORE THE FOLLOWING ITEMS	**295.0**	209.2	**761.9**	494.2	**631.0**	679.3	**34.5**	65.7
Interest on notes payable	**4.6**	2.2	**-**	-	**-**	-	**-**	-
Non-controlling interest	**-**	(0.1)	**-**	3.3	**47.4**	49.9	**-**	-
NET INVESTMENT INCOME (LOSS)	**290.4**	207.1	**761.9**	490.9	**583.6**	629.4	**34.5**	65.7

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**290.4**	207.1	**761.9**	490.9	**583.6**	629.4	**34.5**	65.7
Gains (losses) on sale of investments	**1,338.8**	(61.6)	**(197.0)**	(33.4)	**1,159.7**	420.9	**(231.4)**	15.2
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(114.2)**	1,682.5	**(457.5)**	33.4	**1,158.4**	2,233.7	**153.6**	(0.4)
Net investment results	**1,515.0**	1,828.0	**107.4**	490.9	**2,901.7**	3,284.0	**(43.3)**	80.5
Participation units issued (cancelled)	**1,971.7**	372.6	**3,048.5**	2,759.7	**1,298.4**	527.8	**288.6**	736.7
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(290.4)**	(210.1)	**(761.9)**	(490.9)	**(583.6)**	(629.4)	**(34.5)**	(65.7)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**3,196.3**	1,990.5	**2,394.0**	2,759.7	**3,616.5**	3,182.4	**210.8**	751.5
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**8,135.7**	6,145.2	**9,074.5**	6,314.8	**13,845.8**	10,663.4	**2,312.7**	1,561.2
CONSOLIDATED NET ASSETS, END OF YEAR	**11,332.0**	8,135.7	**11,468.5**	9,074.5	**17,462.3**	13,845.8	**2,523.5**	2,312.7

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Bonds	**556.9**	637.5	**-**	-	**-**	32.0	**2,005.5**	2,051.8
Equities and convertible securities	**13,883.0**	10,281.9	**-**	-	**3,437.1**	2,903.0	**725.3**	198.1
Mortgages	**-**	-	**9,386.4**	6,596.8	**1,272.2**	388.6	**-**	-
Mortgage securities	**-**	-	**2,774.1**	3,473.7	**102.7**	122.6	**-**	-
Real estate holdings	**-**	-	**68.3**	3.5	**17,498.6**	14,651.2	**-**	-
Short-term investments	**357.6**	295.4	**15.5**	-	**306.6**	82.0	**501.2**	500.0
Securities acquired under reverse repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Third-party ABCP being restructured	**-**	-	**-**	-	**-**	-	**-**	-
Demand deposits in the General Fund	**-**	-	**2.3**	35.8	**-**	-	**-**	2.1
	14,797.5	11,214.8	**12,246.6**	10,109.8	**22,617.2**	18,179.4	**3,232.0**	2,752.0
LIABILITIES								
Securities sold under repurchase agreements	**-**	-	**-**	-	**-**	-	**-**	-
Short selling of securities	**83.4**	54.4	**-**	-	**137.4**	52.1	**-**	-
Loans and notes payable	**508.8**	89.3	**-**	-	**7,345.7**	5,692.4	**-**	-
Mortgage loans payable	**-**	-	**-**	-	**1,694.9**	1,554.5	**-**	-
Commercial mortgage-backed securities	**-**	-	**339.0**	1,210.6	**-**	-	**-**	-
Derivative financial instruments	**-**	-	**26.0**	103.0	**27.3**	4.3	**547.5**	150.1
Non-controlling interests	**-**	-	**-**	-	**866.1**	737.7	**-**	-

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS
(continued)

(in millions of dollars)

	HEDGE FUNDS (770)		ASSET ALLOCATION (771)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2007**	2006	**2007**	2006
ASSETS				
Investments at fair value				
Bonds	**653.6**	1,656.3	**5,081.5**	2,784.5
Equities and convertible securities	**5,200.7**	4,698.1	**2,169.7**	866.4
Mortgages	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-
Short-term investments	**183.0**	752.2	**603.1**	20.5
Securities acquired under reverse repurchase agreements	**523.1**	1,595.3	**2,471.0**	904.7
Third-party ABCP being restructured	**-**	-	**-**	-
Demand deposits in the General Fund	**130.6**	-	**-**	-
	6,691.0	8,701.9	**10,325.3**	4,576.1
Other assets	**66.3**	44.0	**303.5**	16.5
	6,757.3	8,745.9	**10,628.8**	4,592.6
LIABILITIES				
Advances from the General Fund	**-**	501.3	**447.9**	1,993.1
Securities sold under repurchase agreements	**567.9**	1,102.2	**2,827.7**	895.2
Short selling of securities	**650.9**	1,596.6	**2,963.0**	1,216.8
Loans and notes payable	**-**	64.2	**1,279.3**	-
Mortgage loans payable	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-
Derivative financial instruments	**39.2**	699.4	**2,351.6**	85.1
Other liabilities	**9.8**	17.8	**45.1**	14.1
Non-controlling interests	**308.0**	542.9	**-**	-
	1,575.8	4,524.4	**9,914.6**	4,204.3
NET HOLDINGS OF FUNDS	**5,181.5**	4,221.5	**714.2**	388.3
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31				
INCOME				
Investment income				
Bonds	**2.9**	(0.4)	**8.9**	25.0
Equities and convertible securities	**(2.3)**	2.4	**0.3**	9.1
Mortgages	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-
Short-term investments	**2.8**	2.7	**-**	8.4
Real estate holdings	**-**	-	**-**	-
Demand deposits in (advances from) the General Fund	**16.0**	(11.5)	**(57.0)**	(82.9)
	19.4	(6.8)	**(47.8)**	(40.4)
Other income	**-**	-	**-**	-
	19.4	(6.8)	**(47.8)**	(40.4)
Operating expenses	**18.3**	24.4	**14.7**	10.0
External management fees	**-**	-	**4.6**	-
INCOME BEFORE THE FOLLOWING ITEMS	**1.1**	(31.2)	**(67.1)**	(50.4)
Interest on notes payable	**0.6**	1.4	**53.2**	30.2
Non-controlling interest	**-**	-	**-**	-
NET INVESTMENT INCOME (LOSS)	**0.5**	(32.6)	**(120.3)**	(80.6)
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31				
NET INVESTMENT RESULTS				
Net investment income (loss)	**0.5**	(32.6)	**(120.3)**	(80.6)
Gains (losses) on sale of investments	**911.0**	(268.8)	**158.2**	198.2
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(492.7)**	543.8	**(167.5)**	14.6
Net investment results	**418.8**	242.4	**(129.6)**	132.2
Participation units issued (cancelled)	**541.7**	37.2	**335.2**	13.8
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(0.5)**	32.6	**120.3**	80.6
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**960.0**	312.2	**325.9**	226.6
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**4,221.5**	3,909.3	**388.3**	161.7
CONSOLIDATED NET ASSETS, END OF YEAR	**5,181.5**	4,221.5	**714.2**	388.3
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31				
ASSETS				
Investments				
Bonds	**670.4**	1,512.0	**5,184.4**	2,664.3
Equities and convertible securities	**5,426.5**	4,484.8	**703.5**	803.7
Mortgages	**-**	-	**-**	-
Mortgage securities	**-**	-	**-**	-
Real estate holdings	**-**	-	**-**	-
Short-term investments	**172.6**	683.3	**574.5**	-
Securities acquired under reverse repurchase agreements	**545.3**	1,578.1	**2,538.1**	896.5
Third-party ABCP being restructured	**-**	-	**-**	-
Demand deposits in the General Fund	**130.6**	-	**-**	-
	6,945.4	8,258.2	**9,000.5**	4,364.5
LIABILITIES				
Securities sold under repurchase agreements	**553.4**	1,088.8	**2,909.2**	889.8
Short selling of securities	**657.5**	1,573.6	**3,021.5**	1,100.8
Loans and notes payable	**-**	64.2	**1,269.7**	-
Mortgage loans payable	**-**	-	**-**	-
Commercial mortgage-backed securities	**-**	-	**-**	-
Derivative financial instruments	**5.2**	485.6	**738.4**	0.3
Non-controlling interests	**263.5**	500.4	**-**	-