Caisse de dépôt et placement du Québec

COMBINED FINANCIAL STATEMENTS 2008

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, 2008.

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, 2008. 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.

Fernand Perreault
President and Chief Executive Officer

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

Montréal, February 18, 2009

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, 2008, 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, 2008, 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 these principles have been applied on a consistent basis with that of the preceding year.

Renaud Lachance, CA auditor

Auditor General of Québec

Québec City, February 18, 2009

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

COMBINED STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2008

	2008	**2007**
	(in millions of dollars)	
ASSETS		
Investments at fair value *(notes 4a and b)*	182,493	222,797
Advances to depositors	754	372
Investment income, accrued and receivable	1,394	1,209
Transactions being settled	1,241	1,567
Other assets	993	1,204
	186,875	227,149
LIABILITIES		
Liabilities related to investments *(note 4c)*	62,612	66,100
Transactions being settled	849	2,087
Other liabilities	1,511	1,561
Non-controlling interests *(note 4d)*	1,815	2,051
	66,787	71,799
DEPOSITORS' HOLDINGS *(note 5)*	120,088	155,350

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,

Fernand Perreault

Claude Garcia

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED STATEMENT OF INCOME AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	**2007**
	(in millions of dollars)	
Investment income *(note 6a)*	6,161	6,531
Less :		
Operating expenses *(note 7)*	263	261
External management fees	51	69
Net investment income	5,847	6,201
Gains (losses) on the sale of investments *(note 6d)*	(23,228)	9,427
Total realized income (losses)	(17,381)	15,628
Unrealized decrease in value of investments and liabilities related to investments *(note 6e)*	(19,034)	(5,860)
Unrealized decrease in value of investments in third-party and bank-sponsored ABCP, net of back interest *(note 4b)*	(3,401)	(1,897)
Total unrealized decrease in value	(22,435)	(7,757)
Net investment results	(39,816)	7,871
Excess depositors' deposits over withdrawals	4,554	4,000
INCREASE (DECREASE) IN COMBINED NET ASSETS	(35,262)	11,871
COMBINED NET ASSETS, BEGINNING OF YEAR	155,350	143,479
COMBINED NET ASSETS, END OF YEAR	120,088	155,350

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

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED FUNDS
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

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 *Act respecting the 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 and bank-sponsored asset-backed commercial paper ("third-party and bank-sponsored ABCP") 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/paramédics et des services préhospitaliers d'urgence administered by the Aon Conseil;

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 pour l'éducation et la saine gouvernance – Fonds de trésorerie 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 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec administered by the Aon Conseil;

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 administered by the ministère des Finances, Government of Québec;

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;

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;

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;

Fund 363: Régime de retraite des employés de la Ville de Laval administered by the Comité du Régime de retraite des employés de la Ville de Laval;

Fund 368: Fonds pour l'éducation et la saine gouvernance – Fonds capitalisé administered by the Autorité des marchés financiers (created July 1, 2008).

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 the 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 and bank-sponsored ABCP and mortgages. Acquisitions and sales of fixed-income securities are recorded at the transaction date, except for mortgages which are recorded at the settlement date.

i) Valuation method

The fair value of fixed-income securities other than mortgages is determined based on the market price when such a value is available. When a market price is not available, the fair value of the securities is determined based on valuation methods used in capital markets, such as the annualization of future cash flows at the current interest rate, or on similar transactions on an arm's length basis. These valuations are supported by assumptions which consider market data such as interest rate yield curves and the risk premium related to the issuer's creditworthiness. In some cases, the data used in the assumptions do not rely on observable market factors as described earlier. Market data are adjusted to reflect uncertainty and to ensure securities are recorded at fair value. According to its estimates, management is of the opinion that the use of possible alternative assumptions to determine the fair value of these securities, with the exception of third-party and bank-sponsored ABCP, would not result in significantly different fair values. The valuation method for third-party and bank-sponsored ABCP, as well as the variations in fair value attributable to possible alternative assumptions for these securities, is discussed in note 4b.

The fair value of mortgages is determined based on the annualization of future contractual cash flows at the market interest rate. This rate is the rate that could be provided on loans or securities with similar conditions and maturities based on valuations made by management. Where the spreading of cash flows cannot be estimated in a reasonably reliable fashion, the fair value corresponds either to the fair value of any collateral on the security, after deducting expected costs of realization and any amount legally due to borrowers, or at the observable market price for the security.

The fair value of most fixed-income securities is reviewed biannually by valuation committee, comprised of independent experts or by an independent valuation firm.

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 is reduced by operating expenses and financial costs of CMBS and is 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 the settlement date.

i) Valuation method

The fair value of equities and convertible securities 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 equities and convertible securities, valuations are made using commonly used valuation methods such as the earnings multiples of comparable listed companies, the annualization of cash flows, or based on similar transactions made on an arm's length basis. The most commonly used earnings multiples are the EBITA multiple, the p/e multiple and the price/book ratio. The valuations of unlisted equities and convertible securities are reviewed biannually by valuation committee, comprised of independent experts or by an independent valuation firm.

The fair value of private investment funds presented under Equities and convertible securities, is determined based on the fair value provided by the general partner, using commonly used valuation methods.

The fair value of real estate holdings is determined and certified annually by recognized independent chartered appraisers. The valuation techniques used rely principally on three recognized methodologies: the capitalization of earnings, the annualization of cash flows at market rate and the comparison to recent similar market transactions. The amount established is supported by reasonable assumptions and is subsequently adjusted to reflect other assets and liabilities that have an impact on fair value.

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 using prices on the major stock exchanges as well as those provided by recognized financial institutions. For unlisted instruments, fair value is determined based on similar transactions made on an arm's length basis or using recognized and commonly used models. Models used include the annualization of future cash flows at current return and the Black & Scholes model. These models require the use of assumptions regarding the amount and maturity of future cash flows and current return. Assumptions are prepared based on market data such as interest rate yield curves, premiums related to credit risk, foreign exchange rates as well as volatility and correlation of equity and commodity prices and interest rate. In the case of derivative financial instruments that are new, complex or with a long-term maturity, it can be necessary to use assumptions that are based on non-market data such as a projection of interest rate curves and data on volatility. Such data are subsequently adjusted to reflect uncertainty and to ensure securities are recorded at fair value. Based on its estimates, management believes using alternative assumptions to evaluate such derivative financial instruments at fair value would not result in significantly different fair values.

The fair value estimates of most derivative financial instruments are reviewed biannually by independent valuation firm.

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 its positions. Interest expenses 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 (losses) on the sale of investments – Fixed-income securities, whereas those related to short selling of equities are recorded in Gains (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 the 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 the 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 the 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 the 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. Adoption of Section 3862 Financial Instruments – Disclosure and Section 3863 Financial instruments – Presentation

On January 1, 2008 the Caisse adopted the provisions in Section 3862 *Financial Instruments – Disclosure* and Section 3863 *Financial Instruments – Presentation.* Sections 3862 and 3863 replace Section 3861 *Financial Instruments – Disclosure and Presentation*. These sections amend the requirements regarding the presentation of the notes to financial statements, and emphasize the importance of the information to be disclosed concerning the nature and size of risks related to financial instruments as well as the method used by the entity to manage such risks.

4. Investments and liabilities related to investments

	2008		2007	
	(in millions of dollars)			
	Fair Value	**Cost**	**Fair Value**	**Cost**
a) Investments				
Fixed-income securities				
Short-term investments				
Canadian	5,826	5,910	9,889	9,894
Foreign	3,580	4,522	4,865	4,898
	9,406	10,432	14,754	14,792
Bonds				
Issued or guaranteed by :				
Canadian government	16,552	15,211	23,586	22,966
Province of Québec	9,265	8,517	8,592	7,831
Other Canadian provinces	3,047	2,969	2,304	2,236
Municipalities and other Canadian bodies	1,611	1,597	1,728	1,724
Canadian government corporations	11,091	10,201	13,311	12,619
U.S government	823	740	205	208
Other foreign governments	1,812	1,594	1,759	1,814
Mortgage securities				
Canadian	272	276	284	276
Foreign	711	2,438	2,022	2,601
Canadian corporations	12,592	13,623	15,947	16,260
Foreign corporations	2,911	4,076	4,695	5,315
Inflation-indexed securities				
Canadian	587	604	934	895
Foreign	1,973	1,611	3,381	3,664
Hedge funds	439	460	2,132	2,323
	63,686	63,917	80,880	80,732
Third-party and bank-sponsored ABCP *(note 4b)*	7,186	12,787	10,740	12,607
Mortgages				
Canadian	6,451	6,431	5,979	5,939
Foreign	5,342	5,738	4,481	4,574
	11,793	12,169	10,460	10,513
Total fixed-income securities	92,071	99,305	116,834	118,644
Variable-income securities				
Equities and convertible securities				
Canadian	12,523	16,055	17,172	14,938
U.S	10,968	14,604	18,208	20,127
Foreign and emerging markets	17,714	21,180	26,926	24,357
Hedge funds	4,688	4,933	4,848	5,051
	45,893	56,772	67,154	64,473
Real estate holdings				
Canadian	11,884	8,987	13,184	9,117
Foreign	11,032	10,450	9,256	8,610
	22,916	19,437	22,440	17,727
Total variable-income securities	68,809	76,209	89,594	82,200

	2008		2007	
	(in millions of dollars)			
	Fair Value	**Cost**	**Fair Value**	**Cost**
Amounts receivable with respect to investments				
Securities acquired under reverse repurchase agreements				
Canadian	2,900	2,901	2,457	2,127
Foreign	2,780	2,730	4,986	5,110
Amount pertaining to derivative instruments				
Canadian	2,465	26	532	39
Foreign	13,468	1,681	8,394	1,921
	21,613	7,338	16,369	9,197
Total investments	182,493	182,852	222,797	210,041

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

	2008	2007
	(in millions of dollars)	
Canadian securities		
Short-term investments	1,184	1,234
Bonds	1,122	1,244
Third-party and bank-sponsored ABCP	7,186	10,740
Equities and convertible securities	3,786	4,789
	13,278	18,007
Foreign securities		
Short-term investments	2,764	3,030
Bonds	690	769
Equities and convertible securities	18,072	16,593
	21,526	20,392
	34,804	38,399

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

	2008	2007
	(in millions of dollars)	
Investments in joint ventures	**9,097**	**8,401**
Real estate holdings	15,889	14,356
Short-term investements	15	29
Investment income, accrued and receivable	10	6
Other assets	678	586
	16,592	14,977
Loans and notes payable	74	106
Mortgage loans payable	6,284	5,367
Other liabilities	1,026	1,053
Non-controlling interests	111	50
	7,495	6,576

b) Third-party and bank-sponsored ABCP

As at December 31, 2008, the Caisse held investments in Canadian asset-backed commercial paper ("ABCP") that has been restructured. These investments are divided into three types:

- " Third-party ABCP" that has been restructured under the restructuring agreement of the Pan-Canadian Investors Committee;

- "Other third-party ABCP" that has been restructured (White Knight Trust) or whose restructuring has failed (Devonshire Trust); and

- "Bank - sponsored ABCP" that had to be restructured in 2008 as the securities matured (Apex Trust, Great North Trust and Superior Trust).

Description of ABCP

ABCP is short-term debt supported by a range of financial instruments. The assets, such as mortgage or consumer loans, or exposure to risk, such as credit default swaps, are acquired by a conduit by means of various types of transaction, including the purchase of financial assets and derivatives. ABCP is generally issued for a term of 30, 60 or 90 days, discounted or interest-baring.

The financial instruments serving as assets for a conduit that issued ABCP generally have maturities that are longer than the maturity of the ABCP issued. The conduit therefore must typically have liquidity backstop facilities with a financial institution that it can avail itself of, on certain conditions, in the event that it is not able to issue new ABCP securities in order to redeem those that mature or to meet the need for additional liquid assets.

Until the summer of 2007, narrowing credit spreads were conducive to the creation of leveraged super-senior ("LSS") structures. These structures give investors exposure supported by a super-senior tranche of a group of reference assets. Generally speaking, the exposure corresponds to many times the amount invested by investors in a given conduit and posted as collateral by the conduit for the beneficiary of the credit protection. For example, an investment of $10 million may be supported 10 times by means of a credit linkage to a super-senior tranche with a notional amount of $100 million. The combination of assets posted as collateral and a credit default swap, such as an LSS, is generally referred to as synthetic assets.

A super-senior tranche has an attachment point, namely the threshold of losses that the group of reference assets must reach before payment obligations are triggered. In general, this threshold significantly exceeds the level of loss consistent with a note rated R-1 (high) or AAA. Thus the level of loss to which the super-senior tranche is exposed is generally lower than that historically experienced for this rating level. When the level of loss increases or when there are indicators showing that it could rise (triggers for additional collateral calls), the purchasers of protection against credit default may require additional collateral over and above the amounts initially invested. The structures did not have mechanisms to obtain liquid assets so as to meet the additional collateral calls.

If additional collateral cannot be provided, the LSS is unwound to the benefit of the purchaser of protection against credit default. This unwinding entails a loss for the investors in the ABCP, even if the real loss of the group of reference assets has not reached the attachment point on the super-senior tranche.

The subprime mortgage crisis in the United States caused disruption on the international markets, which resulted in a liquidity crisis on the Canadian third-party ABCP market in mid-August 2007. Since August 13, 2007, the Caisse has not been able to have redeemed amounts due under third-party ABCP. When acquired by the Caisse, the ABCP was rated R-1 (high) by the rating agency DBRS Limited ("DBRS"), namely the highest rating issued by DBRS for asset-backed commercial paper.

On August 13, 2007, the liquidity providers did not make available the amounts committed pursuant to their undertakings, since they did not believe that the necessary conditions had been met. The investors and the banks that had purchased credit default protection therefore agreed to a standstill period and began discussions within the framework of the Montréal Proposal and the Pan-Canadian Investors Committee for ABCP.

Timeline of the restructuring efforts

Third-party ABCP

The efforts to restructure third-party ABCP, which began on August 13, 2007, and in which the Caisse has taken part actively, resulted in the conclusion of an agreement on December 24, 2008, which then required approval by the decision-making authorities of the institutions concerned as well as orders-in-council. The agreement was subsequently confirmed in its proposed form and gave rise to an exchange of securities on January 21, 2009.

The timeline of the key events leading to the restructuring is as follows:

On August 15, 2007, a group of investors and financial institutions, including the Caisse, proposed an agreement, the Montréal Proposal, designed to re- establish a climate of trust and to implement an effective resolution strategy that would include matching of the maturities of the underlying assets and replacement notes. Under the agreement, the investors and the financial institutions undertook not to put the conduits in default in order to avoid an unwinding of the credit protection and a forced sale of the debt and the underlying financial assets (the "standstill period").

On September 6, 2007, a Pan-Canadian Investors Committee consisting of participants in the Montréal Proposal was formed to oversee the restructuring process.

On November 6, 2007, DBRS issued a public information document providing additional information on the composition of each conduit. DBRS confirmed at that time that 97% of the debt and the underlying financial assets was of the highest quality and retained a AAA (high) rating, and that 2% was rated AA or AA (low).

On December 23, 2007, the Pan-Canadian Investors Committee approved an agreement in principle (the "restructuring proposal") for all the trusts covered by the Montréal Proposal, with the exception of Skeena Capital Trust (already restructured) and Devonshire Trust. The main objectives of the restructuring proposal announced on that date were to replace the third-party ABCP with new securities having maturities similar to those of the debt and the underlying financial assets, to combine certain series of third-party ABCP that are supported in whole or in part by synthetic assets, to alleviate the obligations of margin calls on LSS, to put in place margin funding facilities and to foster a secondary market so as to generate liquid assets for the holders of third-party ABCP.

On March 17, 2008, the Ontario Superior Court of Justice granted a motion by the Committee under the *Companies' Creditors Arrangement Act* ("CCAA") intended to establish a procedure to secure approval by the noteholders of a formal restructuring plan (the "plan").

On April 25, 2008, 96% of the noteholders in terms of number and value voted in favour of the plan.

On June 5, 2008, the plan was ratified by the Ontario Superior Court of Justice. The ruling was then appealed by a group of ABCP noteholders who wished to contest the plan's implementation.

On August 18, 2008, the Court of Appeal for Ontario upheld the decision of the Ontario Superior Court of Justice.

On September 19, 2008, the Supreme Court of Canada rejected the application for leave to appeal filed by the group of noteholders.

On December 24, 2008, the Pan-Canadian Investors Committee and the banks that had purchased protection concluded a final restructuring agreement that was confirmed in January 2009 once the required approvals and orders-in-council were obtained. The key aspects of the final agreement are as follows:

- Creation of three new structures in the form of trusts called "master asset vehicles" ("MAV 1," "MAV 2" and "MAV 3").
- MAV 1 and MAV 2 will consist of the transactions of the ABCP conduits constituted solely of synthetic assets or of hybrid assets, namely a combination of synthetic and traditional assets. They will also include the high-risk assets associated with these transactions.
- The main difference between MAV 1 and MAV 2 is that the margin funding facility is self-funded for the participants in MAV 1, whereas it is provided by third-party lenders in the case of MAV 2. As a result of this distinction, the interest paid to the holders of notes issued by MAV 2 is less than that paid to the holders of notes issued by MAV 1.
- Establishment of margin funding facilities in support of MAV 1 and MAV 2 to finance possible collateral calls on the underlying LSS.
- MAV 3 will consist of transactions of the ABCP conduits constituted exclusively of high-risk assets and traditional assets.
- Establishment of an initial 18-month standstill period during which no additional collateral calls may be effected on the LSS.
- Widening of certain "spread-loss triggers," thereby deferring the possible triggering of additional collateral calls.
- The Government of Canada, the governments of Québec, Alberta and Ontario, and the Caisse are taking part in the final agreement by establishing an additional senior margin funding facility.

On January 21, 2009, DBRS issued a final rating report for the Class A-1 and A-2 notes issued by MAV 1 and MAV 2 and confirmed the preliminary ratings issued on December 29, 2008, namely A.

Other third-party ABCP

On October 16, 2007, the Pan-Canadian Investors Committee announced the successful restructuring of the first of the 22 conduits affected by the Montréal Proposal, namely Skeena Capital Trust (restructured under the name of White Knight Trust).

On December 20, 2007, the Caisse received replacement securities and liquid assets on completion of the restructuring of this investment. Initially rated AAA by DBRS, the notes of White Knight Trust were successively downgraded to AA (low) in November 2008 and A (low) in January 2009.

Since December 23, 2007, many restructuring proposals have been reviewed with the bank that purchased protection against credit default by Devonshire Trust. These numerous attempts all proved unproductive. As a result of this failure, the bank began legal proceedings on January 13, 2009, to recover the collateral posted by the trust, and the Caisse therefore took a provision for the loss of its entire investment, resulting in a decrease in value of $337 million for fiscal 2008 ($48 million in 2007).

Bank-sponsored ABCP

The Caisse holds ABCP issued by trusts sponsored by financial institutions, including Sitka Trust (since restructured under the name of Apex Trust), Great North Trust and Superior Trust. As a result of market turbulence, these trusts received substantial collateral calls from purchasers of credit protection. The trusts were therefore restructured in 2008.

The replacement securities for Apex Trust, Superior Trust and Great North Trust received by the Caisse are not rated by an external agency.

Balance as at December 31

As at December 31, 2008 and 2007, the investments in third-party and bank-sponsored ABCP consist of the following elements:

		December 31, 2008	
	Fair value	**Cumulative unrealized decrease in value**	**Cost**
		(in millions of dollars)	
Third-party ABCP restructured under the agreement of the Pan-Canadian Investors Committe			
Synthetic and hybrid assets [1]	6,017	(3,725)	9,742
Traditional assets [2]	623	(115)	738
High-risk assets	- -	(890)	890
	6,640	(4,730)	11,370
Other			
Third-party ABCP not restructured	- -	(385)	385
Third-party ABCP restructured	198	(92)	290
Bank - sponsored ABCP restructured	348	(394)	742
	7,186	(5,601) [3]	12,787
Restructuring costs		(86)	
Cumulative unrealized decrease in value as at December 31, 2008		(5,687)	
Writeoff of assets [4]		(171)	
Losses on the sale of investments and cumulative unrealized decrease in value as at December 31, 2008		(5,858)	
Accrued interest receivable [5]		389	
		(5,469)	

[1] The investments reflect the commitment made by the Caisse in 2008 to acquire MAV 2 notes at a discount at the time of the restructuring. The notional amount and the agreed-on purchase price for the notes are $170 million and $119 million respectively.
[2] Not including an amount of $550 million representing the Caisse's share of repayment of underlying assets redeemed by the conduits as of December 31, 2008.
[3] Includes the fair value of the commitments described in the following item.
[4] During fiscal 2008, the restructuring of certain ABCP securities entailed writeoffs and similar adjustments of about $171 million.
[5] Received on January 21, 2009

	December 31, 2007		
	Fair value	Cumulative unrealized decrease in value	Cost
		(in millions of dollars)	
Third-party ABCP restructured under the agreement of the Pan-Canadian Investors Committe			
Synthetic and hybrid assets	8,635	(1,216)	9,851
Traditional assets	1,196	(103)	1,299
High-risk assets	313	(469)	782
	10,144	(1,788)	11,932
Other			
Third-party ABCP not restructured	337	(48)	385
Third-party ABCP restructured	259	(31)	290
	10,740	(1,867) [3]	12,607
Restructuring costs		(30)	
Cumulative unrealized decrease in value as at December 31, 2007		(1,897)	

Presentation in combined income and changes in net assets

	(in millions of dollars)
Cumulative unrealized decrease in value as at December 31, 2008	(5,687)
Cumulative unrealized decrease in value as at December 31, 2007	(1,897)
	(3,790)
Accrued interest receivable	389
Unrealized decrease in value of investments in third-party and bank-sponsored ABCP, net of back interest	(3,401)

Commitments associated with third-party and bank-sponsored ABCP

The following table summarizes the commitments associated with the restructuring of third-party and bank-sponsored ABCP and the estimate of its fair value, which is included in the valuation of ABCP provided in the preceding item:

	December 31, 2008	
	Ultimate maturity	Commitments
		(in millions of dollars)
Agreement of the Pan-Canadian Investors Committee		
MAV 1 MFF – basic	July 2017	5,767
MAV 1 MFF – additional interest	July 2017	400
MAV 1 and MAV 2 SFF	July 2017	300
Subtotal		6,467
Restructured bank-sponsored ABCP	December 2016	323
Total		6,790

	December 31, 2007	
	Ultimate maturity	**Commitments**
		(in millions of dollars)
Preliminary agreement of the Pan-Canadian Investors Committee		
MAV 1 MFF – basic	July 2017	5,153

The fair value of the commitments is estimated to be a negative amount of $634 million ($383 million in 2007).

Margin funding facility ("MFF")

In addition to the assets already provided as collateral to the purchaser of credit default protection, the final agreement of the Pan-Canadian Investors Committee provides that MAV 1 and MAV 2 must have an MFF to cover any collateral calls on the LSS. The Caisse has decided to self-fund its share of the MFF, which explains its interest in MAV 1.

The Caisse's share of this credit commitment amounts to $5,767 million, has the same rank as that of the other participants and matures in July 2017 or at an earlier date if all the LSS transactions are settled beforehand. This amount represents the commitment of $5,153 million that was negotiated under the preliminary agreement in December 2007, to which has been added an amount of $614 million under the terms of the final agreement of December 24, 2008. The Caisse will receive no fee in respect of this credit commitment. The advances that could be made under this MFF will bear interest at a rate based on the bankers' acceptance rate or the prime rate. All amounts advanced under the MFF will take precedence over the amounts payable on the notes issued by MAV 1. In the event that the Caisse defaults on its obligations to provide funds under its share of the MFF, the MAV 1 notes held by the Caisse could be exchanged for subordinated notes. The Caisse will have to maintain a credit rating equivalent to AA (high) with at least two of the four rating agencies, DBRS, S&P, Fitch and Moody's, failing which it will have to provide collateral or another type of credit support to MAV 1 or fulfill its commitments through another entity with a sufficiently high credit rating.

Under a separate agreement, the Caisse has agreed to take an interest of $400 million in the MFF commitments of a MAV 1 participant in exchange for a commitment fee of 1.2% per annum, namely the same rate as the third-party institutions that have underwritten the equivalent MAV 2 MFF. This interest will end automatically at the end of the MAV 1 MFF. This facility is at the same level as the Caisse's interest in the MFF, which means that these facilities would be called simultaneously in the event of a collateral call.

Senior funding facility ("SFF")

In the event that the MAV 1 MFF and the equivalent MAV 2 facility prove insufficient to meet the collateral calls of the vehicle in question, an SFF has been put in place with the participation of the governments of Canada, Québec, Alberta and Ontario and the Caisse for MAV 1 ($1.8 billion) and MAV 2 ($1.7 billion) to provide access to additional liquid assets. The Caisse's share of these credit commitments is $154 million for MAV 1 and $146 million for MAV 2. The Caisse will receive a commitment fee of 1.19% per annum until December 2016 in respect of this credit commitment. These commitments expire in July 2010, unless an amount has been drawn down and remains unpaid at that date, in which case all the liquid assets available for repayment in MAV 1 or MAV 2, as the case may be, will be used to pay the interest and principal of the SFFs before the relevant MFF and the notes issued by the vehicle in question. The advances that may be made under this facility will bear interest at a rate based on the bankers' acceptance rate or the prime rate.

Commitments associated with bank-sponsored ABCP

The bank-sponsored ABCP securities restructured in 2008 include two securities that represent interests in trusts that have indirect interests in LSS. To protect its interest in the underlying assets, the Caisse has agreed thus far to take part in collateral calls totalling $323 million, which have not yet had to be disbursed. In the event of additional collateral calls by the trusts, the Caisse will be able to decide at that time whether to take part. If it does not take part, the underlying positions will be liquidated, and the Caisse's investments will in all likelihood be lost. The securities and the related commitments mature at the latest in December 2016.

Establishment of fair value

Given that there is no active market for the third-party and bank-sponsored ABCP in which the Caisse holds investments, it has established, in accordance with CICA guidelines, fair values for the various ABCP securities, using a valuation technique based on a financial model whose assumptions and probabilities reflect uncertainties regarding the amounts, the return and maturity of the cash flows, the illiquidity risk, the nature and credit risk of the debt and the underlying financial assets, and credit spreads reflecting market conditions as at December 31, 2008. The assumptions, based on information available as at December 31, 2008, use observable market data, such as interest rates and credit quality and price, as much as possible. They also take into account specific aspects of the plan and are based partially on assumptions not supported by prices or rates observed on the market. As already stated, pursuant to the final restructuring plan, the third-party ABCP securities will be converted into new securities with maturities corresponding to those of the underlying assets. The new securities will bear interest at rates that will ultimately reflect the cash flow available within the vehicles, including the cost inherent in the funding facilities included in the restructuring plan.

The fair value of each third-party and bank-sponsored ABCP security has been established from an estimate of the present value of cash flows according to various default and credit loss scenarios on all the underlying assets, the real maturities of the securities and the expected interest rates, and takes into account subordination of the restructured notes, where required. Once adjusted to take into account the impact of the credit risk of the underlying assets, the expected cash flows on the third-party and bank-sponsored ABCP investments are discounted at a rate corresponding to a AAA credit rating, plus a financing and illiquidity premium. The main assumptions considered in the model, excluding the high-risk assets, are as follows:

Fair value of third-party and bank-sponsored ABCP – Main assumptions

	December 31, 2008	**December 31, 2007**
Success rate of the restructuring plan	100%	90%
Weighted average interest rate of the notes to be received in the restructuring[1]		
A-1, A-2 and B	BA [2] + 0.30%	BA [2] + 0.30%
Default rate and credit loss	S&P 1981-2007 table Default rated adjusted as a function of a downgrade Level of loss with a 70% default rate	S&P 1981-2006 table Default rated adjusted as a function of a downgrade Level of loss with a 60% default rate
Financing and illiquidity premiums	4.50%	1.03%
Cost of margin funding facilities	The financial impact of the facilities has been calculated on the basis of an annual commitment fee of 1.6%	The financial impact of the facilities has been calculated on the basis of an annual commitment fee of 1.2%
Planned maturity of the new notes	December 2016 for the MAV 1 and 2 notes	As a function of the LSS maturities
Credit rating of the new notes [1]	A for the series A-1 and A-2 notes The series B and C notes are not rated	AAA for most of the LSS

[1] Final data for 2008.
[2] The three-month bankers' acceptance rate.

Given the nature of the underlying assets and their significant deterioration in the current economic context, the decrease in value applicable to the high-risk assets has been established at 100% of the notional amount of these securities as at December 31, 2008 (60% in 2007).

The assumptions regarding cash flows vary for each of the new variable-rate and long-term notes that will be issued, since they will have different credit ratings and risks.

The maturities vary according to the type of note because of the nature and the expected maturities of the underlying assets.

The Caisse has taken into account the probability that the historic cumulative default rates corresponding to the discount period will be more severe in the years to come. For the synthetic and hybrid assets, the estimated default rates apply to all the underlying assets.

As already stated, the Caisse has provided funding facilities totalling $6,467 million to MAV 1, MAV 2 and a MAV 1 participant under the final restructuring plan. The Caisse will receive an annual commitment fee of 1.19% on the SFF totalling $300 million and 1.2% on the additional interest of $400 million in the MFF and will receive no commitment fee for the basic interest of $5,767 million of the MFF. The Caisse has estimated the financing premium normally required to be 1.6% in respect of the three facilities. In accordance with generally accepted accounting principles in Canada, the commitments to provide additional margin constitute lending commitments that must be recorded initially at their fair value. There is no active market from which the Caisse could derive the fair value of these commitments. Accordingly, the Caisse has established the fair value by applying a valuation technique that takes into account the fair value of substantially similar commitments and an analysis of discounted cash flows. The Caisse has included the financial impact of it in the valuation described previously. In the model used to determine the fair value of the ABCP, the Caisse has considered the fact that the triggers of collateral calls are based on spread-loss triggers linked more directly to the real behaviour of the reference portfolio of underlying assets, unlike certain mark-to-market triggers that reflect the price of credit more than the intrinsic credit quality of the same assets.

For the year ended December 31, 2007, the Caisse has not recorded interest income in respect of the third-party ABCP that it held from August 13, 2007. As at December 31, 2008, the cash flows considered in the model used to determine fair value include about $389 million of interest paid in January 2009 in respect of unpaid interest to August 31, 2008. Moreover, assumptions have also been made regarding the Caisse's share of the restructuring costs incurred to date as a member of the Pan-Canadian Investors Committee, less what will ultimately be recovered from the other participants in MAV 1 and MAV 2. The Caisse estimates that its cumulative net share of the restructuring costs could be $86 million, and that amount has been taken into account in the calculation of fair value.

Effect of the results on valuation

Given the foregoing, the Caisse as recorded against its portfolio of ABCP securities in difficulty a total decrease in value of $3,401 million and an asset writeoff of $171 million in its combined statement of income and changes in net assets for the year ended December 31, 2008, bringing its writeoffs and cumulative fair-value adjustments to $5,469 million. The decrease in fair value during the year ended December 31, 2008, is due mainly to downgrading of the notes to be received, wider credit spreads and deterioration of the credit market, resulting in lower estimates of the cash flow that will ultimately be received. The decreases in value observed for the high-risk assets and the securities of Devonshire Trust, as well as the commitments and the other particularities of the restructuring plan available at the valuation date, also contributed to this decrease.

The estimated fair value of the ABCP investments as at December 31, 2008, is not likely to be indicative of their definitive value or future fair value. Although management believes that its valuation technique is appropriate in the circumstances, changes to the main assumptions, including those used to determine the discount rates, the credit spreads, the expected returns, the credit risk of the underlying assets and the value of the various commitments and collateral, could have a material impact on the fair value of the new notes and the other ABCP securities in the years to come. Accordingly, resolution of these uncertainties could mean that the definitive value of the investments in subsequent periods differs considerably from management's current best estimates.

The most important assumptions regarding the model used by the Caisse to determine fair value are based on the financial impact of collateral calls, the default risk of the underlying assets, the loss rate in the event of default and the discount rates. The possible effect on the valuation technique of the variation in these assumptions and probabilities would change the estimated fair value of the ABCP investments as at December 31, 2008, as follows:

- An increase of 100 basis points in the financing premium in respect of the margin funding facilities would decrease the fair value by about $395 million;

- An increase of 100 basis points in the estimated discount rate would decrease the fair value by about $465 million; and

- A decrease in the expected credit rating of one notch would affect the anticipated default rates and would decrease the fair value by about $381 million.

The Caisse holds or has access to the funds required to meet all its financial, operational and regulatory obligations, and does not expect the illiquidity related to the ABCP to have a significant adverse impact on its financial health, credit rating or capital ratios.

Subsequent events

In January 2009, the Caisse received the following assets after the completion of the third-party ABCP restructuring under the Pan-Canadian Investors Committee's agreement:

	Notional amount	Fair value[2]	% of notes held
		(in millions of dollars)	
Liquid assets[1]	939	939	n.a.
MAV 1			
Class A-1	4,708	3,504	62%
Class A-2	3,951	2,913	62%
Class B	674	89	62%
Class C	289	- -	62%
Tracking notes for high-risk assets	814	- -	64%
MAV 2			
Class A-1	120	83	2%
Class A-2	38	27	1%
Class B	7	1	1%
Class C	5	- -	2%
MAV 3			
Tracking notes for traditional assets	738	623	21%
Tracking notes for high-risk assets	76	- -	14%

[1] Represents repayment of principal of about $550 million on traditional assets and payment of $389 million of interest.

[2] As a function of fair values established as at December 31, 2008. The Caisse is of the opinion that the fair value as at January 21, 2009, is much the same as that established as at December 31, 2008.

A subordination sequence is built into in the notes: the C notes are subordinate to the B notes, the B notes are subordinate to the A-2 notes, and the A-2 notes to the A-1 notes. This waterfall structure is designed to ensure that the subordinate tranches absorb the first losses so as to immunize the superior tranches. As a result of the waterfall structure, the C and B notes absorb the greatest decreases in value. In December 2008, DBRS issued an A rating for the A-1 and A-2 notes, but did not provide a credit rating for the B and C notes.

The MAV 3 securities received are tracking notes supported by assets that can be divided into three main groups:

- Traditional assets in the amount of $496 million, consisting of good-quality commercial mortgage securities for which DBRS issued ratings ranging from A to AAA in January 2009;

- Traditional assets in the amount of $242 million, consisting of interests in U.S. residential mortgage loans, which have been downgraded but are not considered high-risk; and

- High-risk assets representing subprime U.S. residential mortgage loans in the amount of $76 million.

The various restructured notes bear interest at the following rates:

	Classes A-1, A-2 et B
MAV 1	BA + 0.30 %
MAV 2	BA – 0.50 %

The interest on the B notes is cumulative and is payable only when the principal and interest on the A-1 and A-2 notes have been paid in full.

All the tracking notes bear interest at a rate that will be adjusted as a function of the return on the underlying assets.

At the time of the preparation of these financial statements, there was still no active market for the various restructured notes. Moreover, the ability to transfer the MAV 1 notes is subject to considerable constraints.

The Caisse's ultimate ability to recover its investments in the replacement securities depends on the credit quality of the underlying assets.

The assets underlying the restructured notes can be summarized as follows:

Underlying assets	**MAV 1**	**MAV 2**	**Other conduits**[1]
	%	**%**	**%**
LSS	74.6	75.9	75.0
Collateralized debt obligations	12.2	13.5	- -
Commercial mortgage loans	7.6	6.5	25.0
Canadian non-prime residential mortgage loans	3.1	2.4	- -
Other assets	2.5	1.7	- -

[1] The other conduits represent third-party ABCP not covered by the agreement and restructured bank-sponsored ABCP.

	2008		**2007**	
	(in millions of dollars)			
	Fair Value	**Cost**	**Fair Value**	**Cost**
c) Liabilities related to investments				
Securities sold under repurchase agreements				
Canadian	19,161	19,120	30,084	29,786
Foreign	4,596	4,576	6,554	6,647
Commercial paper payable				
Canadian	5,415	5,407	1,990	1,990
Foreign	956	927	46	48
Short selling of securities				
Canadian	4,444	4,856	8,843	8,208
Foreign	3,344	3,304	7,716	7,498
Mortgage loans payable				
Canadian	935	932	277	269
Foreign	2,688	2,859	1,253	1,280
Other loans payable				
Canadian	672	691	1,564	1,553
Foreign	1,605	1,684	557	561
Amount pertaining to derivative instruments				
Canadian	1,277	37	291	20
Foreign	17,519	1,590	6,925	1,709
	62,612	45,983	66,100	59,569

	2008		**2007**	
	(in millions of dollars)			
	Fair Value	**Cost**	**Fair Value**	**Cost**
d) Non-controlling interests				
Canadian	1,264	1,246	1,408	1,135
Foreign	551	769	643	671
	1,815	2,015	2,051	1,806

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 $39 million ($4 million in 2007) of interest 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 $219 million ($10,921 million in 2007) in net income to participation deposit holders.

	2008	**2007**
	(in millions of dollars)	
Caisse's indebtedness toward depositors		
Demand deposits	2,038	143
Term deposits	98	66
Interest on demand and term deposits	2	1
Net income to be paid out to participation deposit holders	980	317
	3,118	527
Participation deposit holders' holdings		
Participation deposits		
Balance, begginning of year	131,560	115,947
Units issued	10,140	16,882
Units cancelled	(7,685)	(1,269)
Balance, end of year	134,015	131,560
Gains (losses) not allocated on the sale of investments	(257)	17,283
Unrealized increase (decrease) in the value of investments and other related assets and liabilities	(16,788)	5,980
	116,970	154,823
Depositor's holdings	120,088	155,350

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

	2008	2007
	(in millions of dollars)	
a) Investment income		
Fixed-income securities		
Short-term investments	426	685
Bonds	2,841	2,701
Mortgages *(note 6b)*	457	305
	3,724	3,691
Variable-income securities		
Equities and convertible securities	1,639	2,068
Real estate holdings *(note 6c)*	830	784
	2,469	2,852
Other income	41	61
Non-controlling interests	(73)	(73)
	6,161	6,531

Investment income – Fixed-income securities were reduced by $773 million ($1,221 million in 2007) in net expenses related to securities sold (acquired) under repurchase (reverse repurchase) agreements.

	2008	2007
	(in millions of dollars)	
b) Net income from mortgages		
Income from mortgages	507	424
Less :		
Expenses related to real estate debt subsidiaries		
Operation expenses	31	50
Financial costs of CMBS	19	69
	50	119
	457	305

	2008	2007
	(in millions of dollars)	
c) Net income from real estate holdings		
Income from real estate holdings	2,963	2,482
Less :		
Expenses related to real estate subsidiaries		
Operating expenses related to real estate holdings	1,556	1,335
Operation expenses	88	99
Loan financial expenses	499	285
	2,143	1,719
Other income	10	21
	830	784

	2008	2007
	(in millions of dollars)	
d) Gains (losses) on the sale of investments		
Fixed-income securities		
Short-term in investments	96	49
Bonds	185	306
Mortgages	(43)	23
	238	378
Variable-income securities		
Equities and convertible securities	(22,828)	8,789
Real estate holdings	(507)	458
	(23,335)	9,247
Non-controlling interests	(9)	(48)
	(23,106)	9,577
Less :		
Transactions costs of investments	122	150
	(23,228)	9,427

Gains (losses) on the sale of investments in bonds include $171 million of losses on the writeoff of assets related to third-party and bank-sponsored ABCP.

In addition, losses in the amount of $23,228 million (gains of $9,427 million in 2007) on the sale of investments recorded in the "Combined statement of income and changes in net assets" include $5,572 million in foreign exchange losses ($1,096 million in foreign exchange gains in 2007).

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

	2008	2007
	(in millions of dollars)	
Fixed-income securities		
Short-term investments	1,689	217
Bonds	4,496	(1,291)
Mortgages	(325)	(124)
Securities acquired under reverse repurchase agreements	(164)	155
	5,696	(1,043)
Variable-income securities		
Equities and convertible securities	(13,733)	(3,144)
Real estate holdings	(1,344)	1,105
	(15,077)	(2,039)
Total investments	(9,381)	(3,082)
Less :		
Liabilities related to investments		
Securities sold under repurchase agreements	(144)	177
Commercial paper payable	39	(1)
Short selling of securities	(1,225)	(566)
Mortgage loans payable	(149)	(35)
Other loans payable	(105)	(23)
Derivative financial instruments	11,682	3,162
Non-controlling interests	(445)	64
	9,653	2,778
	(19,034)	(5,860)

The unrealized decrease in value in the amount of $19,034 million ($5,860 million in 2007) recorded in the "Combined statement of income and changes in net assets" includes an unrealized increase in value of $7,920 million related to foreign exchange (unrealized decrease in value of $3,633 million related to foreign exchange in 2007).

7. Operating expenses

	2008	2007
	(in millions of dollars)	
Salaries and employee benefits	129	140
Professional services	52	45
Data services and subscriptions	18	15
Premises and equipment	17	17
Depreciation of fixed assets	19	15
Other	15	15
	250	247
Safekeeping of securities	13	14
	263	261

8. Identification and management of risks related to investment operations

The Caisse implemented a number of policies, guidelines and procedures to oversee operations. Investment policies oversee the range of activities performed at the portfolio managers level. For each specialized portfolio, the investment policy describes the philosophy, management type, investment universe, benchmark index, added value target and risk supervision, which includes concentration limits. Managers are aware of and must abide by the limits on their investment operations.

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 committees (DRC and DRC – Transactions) and the Management committee;

Level 3 - the Board of Directors and its Risk Management Committee, and Internal Audit.

The risk management policy includes reporting mechanisms for each of these levels. The policy also includes a framework for outsourcing management of investments, management of operational risks and 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 integrated risk management policy defines financial risks as follows:

a) Market risk
b) Credit and concentration risk
c) Counterparty risk
d) Financing liquidity risk

a) 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 is impacted by changes in certain market variables such as interest rates, exchange rates, share 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.

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

Market risk at the Caisse is measured using the method known as Value at Risk (VaR), which is based on the statistical measurement of the volatility of the market value of each position and its correlations. VaR is a statistical technique used to determine the worst loss expected during a given period based on a predetermined level of confidence. The Caisse uses a level of confidence of 84% in its calculations. The Caisse determines the VaR for each instrument included in all the specialized portfolios and aggregates the information for the overall portfolio.

The Caisse uses the historical simulation approach to estimating the VaR. A horizon of 800 days of observation of risk factors such as variations in exchange rates, interest rates and financial asset prices, is used to evaluate the volatility of returns and the correlation between various asset returns. The historical simulation approach is based essentially on the assumption that the future will be similar to the past. This approach requires that the series of historical data on all the risk factors used to estimate the returns on the instruments be available. In the absence of historical data, alternative methods are used.

The Caisse calculates two types of risk, the absolute risk and the active risk. The absolute risk, or absolute VaR, of the Caisse benchmark portfolio (target portfolio of depositors as a whole), is the result of the risk (volatility) of the benchmark indexes of the asset classes in the portfolio. For example, should depositors as a whole elect to increase the weight of equities in their benchmark portfolios, such risk would increase automatically due to the higher level of volatility of this asset class. Consequently, the expected absolute return would also increase. The absolute risk of the overall portfolio (comprised of the actual investments) equates the risk (volatility) of positions included in the overall portfolio. The absolute risk of the overall portfolio and that of the benchmark portfolio are calculated using the same method but they relate to different portfolios, the overall portfolio actually invested by the Caisse and the benchmark portfolio targeted by depositors.

The active risk, or VaR related to active management, represents the possibility that the Caisse record a return different from that of its benchmark portfolio as a result of its active management of the overall portfolio. The higher the active risk, the more the expected return from the overall portfolio will differ from the benchmark portfolio return.

The absolute risk of the Caisse's benchmark portfolio, the absolute risk of the overall portfolio and the active risk are measured on a regular basis.

The tables below show the overall portfolio's absolute risk and active risk for each specialized portfolio. The VaR relates to the large majority of assets held by the Caisse. The estimated market risk of instruments not included in the VaR related to the active management is measured on a quarterly basis by the Risk Management Committee of the Board of Directors.

Absolute risk of the overall portfolio

	2008 *(in basis points)*		
Specialized portfolios	**December 31, 2008**	**High**	**Low**
Short Term Investments (740)	43	44	3
Real Return Bonds (762)	849	849	602
Bonds (760)	363	363	331
Long Term Bonds (764)	734	734	643
Canadian Equity (720)	2,620	2,620	1,445
U.S. Equity – hedged (731)	2,535	2,535	1,383
U.S. Equity – unhedged (734)	2,540	2,540	1,546
Foreign Equity – hedged (730)	2,109	2,109	1,245
Foreign Equity – unhedged (733)	1,853	1,853	1,315
Emerging Markets Equity (732)	2,519	2,519	1,723
Québec International (761)	2,063	2,063	1,101
Investments and Infrastructures (781)	4,180	4,180	1,805
Private Equity (780)	3,601	3,601	1,970
Real Estate Debt (750)	780	1,036	488
Real Estate (710)	2,149	2,149	1,178
Commodity Financial Instruments (763)	1,792	1,882	1,666
Hedge Funds (770)	784	863	455
Asset Allocation (771)	66	66	12
Absolute risk of the overall portfolio	**1,283**	**1,283**	**757**

Active risk of the overall portfolio

Specialized portfolios	2008 (in basis points) December 31, 2008	High	Low
Short Term Investments (740)	56	56	10
Real Return Bonds (762)	97	97	43
Bonds (760)	98	98	42
Long Term Bonds (764)	110	110	47
Canadian Equity (720)	245	263	210
U.S. Equity – hedged (731)	135	195	98
U.S. Equity – unhedged (734)	133	161	100
Foreign Equity – hedged (730)	81	173	67
Foreign Equity – unhedged (733)	82	214	59
Emerging Markets Equity (732)	184	252	184
Québec International (761)	159	194	33
Investments and Infrastructures (781)	2,607	2,607	1,066
Private Equity (780)	1,800	1,800	1,068
Real Estate Debt (750)	539	811	290
Real Estate (710)	390	390	209
Commodity Financial Instruments (763)	153	307	84
Hedge Funds (770)	249	339	69
Asset Allocation (771)	274	274	24
Active risk of the overall portfolio	**444**	**444**	**213**

Exchange risk

The exchange risk represents the risk that the fair value or future cash flows of a financial instrument fluctuate due to variations in foreign currency prices. This risk is integrated in the overall measurement of VaR.

Also, as part of its exchange risk management, the Caisse uses instruments negotiated with banks; maturities generally range from one to twelve months for forward contracts and options, and from one to two years for foreign currency swaps. Upon maturity, new derivative financial instruments are negotiated in order to maintain effective long-term management of foreign exchange risks associated with investments and liabilities related to investments in foreign currencies.

The table below shows a summary of the allocation in foreign currency denominated net investments and amounts related to derivative products.

	December 31, 2008 (in millions of dollars) Currency [1]						
	Canadian dollar	**US dollar**	**Euro**	**GBP**	**Other**	**Subtotal**	**Total**
Investments							
Fixed-income securities	73,839	11,964	1,952	1,555	2,761	18,232	92,071
Equities and convertible securities	12,055	18,077	5,912	3,346	6,503	33,838	45,893
Real estate holdings	11,884	4,245	5,341	762	684	11,032	22,916
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	2,900	1,916	- -	54	810	2,780	5,680
Amount pertaining to derivative instruments	2,465	11,037	1,365	607	459	13,468	15,933
	103,143	47,239	14,570	6,324	11,217	79,350	182,493

	December 31, 2008 (in millions of dollars)						
	Currency [1]						
	Canadian dollar	**US dollar**	**Euro**	**GBP**	**Other**	**Subtotal**	**Total**
Liabilities related to investments							
Conventional debt	30,657	6,350	2,674	1,283	2,852	13,159	43,816
Amount pertaining to derivative instruments	1,277	14,146	2,298	524	551	17,519	18,796
	31,934	20,496	4,972	1,807	3,403	30,678	62,612
Subtotal	71,209	26,743	9,598	4,517	7,814	48,672	119,881
Non-controlling interests	1,264	170	42	339	- -	551	1,815
Net investments	69,945	26,573	9,556	4,178	7,814	48,121	118,066

	December 31, 2007 (in millions of dollars)						
	Currency [1]						
	Canadian dollar	**US dollar**	**Euro**	**GBP**	**Other**	**Subtotal**	**Total**
Investments							
Fixed-income securities	93,031	16,223	2,549	2,028	3,003	23,803	116,834
Equities and convertible securities	14,833	25,664	8,225	8,105	10,327	52,321	67,154
Real estate holdings	13,184	3,406	4,543	1,132	175	9,256	22,440
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements	2,462	2,235	925	447	1,374	4,981	7,443
Amount pertaining to derivative instruments	536	7,338	658	193	201	8,390	8,926
	124,046	54,866	16,900	11,905	15,080	98,751	222,797
Liabilities related to investments							
Conventional debt	42,830	8,740	2,480	1,349	3,485	16,054	58,884
Amount pertaining to derivative instruments	291	5,996	638	105	186	6,925	7,216
	43,121	14,736	3,118	1,454	3,671	22,979	66,100
Subtotal	80,925	40,130	13,782	10,451	11,409	75,772	156,697
Non-controlling interests	1,408	107	63	473	- -	643	2,051
Net investments	79,517	40,023	13,719	9,978	11,409	75,129	154,646

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

The translation of the fair value of foreign currency investments into Canadian dollars results in a market impact of +$11,285 million (-$8,161 million in 2007). The impact of exchange rate hedging operations related to a portion of such investments is -$8,937 million (+$5,624 million in 2007). The net impact on net investment income is +$2,348 million (-$2,537 million in 2007).

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. All of the interest bearing assets and liabilities as well as their effective rates are shown later in a table presenting the exposure to liquidity risk. This risk is integrated in the overall measurement of VaR.

Price risk

Price risk is the risk that fair value or future cash flows fluctuate due to changes in market prices (other than changes deriving from the interest rate and foreign exchange risk), whether such changes derive from characteristics of the instrument itself or its issuer, or from elements affecting all similar financial instruments negotiated on the market. This risk is integrated in the overall measurement of VaR.

b) 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[1] 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[2] . Sovereign issuers with a credit rating of AAA are also excluded from this limit on concentration.

As at December 31, 2008, the concentration by credit rating of the Caisse's group of issuers was as follows:

	Value in % of investments[3]
Credit rating:[4]	
AAA - AA	23.5 %
A	15.3 %
BBB	5.6 %
BB or lower	2.5 %
No credit rating:	
- Real estate assets	20.1 %
- Third-party and bank-sponsored ABCP[5]	4.7 %
- Private equity	7.1 %
- Private equity funds and hedge funds	9.0 %
- Mortgages and mortgage securities	7.1 %
- Other	5.1 %
Total	100.0 %

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 ratings of issuers and groups of issuers whose securities are held in the Caisse portfolios.

In 2008, the major credit rating agencies increased the long-term credit rating of 115 groups of issuers held in the Caisse portfolios, while 223 groups of issuers were awarded lower ratings.

In the table above, groups of issuers for which no credit rating is available were categorized. For most of these groups, the absence of a credit rating is explained by the private quality of the investments, the absence of any debt, the restructuring of investments or a combination of these elements.

In the case of mortgages not awarded a credit rating, the analysis of credit risk is based in part on the loan-to-value ratio. In this ratio, the amount of the loan is divided by the market value of any asset received as collateral at the subscription date or the date funds were awarded, or at any other moment during the term of the loan.

The table below shows the breakdown of mortgages by stratum of the loan-to-value ratio:

Loan-to-value ratio	**Value in % of mortgages**
0 à 55%	11.6 %
55 à 65%	26.8 %
65 à 75%	45.0 %
75 à 85%	16.4 %
More than 85%	0.2 %

It is important to note that the Caisse manages all loans and obligations, including mortgages and private corporate bonds, following the same approach as for any financial asset in the bonds portfolio, which means in terms of total return rather than based on the various factors that can affect fair value such as the credit risk.

c) Counterparty risk

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

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

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

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

[4] Credit ratings are obtained from major credit rating agencies and are aggregated according to an algorithm developed in house. For purposes of this concentration, the only ratings used are long-term credit ratings from major credit rating agencies.

[5] As state in note 4b, the new MAV 1 and MAV 2 notes resulting from the restructuring of third-party and bank-sponsored ABCP will be rated A.

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 signs agreements making it possible to benefit from the offsetting effect 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, according to the agreement in effect, on the basis of which it is possible to calculate the net exposure resulting from over-the-counter derivative financial instruments and collaterals exchanged.

As at December 31, 2008, the Caisse's net exposure to counterparty risk totalled $496 million and involved 68 active counterparties.

d) Financing liquidity risk

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 with established rules is monitored on a monthly basis, and the liquidity status is determined daily. The Caisse uses various scenario simulations to estimate the potential impact on cash. Cash managers evaluate the liquidity of markets on which the Caisse obtains financing for its operations. They also ensure the Caisse is active on various financial markets and maintains relationships with credit rating agencies that rate the Caisse as well as capital providers.

The table below presents a summary of maturities at par value of investments and liabilities related to investments.

	2008					**2007**	
			(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	6,125	68	- -	6,193	2.5%	9,913	4.8%
Foreign	4,423	12	- -	4,435	4.5%	4,810	6.9%
	10,548	80	- -	10,628	3.3%	14,723	5.5%
Bonds							
Securities issued or guaranteed by:							
Canadian government	1,295	5,152	7,640	14,087	2.9%	21,376	4.2%
Province of Québec	257	697	7,037	7,991	4.7%	7,088	4.9%
Other Canadian provinces	- -	63	2,841	2,904	4.6%	2,173	4.7%
Municipalities and other Canadian bodies	369	450	843	1,662	4.8%	1,772	5.1%
Canadian government corporations	90	5,408	3,883	9,381	4.0%	11,855	4.6%
U.S. government	- -	- -	886	886	3.7%	198	4.3%
Other foreign governments	180	- -	1,504	1,684	3.6%	1,720	2.9%
Mortgage securities							
Canadian	6	234	57	297	12.3%	307	12.2%
Foreign	2,357	356	3,608	6,321	11.6%	3,053	11.1%
Canadian corporations	3,443	1,995	7,921	13,359	4.5%	16,386	5.3%
Foreign corporations	1,800	649	1,934	4,383	5.5%	5,153	6.7%
Inflation-indexed securities							
Canadian	- -	17	392	409	2.1%	630	2.1%
Foreign	98	282	1,684	2,064	1.3%	3,178	1.8%
	9,895	15,303	40,230	65,428	4.7%	74,889	4.9%
Third-party and bank-sponsored ABCP	- -	- -	12,787	12,787	- -	12,607	- -
Mortgages							
Canadian	2,987	1,670	1,780	6,437	6.0%	5,946	7.0%
Foreign	4,185	998	555	5,738	6.0%	4,574	7.8%
	7,172	2,668	2,335	12,175	6.0%	10,520	7.3%
	27,615	18,051	55,352	101,018	4.8%	112,739	5.3%

	2008					2007	
	(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**
Amounts receivable with respect to investments							
Securities acquired under reverse repurchase agreements							
Canadiens	2,901	- -	- -	2,901	1.6%	2,525	4.4%
Foreign	2,780	- -	- -	2,780	0.2%	4,603	3.0%
	5,681	- -	- -	5,681	0.9%	7,128	3.5%
Liabilities related to investments							
Securities sold under repurchase agreements	23,636	- -	- -	23,636	2.1%	36,573	4.1%
Commercial paper payable	6,388	- -	- -	6,388	2.3%	2,050	4.8%
Short selling of securities	- -	324	2,144	2,468	2.8%	8,678	3.5%
Mortgage loans payable	1,052	2,396	343	3,791	5.6%	1,549	6.8%
Other loans payable	2,227	255	- -	2,482	2.5%	2,128	4.5%
	33,303	2,975	2,487	38,765	2.6%	50,978	4.2%

9. Derivative financial instruments

Derivative financial instruments are financial contracts whose value fluctuates on the basis 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.

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

	2008				2007
	(in millions of dollars) Fair value				
	Notional amount	Assets	Liabilities	Net amount	Net amount
Foreign exchange risk management					
Foreign currency swaps					
Purchases	2,296	8	159	(151)	302
Sales	1,221	5	277	(272)	(10)
Forward contracts	21,727	552	1,957	(1,405)	769
Over-the-counter foreign currency options					
Purchases	636	17	- -	17	5
Sales	465	- -	9	(9)	- -
	26,345	582	2,402	(1,820)	1,066
Interest rate and market risk management					
Interest rate and foreign currency swaps	153,225	5,857	5,876	(19)	(117)
Equity swaps	39,766	1,291	1,798	(507)	196
Credit risk swaps	19,618	1,038	1,076	(38)	18
Commodity swaps	16,677	2,300	1,881	419	43
Forward contracts	76,266	1,854	2,885	(1,031)	(39)
Futures contracts	38,613	- -	- -	- -	- -
Over-the-counter options					
Purchases	57,516	2,644	- -	2,644	1,892
Sales	55,041	- -	2,680	(2,680)	(1,414)
Exchange-traded options					
Purchases	11,641	326	- -	326	242
Sales	12,699	- -	198	(198)	(234)
Warrants	128	41	- -	41	57
	481,190	15,351	16,394	(1,043)	644
Total derivative financial instrument contracts	**507,535**	**15,933**	**18,796**	**(2,863)**	**1,710**

b) Summary of derivative financial instrument maturities

	2008				2007
	(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	881	1,415	- -	2,296	1,804
Sales	93	579	549	1,221	1,742
Forward contracts	21,610	9	108	21,727	45,758
Over-the-counter foreign currency options					
Purchases	421	203	12	636	171
Sales	421	44	- -	465	- -
	23,426	2,250	669	26,345	49,475

	2008				2007
	(in millions of dollars)				
	Notional amount - Maturity				
	Less than 2 years	2 to 5 years	More than 5 years	Total	Notional amount
Interest rate and market risk management					
Interest rate and foreign currency swaps	24,271	46,954	82,000	153,225	225,677
Equity swaps	26,636	267	12,863	39,766	57,553
Credit risk swaps	5,394	12,776	1,448	19,618	20,124
Commodity swaps	14,551	2,126	- -	16,677	25,729
Forward contracts	70,955	5,311	- -	76,266	44,007
Futures contracts	16,512	17,784	4,317	38,613	48,223
Over-the-counter options					
Purchases	34,462	11,794	11,260	57,516	66,286
Sales	29,430	14,530	11,081	55,041	60,896
Exchange-traded options					
Purchases	11,231	410	- -	11,641	46,280
Sales	12,181	518	- -	12,699	31,087
Warrants	56	48	24	128	210
	245,679	112,518	122,993	481,190	626,072
Total derivative financial instrument contracts	**269,105**	**114,768**	**123,662**	**507,535**	**675,547**

10. Securizations

During the year, no securitization operations were performed by Caisse subsidiaries ($2,273 million in 2007).

In the course of Caisse securitization operations, CMBS 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, 2008, these securities amounted to $648 million ($1,699 million in 2007). Securitization operations have allowed companies under common control to generate management fees representing $21 million during the year ($4 million in 2007). 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 to 9 years.

	2008	2007
	(in millions of dollars)	
Commitments to buy investments	16,277	20,940
Collaterals and loan guarantees (maximum amount)	802	803
Third-party and bank-sponsored ABCP [1]	6,790	5,153
	23,869	26,896

[1] For the description of the commitments related to third-party and bank-sponsored ABCP, refer to note 4b.

12. Collaterals

In the normal course of business, the Caisse conducts transactions involving the lending and the borrowing of securities and on derivative products, in exchange for collaterals or assets, with various counterparties with which clearing agreements have been concluded to limit credit risk. In such transactions, the Caisse received assets as collateral. As at December 31, 2008, the Caisse had pledged and received as collateral assets for amounts of $36,959 million and $7,070 million ($51,656 million and $11,330 million in 2007) respectively. The amount of assets pledged as collateral includes assets with a value of $2,281 million ($723 million in 2007), which were pledged with depositaries to participate in clearing and payment systems.

13. Subsequent events

In January of 2009, the Caisse received assets on completion of the restructuration of third-party ABCP under the agreement of the Pan-Canadian Investors Committee. The details of the assets received are given in note 4b under the heading"Subsequent events".

14. Comparative figures

Certain figures from the 2007 financial statements have been reclassified to conform to the presentation adopted in 2008.

SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL STATEMENTS FOR THE SPECIALIZED PORTFOLIOS

(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	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments at fair value								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	**579.4**	871.0	**65,233.9**	71,430.7	**3,075.2**	3,174.7
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**4,531.3**	762.1	- -	- -	**16,198.3**	18,074.2	- -	- -
Securities acquired under reverse repurchase agreements	- -	767.3	- -	- -	**7,126.2**	15,148.7	- -	17.8
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	**7,186.2**	10,739.4	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABCP	- -	- -	- -	- -	**5,601.1**	1,867.1	- -	- -
Demand deposits in the General Fund	- -	1,610.6	- -	61.3	- -	- -	**1,406.8**	1,237.2
	4,531.3	3,140.0	**579.4**	932.3	**101,345.7**	117,260.1	**4,482.0**	4,429.7
Other assets	- -	6.4	**5.4**	2.4	**2,263.8**	2,727.8	**32.8**	36.0
	4,531.3	3,146.4	**584.8**	934.7	**103,609.5**	119,987.9	**4,514.8**	4,465.7
LIABILITIES								
Advances from the General Fund	**62.7**	- -	**18.4**	- -	**1,785.8**	10,670.9	- -	- -
Securities sold under repurchase agreements	- -	779.1	- -	72.7	**20,615.1**	33,110.3	**1,448.2**	1,266.9
Notes payable	- -	- -	- -	- -	**21,299.0**	19,323.6	- -	- -
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	**5,866.5**	15,073.2	- -	21.9
Derivative financial instruments	- -	1.9	- -	- -	**9,221.1**	1,776.5	- -	- -
Other liabilities	**6.6**	5.4	**4.8**	- -	**510.8**	822.0	**38.5**	13.3
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
	69.3	786.4	**23.2**	72.7	**59,298.3**	80,776.5	**1,486.7**	1,302.1
NET HOLDINGS OF FUNDS	**4,462.0**	2,360.0	**561.6**	862.0	**44,311.2**	39,211.4	**3,028.1**	3,163.6

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
INCOME								
Investment income								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	**31.4**	39.7	**923.7**	1,476.8	**137.2**	134.3
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**65.1**	440.6	- -	- -	**584.8**	640.1	- -	- -
Demand deposits in (advances from) the General Fund	**(2.8)**	158.9	**(0.6)**	(0.5)	**55.1**	(112.1)	**1.1**	3.9
	62.3	599.5	**30.8**	39.2	**1,563.6**	2,004.8	**138.3**	138.2
Other income	- -	- -	- -	- -	- -	- -	- -	- -
	62.3	599.5	**30.8**	39.2	**1,563.6**	2,004.8	**138.3**	138.2
Operating expenses	**0.2**	1.0	**0.6**	0.8	**35.9**	37.6	**2.3**	2.4
External management fees	- -	- -	- -	- -	- -	- -	- -	- -
INCOME BEFORE THE FOLLOWING ITEMS	**62.1**	598.5	**30.2**	38.4	**1,527.7**	1,967.2	**136.0**	135.8
Interest on loans and notes payable	- -	461.0	- -	- -	**290.9**	56.4	- -	- -
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	**62.1**	137.5	**30.2**	38.4	**1,236.8**	1,910.8	**136.0**	135.8

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
NET INVESTMENT RESULTS								
Net investment income (loss)	**62.1**	137.5	**30.2**	38.4	**1,236.8**	1,910.8	**136.0**	135.8
Gains (losses) on sale of investments	**23.3**	(28.3)	**31.2**	11.3	**1,173.6**	394.8	**45.4**	(22.7)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(6.1)**	16.9	**(51.4)**	(39.8)	**(405.2)**	(938.0)	**(44.3)**	28.2
Net investment results	**79.3**	126.1	**10.0**	9.9	**2,005.2**	1,367.6	**137.1**	141.3
Participation units issued (cancelled)	**2,084.8**	(317.6)	**(280.2)**	(169.7)	**4,331.4**	4,010.2	**(136.6)**	(23.1)
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(62.1)**	(137.5)	**(30.2)**	(38.4)	**(1,236.8)**	(1,910.8)	**(136.0)**	(135.8)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**2,102.0**	(329.0)	**(300.4)**	(198.2)	**5,099.8**	3,467.0	**(135.5)**	(17.6)
CONSOLIDATED NET ASSETS, BEGINNING 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
CONSOLIDATED NET ASSETS, END OF YEAR	**4,462.0**	2,360.0	**561.6**	862.0	**44,311.2**	39,211.4	**3,028.1**	3,163.6

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	- -	- -	- -	- -	- -	- -
Bonds	- -	- -	**598.0**	838.2	**59,022.8**	69,942.1	**3,035.0**	3,090.1
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**4,530.4**	759.3	- -	- -	**13,852.3**	17,798.9	- -	- -
Securities acquired under reverse repurchase agreements	- -	773.2	- -	- -	**7,116.5**	15,078.1	- -	18.0
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	**12,787.3**	12,606.5	- -	- -
Demand deposits in the General Fund	- -	1,610.6	- -	61.3	- -	- -	**1,406.8**	1,237.2
	4,530.4	3,143.1	**598.0**	899.5	**92,778.9**	115,425.6	**4,441.8**	4,345.3
LIABILITIES								
Securities sold under repurchase agreements	- -	790.7	- -	72.7	**20,572.9**	33,063.3	**1,448.3**	1,267.1
Notes payable	- -	- -	- -	- -	**21,277.5**	19,322.2	- -	- -
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	**5,689.8**	15,084.3	- -	22.0
Derivative financial instruments	- -	0.2	- -	- -	**1,000.4**	490.1	- -	- -
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	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments at fair value								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**10,386.4**	12,949.3	**1,250.3**	7,131.5	- -	- -	**4,164.7**	11,207.8
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**6,494.4**	11,329.0	**2,206.3**	1,413.5	**1,896.7**	4,245.2	**0.4**	17.5
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	- -	363.2	**650.3**	1,403.0	- -	- -	- -	159.5
	16,880.8	24,641.5	**4,106.9**	9,948.0	**1,896.7**	4,245.2	**4,165.1**	11,384.8
Other assets	**76.8**	34.2	**48.5**	44.4	**5.0**	20.1	**45.1**	25.2
	16,957.6	24,675.7	**4,155.4**	9,992.4	**1,901.7**	4,265.3	**4,210.2**	11,410.0
LIABILITIES								
Advances from the General Fund	**270.9**	- -	- -	- -	**28.2**	37.7	**145.3**	- -
Securities sold under repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Notes payable	- -	- -	**1,881.1**	4,481.8	- -	- -	**3,436.5**	6,940.1
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	**3,271.4**	3,677.2	**1,294.0**	2,490.3	- -	- -	**61.4**	115.4
Derivative financial instruments	**524.3**	216.4	**610.1**	201.1	- -	24.9	**41.6**	108.4
Other liabilities	**64.2**	850.7	**23.9**	297.9	**2.8**	14.9	**13.6**	634.1
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
	4,130.8	4,744.3	**3,809.1**	7,471.1	**31.0**	77.5	**3,698.4**	7,798.0
NET HOLDINGS OF FUNDS	**12,826.8**	19,931.4	**346.3**	2,521.3	**1,870.7**	4,187.8	**511.8**	3,612.0

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**468.0**	434.3	**104.1**	227.1	- -	- -	**456.9**	712.9
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**316.7**	520.6	**109.7**	29.7	**154.2**	173.5	**4.5**	2.2
Demand deposits in (advances from) the General Fund	**(15.1)**	(23.7)	**(3.5)**	7.7	**0.1**	0.2	**0.8**	(13.9)
	769.6	931.2	**210.3**	264.5	**154.3**	173.7	**462.2**	701.2
Other income	**6.3**	- -	- -	- -	- -	- -	- -	- -
	775.9	931.2	**210.3**	264.5	**154.3**	173.7	**462.2**	701.2
Operating expenses	**32.8**	35.7	**6.6**	7.2	**19.7**	18.2	**7.4**	8.9
External management fees	- -	- -	**0.9**	3.5	**3.8**	9.5	**7.3**	6.7
INCOME BEFORE THE FOLLOWING ITEMS	**743.1**	895.5	**202.8**	253.8	**130.8**	146.0	**447.5**	685.6
Interest on loans and notes payable	- -	0.6	**158.0**	182.0	- -	- -	**305.7**	467.8
Non-controlling interests	- -	- -	- -	- -	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	**743.1**	894.9	**44.8**	71.8	**130.8**	146.0	**141.8**	217.8

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**743.1**	894.9	**44.8**	71.8	**130.8**	146.0	**141.8**	217.8
Gains (losses) on sale of investments	**(3,961.2)**	2,056.4	**(1,057.1)**	1,207.3	**(1,357.8)**	(609.2)	**(156.8)**	1,133.3
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(3,039.3)**	(539.6)	**478.9**	(1,347.0)	**108.9**	(185.8)	**(1,556.8)**	(1,258.7)
Net investment results	**(6,257.4)**	2,411.7	**(533.4)**	(67.9)	**(1,118.1)**	(649.0)	**(1,571.8)**	92.4
Participation units issued (cancelled)	**(104.1)**	(398.9)	**(1,596.8)**	891.2	**(1,068.2)**	(542.7)	**(1,386.6)**	576.1
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(743.1)**	(894.9)	**(44.8)**	(71.8)	**(130.8)**	(146.0)	**(141.8)**	(217.8)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**(7,104.6)**	1,117.9	**(2,175.0)**	751.5	**(2,317.1)**	(1,337.7)	**(3,100.2)**	450.7
CONSOLIDATED NET ASSETS, BEGINNING 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
CONSOLIDATED NET ASSETS, END OF YEAR	**12,826.8**	19,931.4	**346.3**	2,521.3	**1,870.7**	4,187.8	**511.8**	3,612.0

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	**11,468.5**	10,134.5	**1,225.8**	7,317.5	- -	- -	**5,153.3**	10,677.3
Bonds	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**6,410.7**	11,319.2	**2,222.6**	1,447.0	**1,862.5**	4,294.9	- -	17.4
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	- -	363.2	**650.3**	1,403.0	- -	- -	- -	159.5
	17,879.2	21,816.9	**4,098.7**	10,167.5	**1,862.5**	4,294.9	**5,153.3**	10,854.2
LIABILITIES								
Securities sold under repurchase agreements	- -	- -	- -	- -	- -	- -	- -	- -
Notes payable	- -	- -	**1,862.5**	4,534.9	- -	- -	**3,392.8**	6,995.2
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	**3,760.2**	3,079.9	**1,605.1**	2,062.5	- -	- -	**59.1**	119.1
Derivative financial instruments	**12.2**	6.6	**34.9**	41.9	- -	- -	- -	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)		QUÉBEC INTERNATIONAL (761)		INVESTMENTS AND INFRASTRUCTURES (781)	
CONSOLIDATED NET ASSETS AS AT DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments at fair value								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	**2,999.6**	4,806.8	**218.9**	1,625.6	**6,671.7**	8,875.4
Bonds	- -	- -	- -	- -	**4,975.9**	12,106.8	**1,529.7**	1,630.3
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**3,468.5**	6,549.8	- -	172.5	**1,548.7**	3,658.1	**3,545.4**	3,910.8
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	**148.9**	477.5	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	**149.3**	- -	**29.5**	45.8	- -	8,965.2	- -	- -
	3,617.8	6,549.8	**3,029.1**	5,025.1	**6,892.4**	26,833.2	**11,746.8**	14,416.5
Other assets	**3.0**	6.7	**8.0**	7.1	**71.0**	164.5	**60.8**	87.8
	3,620.8	6,556.5	**3,037.1**	5,032.2	**6,963.4**	26,997.7	**11,807.6**	14,504.3
LIABILITIES								
Advances from the General Fund	- -	148.2	- -	- -	**468.4**	- -	**654.9**	401.1
Securities sold under repurchase agreements	- -	- -	- -	- -	**1,404.8**	9,969.6	- -	- -
Notes payable	- -	- -	- -	- -	**297.3**	924.8	**5,563.8**	6,730.9
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	**233.1**	1,058.6	- -	- -
Derivative financial instruments	**42.4**	112.6	**5.2**	6.6	**90.5**	13.8	**544.6**	36.1
Other liabilities	**1.5**	- -	**20.5**	23.4	**249.4**	475.0	**47.1**	31.2
Non-controlling interests	- -	- -	- -	- -	- -	- -	**723.9**	896.2
	43.9	260.8	**25.7**	30.0	**2,743.5**	12,441.8	**7,534.3**	8,095.5
NET HOLDINGS OF FUNDS	**3,576.9**	6,295.7	**3,011.4**	5,002.2	**4,219.9**	14,555.9	**4,273.3**	6,408.8
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31								
INCOME								
Investment income								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	**125.7**	87.2	**17.2**	16.9	**309.2**	298.6
Bonds	- -	- -	- -	- -	**459.6**	476.7	**92.1**	88.7
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**286.3**	436.7	**4.4**	5.9	**112.0**	131.1	**229.7**	275.4
Demand deposits in (advances from) the General Fund	**(0.7)**	0.6	**4.4**	2.0	**(22.3)**	22.6	**(15.7)**	(10.1)
	285.6	437.3	**134.5**	95.1	**566.5**	647.3	**615.3**	652.6
Other income	- -	- -	- -	- -	- -	- -	**18.6**	27.6
	285.6	437.3	**134.5**	95.1	**566.5**	647.3	**633.9**	680.2
Operating expenses	**13.4**	16.3	**15.6**	12.3	**20.0**	11.9	**35.8**	34.3
External management fees	**12.7**	12.3	**10.6**	15.4	**8.7**	3.5	- -	- -
INCOME BEFORE THE FOLLOWING ITEMS	**259.5**	408.7	**108.3**	67.4	**537.8**	631.9	**598.1**	645.9
Interest on loans and notes payable	- -	- -	- -	- -	**32.8**	41.1	**300.3**	354.2
Non-controlling interests	- -	- -	- -	- -	- -	- -	**27.1**	25.9
NET INVESTMENT INCOME (LOSS)	**259.5**	408.7	**108.3**	67.4	**505.0**	590.8	**270.7**	265.8
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31								
NET INVESTMENT RESULTS								
Net investment income (loss)	**259.5**	408.7	**108.3**	67.4	**505.0**	590.8	**270.7**	265.8
Gains (losses) on sale of investments	**(2,315.2)**	(416.5)	**(403.0)**	601.9	**(7,779.4)**	105.1	**(143.3)**	1,673.8
Unrealized increase (decrease) in value of investments and liabilities related to investments	**91.0**	(341.4)	**(2,131.0)**	32.8	**(111.2)**	(60.3)	**(3,685.0)**	(1,096.1)
Net investment results	**(1,964.7)**	(349.2)	**(2,425.7)**	702.1	**(7,385.6)**	635.6	**(3,557.6)**	843.5
Participation units issued (cancelled)	**(494.6)**	855.1	**543.2**	74.7	**(2,445.4)**	1,442.5	**1,692.8**	(2,813.2)
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(259.5)**	(408.7)	**(108.3)**	(67.4)	**(505.0)**	(590.8)	**(270.7)**	(265.8)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**(2,718.8)**	97.2	**(1,990.8)**	709.4	**(10,336.0)**	1,487.3	**(2,135.5)**	(2,235.5)
CONSOLIDATED NET ASSETS, BEGINNING 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
CONSOLIDATED NET ASSETS, END OF YEAR	**3,576.9**	6,295.7	**3,011.4**	5,002.2	**4,219.9**	14,555.9	**4,273.3**	6,408.8
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31								
ASSETS								
Investments								
Real estate holdings	- -	- -	- -	- -	- -	- -	- -	- -
Equities and convertible securities	- -	- -	**4,096.9**	3,768.6	**247.1**	1,645.2	**9,087.4**	8,449.6
Bonds	- -	- -	- -	- -	**4,803.3**	11,952.0	**1,732.4**	1,687.4
Mortgages	- -	- -	- -	- -	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -	- -	- -	- -	- -
Short-term investments	**3,392.8**	6,495.0	- -	175.6	**1,556.6**	3,660.4	**4,515.2**	3,908.6
Securities acquired under reverse repurchase agreements	- -	- -	- -	- -	**148.9**	480.2	- -	- -
Real estate held for resale	- -	- -	- -	- -	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -	- -	- -	- -	- -
Demand deposits in the General Fund	**149.3**	- -	**29.5**	45.8	- -	8,965.2	- -	- -
	3,542.1	6,495.0	**4,126.4**	3,990.0	**6,755.9**	26,703.0	**15,335.0**	14,045.6
LIABILITIES								
Securities sold under repurchase agreements	- -	- -	- -	- -	**1,404.9**	9,972.8	- -	- -
Notes payable	- -	- -	- -	- -	**297.4**	946.8	**6,091.5**	6,698.0
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -	- -	- -	- -	- -
Short selling of securities	- -	- -	- -	- -	**250.9**	1,092.3	- -	- -
Derivative financial instruments	- -	- -	- -	- -	**3.6**	3.6	**3.9**	4.2
Non-controlling interests	- -	- -	- -	- -	- -	- -	**989.8**	939.8

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	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments at fair value								
Real estate holdings	**- -**	- -	**- -**	- -	**23,050.7**	22,687.2	**- -**	- -
Equities and convertible securities	**11,766.8**	11,995.1	**- -**	- -	**5,015.8**	4,817.3	**3,069.5**	2,366.8
Bonds	**285.1**	384.0	**- -**	- -	**- -**	- -	**891.3**	2,005.5
Mortgages	**- -**	- -	**10,814.0**	9,364.7	**1,143.2**	1,257.3	**- -**	- -
Mortgages securities	**- -**	- -	**1,322.8**	2,621.6	**99.7**	99.4	**- -**	- -
Short-term investments	**401.9**	358.1	**42.1**	15.5	**1,581.4**	306.6	**222.8**	501.1
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Real estate held for resale	**- -**	- -	**58.5**	50.3	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABCP	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Derivative financial instruments related to third-party and bank-sponsored ABCP	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**- -**	- -	**528.2**	2.3	**- -**	- -	**- -**	- -
	12,453.8	12,737.2	**12,765.6**	12,054.4	**30,890.8**	29,167.8	**4,183.6**	4,873.4
Other assets	**19.6**	36.3	**894.1**	117.4	**587.1**	830.6	**289.8**	195.6
	12,473.4	12,773.5	**13,659.7**	12,171.8	**31,477.9**	29,998.4	**4,473.4**	5,069.0
LIABILITIES								
Advances from the General Fund	**111.3**	766.7	**- -**	- -	**525.2**	930.4	**443.4**	298.8
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Notes payable	**797.3**	474.2	**- -**	- -	**200.0**	199.9	**- -**	- -
Temporary funding attributable to foreign currency fluctuations	**1,400.0**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**583.5**	- -	**8,790.9**	7,118.6	**- -**	- -
Mortgage loans payable	**- -**	- -	**- -**	- -	**3,770.7**	1,683.3	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**311.2**	349.2	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**93.3**	- -	**- -**	- -	**- -**	- -
Short selling of securities	**119.5**	145.7	**- -**	- -	**- -**	122.0	**- -**	- -
Derivative financial instruments	**308.7**	40.0	**1,118.3**	217.4	**2,022.2**	205.6	**2,554.6**	2,105.2
Other liabilities	**19.4**	14.9	**603.8**	136.7	**1,182.6**	1,121.6	**127.1**	141.5
Non-controlling interests	**- -**	- -	**38.3**	- -	**1,052.5**	1,154.7	**- -**	- -
	2,756.2	1,441.5	**2,748.4**	703.3	**17,544.1**	12,536.1	**3,125.1**	2,545.5
NET HOLDINGS OF FUNDS	**9,717.2**	11,332.0	**10,911.3**	11,468.5	**13,933.8**	17,462.3	**1,348.3**	2,523.5

STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
INCOME								
Investment income								
Real estate holdings	**- -**	- -	**- -**	- -	**506.1**	473.1	**- -**	- -
Equities and convertible securities	**133.3**	218.0	**- -**	- -	**25.6**	74.6	**(0.1)**	0.4
Bonds	**44.0**	38.9	**- -**	- -	**- -**	2.4	**- -**	(4.8)
Mortgages	**- -**	- -	**1,724.8**	757.1	**83.9**	51.8	**- -**	- -
Mortgage securities	**- -**	- -	**- -**	- -	**7.4**	8.9	**- -**	- -
Short-term investments	**47.8**	52.4	**0.5**	0.2	**100.1**	54.3	**9.8**	21.9
Demand deposits in (advances from) the General Fund	**(9.5)**	(2.9)	**10.3**	9.4	**(8.2)**	(24.7)	**(6.2)**	22.9
	215.6	306.4	**1,735.6**	766.7	**714.9**	640.4	**3.5**	40.4
Other income	**2.6**	23.0	**13.2**	9.6	**- -**	- -	**- -**	- -
	218.2	329.4	**1,748.8**	776.3	**714.9**	640.4	**3.5**	40.4
Operating expenses	**23.6**	26.8	**7.5**	8.4	**11.2**	9.4	**4.8**	5.9
External management fees	**4.0**	7.6	**3.1**	6.0	**- -**	- -	**- -**	- -
INCOME BEFORE THE FOLLOWING ITEMS	**190.6**	295.0	**1,738.2**	761.9	**703.7**	631.0	**(1.3)**	34.5
Interest on loans and notes payable	**3.9**	4.6	**- -**	- -	**- -**	- -	**- -**	- -
Non-controlling interests	**- -**	- -	**- -**	- -	**45.7**	47.4	**- -**	- -
NET INVESTMENT INCOME (LOSS)	**186.7**	290.4	**1,738.2**	761.9	**658.0**	583.6	**(1.3)**	34.5

CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
NET INVESTMENT RESULTS								
Net investment income (loss)	**186.7**	290.4	**1,738.2**	761.9	**658.0**	583.6	**(1.3)**	34.5
Gains (losses) on sale of investments	**(1,472.2)**	1,338.8	**(476.2)**	(197.0)	**(1,352.2)**	1,159.7	**(968.3)**	(231.4)
Unrealized increase (decrease) in value of investments and liabilities related to investments	**(3,124.8)**	(114.2)	**(2,199.2)**	(457.5)	**(3,278.4)**	1,158.4	**575.0**	153.6
Net investment results	**(4,410.3)**	1,515.0	**(937.2)**	107.4	**(3,972.6)**	2,901.7	**(394.6)**	(43.3)
Participation units issued (cancelled)	**2,982.2**	1,971.7	**2,118.2**	3,048.5	**1,102.1**	1,298.4	**(781.9)**	288.6
Net investment loss (net income) recovered from (allocated to) participation unit holders	**(186.7)**	(290.4)	**(1,738.2)**	(761.9)	**(658.0)**	(583.6)	**1.3**	(34.5)
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**(1,614.8)**	3,196.3	**(557.2)**	2,394.0	**(3,528.5)**	3,616.5	**(1,175.2)**	210.8
CONSOLIDATED NET ASSETS, BEGINNING 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
CONSOLIDATED NET ASSETS, END OF YEAR	**9,717.2**	11,332.0	**10,911.3**	11,468.5	**13,933.8**	17,462.3	**1,348.3**	2,523.5

INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Investments								
Real estate holdings	**- -**	- -	**- -**	- -	**19,206.6**	17,498.6	**- -**	- -
Equities and convertible securities	**16,447.2**	13,883.0	**- -**	- -	**4,239.2**	3,437.1	**716.8**	725.3
Bonds	**563.6**	556.9	**- -**	- -	**- -**	- -	**891.3**	2,005.5
Mortgages	**- -**	- -	**11,116.7**	9,386.3	**1,193.1**	1,272.2	**- -**	- -
Mortgages securities	**- -**	- -	**2,592.1**	2,774.1	**122.3**	102.7	**- -**	- -
Short-term investments	**412.2**	357.6	**42.1**	15.5	**1,581.4**	306.6	**222.8**	501.2
Securities acquired under reverse repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Real estate held for resale	**- -**	- -	**69.7**	68.3	**- -**	- -	**- -**	- -
Third-party and bank-sponsored ABCP	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Demand deposits in the General Fund	**- -**	- -	**528.2**	2.3	**- -**	- -	**- -**	- -
	17,423.0	14,797.5	**14,348.8**	12,246.5	**26,342.6**	22,617.2	**1,830.9**	3,232.0
LIABILITIES								
Securities sold under repurchase agreements	**- -**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Notes payable	**857.9**	508.8	**- -**	- -	**200.0**	200.0	**- -**	- -
Temporary funding attributable to foreign currency fluctuations	**1,400.0**	- -	**- -**	- -	**- -**	- -	**- -**	- -
Loans payable	**- -**	- -	**598.9**	- -	**8,979.8**	7,145.7	**- -**	- -
Mortgage loans payable	**- -**	- -	**- -**	- -	**3,932.3**	1,694.8	**- -**	- -
Commercial mortgage-backed securities	**- -**	- -	**305.4**	339.0	**- -**	- -	**- -**	- -
Participating debenture	**- -**	- -	**100.0**	- -	**- -**	- -	**- -**	- -
Short selling of securities	**84.1**	83.4	**- -**	- -	**- -**	137.4	**- -**	- -
Derivative financial instruments	**- -**	- -	**92.4**	26.0	**47.9**	27.3	**860.6**	547.5
Non-controlling interests	**- -**	- -	**38.3**	- -	**987.4**	866.1	**- -**	- -

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	**2008**	2007	**2008**	2007
ASSETS				
Investments at fair value				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	**4,606.0**	5,200.7	**1,075.9**	2,169.7
Bonds	**264.6**	653.6	**4,097.4**	5,081.5
Mortgages	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -
Short-term investments	**170.2**	183.0	**1,129.7**	603.1
Securities acquired under reverse repurchase agreements	- -	523.1	**864.1**	2,471.0
Real estate held for resale	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -
Derivative financial instruments related to third-party and bank-sponsored ABCP	- -	- -	- -	- -
Demand deposits in the General Fund	- -	130.6	**609.2**	- -
	5,040.8	6,691.0	**7,776.3**	10,325.3
Other assets	**18.3**	66.3	**108.8**	303.5
	5,059.1	6,757.3	**7,885.1**	10,628.8
LIABILITIES				
Advances from the General Fund	**607.6**	- -	- -	447.9
Securities sold under repurchase agreements	- -	567.9	**3,319.2**	2,827.7
Notes payable	- -	- -	**367.9**	1,279.3
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -
Short selling of securities	**181.3**	650.9	**668.9**	2,963.0
Derivative financial instruments	**270.3**	39.2	**3,161.1**	2,351.6
Other liabilities	**12.0**	9.8	**275.5**	45.1
Non-controlling interests	**51.7**	308.0	- -	- -
	1,122.9	1,575.8	**7,792.6**	9,914.6
NET HOLDINGS OF FUNDS	**3,936.2**	5,181.5	**92.5**	714.2
STATEMENT OF CONSOLIDATED INCOME FOR THE YEAR ENDED DECEMBER 31				
INCOME				
Investment income				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	**(2.0)**	(2.3)	**0.2**	0.3
Bonds	**(2.0)**	2.9	**35.4**	8.9
Mortgages	- -	- -	- -	- -
Mortgage securities	- -	- -	- -	- -
Short-term investments	**0.5**	2.8	- -	- -
Demand deposits in (advances from) the General Fund	**(0.3)**	16.0	**(19.0)**	(57.0)
	(3.8)	19.4	**16.6**	(47.8)
Other income	- -	- -	- -	- -
	(3.8)	19.4	**16.6**	(47.8)
Operating expenses	**19.8**	18.3	**16.2**	14.7
External management fees	- -	- -	**0.2**	4.6
INCOME BEFORE THE FOLLOWING ITEMS	**(23.6)**	1.1	**0.2**	(67.1)
Interest on loans and notes payable	- -	0.6	**39.1**	53.2
Non-controlling interests	- -	- -	- -	- -
NET INVESTMENT INCOME (LOSS)	**(23.6)**	0.5	**(38.9)**	(120.3)
CHANGES IN CONSOLIDATED NET ASSETS FOR THE YEAR ENDED DECEMBER 31				
NET INVESTMENT RESULTS				
Net investment income (loss)	**(23.6)**	0.5	**(38.9)**	(120.3)
Gains (losses) on sale of investments	**(1,176.2)**	911.0	**(1,187.4)**	158.2
Unrealized increase (decrease) in value of investments and liabilities related to investments	**107.6**	(492.7)	**(506.6)**	(167.5)
Net investment results	**(1,092.2)**	418.8	**(1,732.9)**	(129.6)
Participation units issued (cancelled)	**(176.7)**	541.7	**1,072.3**	335.2
Net investment loss (net income) recovered from (allocated to) participation unit holders	**23.6**	(0.5)	**38.9**	120.3
INCREASE (DECREASE) IN CONSOLIDATED NET ASSETS	**(1,245.3)**	960.0	**(621.7)**	325.9
CONSOLIDATED NET ASSETS, BEGINNING OF YEAR	**5,181.5**	4,221.5	**714.2**	388.3
CONSOLIDATED NET ASSETS, END OF YEAR	**3,936.2**	5,181.5	**92.5**	714.2
INVESTMENTS AND LIABILITIES AT COST AS AT DECEMBER 31				
ASSETS				
Investments				
Real estate holdings	- -	- -	- -	- -
Equities and convertible securities	**4,839.3**	5,426.5	**240.2**	703.5
Bonds	**26.2**	670.4	**2,987.7**	5,184.4
Mortgages	- -	- -	- -	- -
Mortgages securities	- -	- -	- -	- -
Short-term investments	**156.0**	172.6	**534.5**	574.5
Securities acquired under reverse repurchase agreements	- -	545.3	**824.9**	2,538.1
Real estate held for resale	- -	- -	- -	- -
Third-party and bank-sponsored ABCP	- -	- -	- -	- -
Demand deposits in the General Fund	- -	130.6	**609.2**	- -
	5,021.5	6,945.4	**5,196.5**	9,000.5
LIABILITIES				
Securities sold under repurchase agreements	- -	553.4	**3,299.7**	2,909.2
Notes payable	- -	- -	**284.9**	1,269.7
Temporary funding attributable to foreign currency fluctuations	- -	- -	- -	- -
Loans payable	- -	- -	- -	- -
Mortgage loans payable	- -	- -	- -	- -
Commercial mortgage-backed securities	- -	- -	- -	- -
Participating debenture	- -	- -	- -	- -
Short selling of securities	**194.5**	657.5	**445.1**	3,021.5
Derivative financial instruments	**0.6**	5.2	**243.0**	738.4
Non-controlling interests	**55.7**	263.5	- -	- -