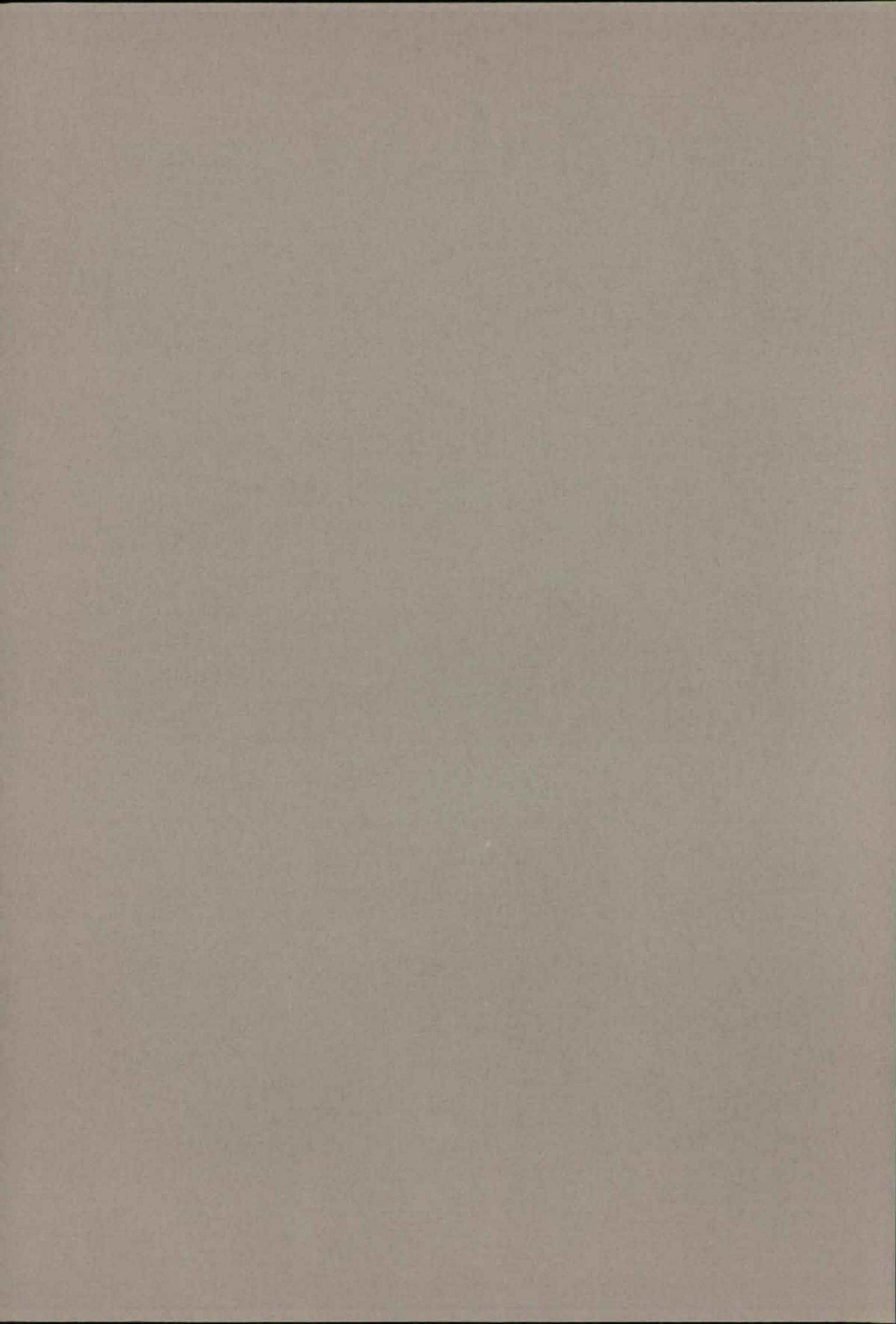


CAISSE
DE DÉPÔT
ET PLACEMENT
DU QUÉBEC

**Fifteenth Annual Report
1980**



Monsieur Jacques Parizeau
Ministre des Finances
Gouvernement du Québec
Québec

Monsieur le Ministre,

Conformément aux dispositions de la Loi sur la Caisse de dépôt et placement du Québec, j'ai l'honneur de vous soumettre le quinzième rapport de gestion, soit pour l'exercice terminé le 31 décembre 1980.

Veillez agréer, monsieur le Ministre, l'expression de mes meilleurs sentiments.

Le président du conseil
d'administration et directeur
général,



Jean Campeau

Monsieur Claude Vaillancourt
Président de l'Assemblée nationale
Gouvernement du Québec
Québec

Monsieur le Président,

J'ai l'honneur de vous transmettre le rapport de gestion de la Caisse de dépôt et placement du Québec pour l'exercice terminé le 31 décembre 1980.

Veillez croire, monsieur le Président, à l'expression de mes sentiments les meilleurs.

Le ministre des Finances,



Jacques Parizeau

THE FIFTEEN YEARS OF THE CAISSE DE DÉPÔT

1965 - 1980

Highlights from statutes, orders in council, minutes, and annual reports.

1965

July 15th Statutes establishing the Régie des rentes du Québec and the Caisse de dépôt et placement du Québec are given assent.

1966

January 5th The Government appoints Mr. Claude Prieur as the first Chairman of the Board of Directors and General Manager as well as the members of the Board: Messrs. Robert DeCoster, first President of the Régie des rentes du Québec and *ex officio* Vice-Chairman of the Board of the Caisse; Hamilton Bolton, Marcel Cazavan, Raymond Lavoie, Edmond A. Lemieux, Roland Parenteau, Jacques Parizeau, Marcel Pepin, and Maurice Turgeon.

January 31st The Board holds its first meeting at the Château Frontenac in Québec City. All the members are in attendance. *The Chairman stresses that the fundamental goals of the Caisse are to ensure the security of capital, to see to its growth and to promote Québec's economic development.*

February 14th First transaction: acquisition of \$500,000 in bonds of the International Reconstruction and Development Bank.

February 16th First deposit: \$1 million by the Régie des rentes du Québec.

August 15th The Caisse moves from its temporary quarters at 360 McGill Street to the Stock Exchange Tower in Montréal where it establishes its main office.

September 19th First major acquisition of Québec bonds: \$25 million of the public issue of \$45 million, 6.75 per cent, dated October 1st, 1966.

1967

February 7th The Service des actions, set up in November, 1966, carries out its first transaction: 3,000 shares of Alcan Aluminium Limitée, \$108,000.

June 29th The Act establishing the Régie de l'assurance-dépôts du Québec and empowering it to make deposits with the Caisse is given assent.

At year-end, the Service des immeubles et hypothèques is set up.

1968

April 16th First real estate financing on a sale and leaseback basis: transaction with Aliments Delisle Limitée, Boucherville.

June 17th First private bond placement with the Gouvernement du Québec in an amount of \$60 million.

As of mid-September, a Service d'immeubles et d'hypothèques is set up in Québec City.

October 18th The Caisse participates in the issue in Canadian funds of Churchill Falls (Labrador) Corporation Limited in which Hydro-Québec is a partner to harness Churchill Falls.

1969

Mr. Prieur, Chairman of the Board and General Manager, is named **Homme du mois de janvier** (Man of the Month of January) by *REVUE COMMERCE*.

June 13th In the wake of an amendment to the Act respecting the Caisse, the Caisse henceforth is empowered to administer the pension fund assets of an agency which derives more than 50 per cent of its resources from the consolidated revenue fund.

October 6th First private placement with Hydro-Québec: \$25 million. During the month, the corporate seat and the Québec City office of the Caisse are officially set up at 2525 Laurier Boulevard in Sainte-Foy.

December 23rd New amendments to the Act respecting the Caisse through assent to the Act respecting supplemental pension plans established by collective agreement decrees. The Caisse is entrusted with management of the funds of different supplemental pension plans of the construction industry.

1970

July 17th The Act establishing the Régie de l'assurance-maladie du Québec and empowering it to make deposits with the Caisse is given assent.

August 17th The Caisse undertakes to participate in the development of the Jardins de Mérici Inc. in Québec City.

September 28th Judge Gill Fortier, named President of the Régie des rentes du Québec, becomes Vice-Chairman of the Board of the Caisse.

December 14th First purchase of Sidbec debentures in an amount of \$30 million. The securities of the State corporation, which operates a metallurgical industrial/commercial complex, are guaranteed by the Gouvernement du Québec. The Caisse also agrees to participate in the long-term financing of 2020 University in Montréal.

1971

April 19th Acquisition of 30 per cent of the common stock of Cablevision Nationale Ltée whose area of operations includes eastern Montréal, Sherbrooke, Québec City, and Cap-de-la-Madeleine.

1972

January 17th A real estate company, Cadim Inc., the first subsidiary of the Caisse, is set up.

April 10th All the shares of Développements Pasteur Inc. are acquired, making it a Caisse subsidiary engaged in real estate development.

1973

January 1st Amendments to the Act respecting the Commission des accidents du travail come into force. The Caisse is empowered to manage the securities of the agency as well as the funds it does not immediately require. (The agency has since become the Commission de la santé et de la sécurité du travail.)

February 23rd The Caisse participates in the creation of Les Placements Innocan Ltée, a venture capital corporation.

April 11th Mr. Prieur, aged 53, dies suddenly. His contribution to the launching and rapid advancement of the Caisse has been marked. Judge Fortier, Vice-Chairman of the Board, becomes Acting Chairman.

October 1st Mr. Cazavan assumes the duties of Chairman of the Board and General Manager of the Caisse.

1974

The annual report notes a statement by professors David C. Shaw and T. Ross Archibald of the University of Western Ontario in the sixth instalment of their study entitled *The Management of Change in the Canadian Securities Industry*: "The Caisse now manages the largest individual portfolio of Canadian equities in the country".

1975 FIRST DECADE

Recalling the highlights of the evolution of the Caisse during the period since it was established, the 1975 annual report recalls that "...the Caisse succeeded in recruiting a small initial staff of investment specialists who, though young, had valid experience and who later were able to supervise the training of a number of university graduates in finance. The nature and scope of the activities of the Caisse provided the proper setting for staff improvement."

At December 31st, the Caisse had 11 depositors and total funds under its management amounted to \$4.3 billion.

1976

Mr. Cazavan, Chairman of the Board and General Manager, is named **Homme du mois de janvier** (Man of the Month of January) by *REVUE COMMERCE*.

April 20th Bonds of Sidbec Normines Inc. in the amount of \$27.5 million are acquired. Sidbec is the majority shareholder of the company which is engaged in the extraction and processing of iron ore at Fire Lake.

September 1st Already holding half the common stock of Place-ments Immobiliers La Laurentienne Inc., the Caisse agrees to participate in the long-term financing of the company's new complex in Québec City.

1977

December 22nd The Act establishing the Régie de l'assurance automobile du Québec as well as the Fonds d'indemnisation automobile du Québec and empowering them to make deposits with the Caisse is given assent.

The same day, the Act respecting the Caisse is amended: two new posts are created on the Board of Directors whose membership is thus increased to 12; furthermore, the Caisse henceforth is given responsibility for the management and remuneration of its staff.

1978

January 19th The Régie de l'assurance-maladie withdraws its last funds from the Caisse following changes in the methods of financing the Health Insurance Plan.

October 23rd The Caisse agrees to participate in the \$25 million mortgage financing of the new Industrial Life complex in Québec City.

According to a study of the publication *CANADIAN BUSINESS* (July, 1979), "...the Caisse, based on its assets at December 31st, 1978, stood in fifth place among the 20 largest governmental corporations in Canada."

1979

July 13th Already a major shareholder in a number of large Canadian companies, the Caisse, at a price of \$75.6 million, acquires the block of 2.8 million shares of Domtar Inc. which had been held by MacMillan Bloedel Limited.

1980

January 21st Mr. Cazavan informs the Board that the Government has accepted his resignation.

March 1st Mr. Jean Campeau assumes the duties of Chairman of the Board and General Manager of the Caisse.

November 1st Mr. Claude Legault, named President of the Régie des rentes du Québec upon expiry of the term of office of Judge Fortier, occupies *ex officio* the post of Vice-Chairman of the Board of the Caisse.

At the start of the year, assets under management by the Caisse topped the \$10 billion mark; at year-end, they stood at \$11.7 billion.

MEMBERS OF THE BOARD OF DIRECTORS SINCE THE CAISSE WAS ESTABLISHED

*Prieur, Claude	1966-1973
DeCoster, Robert	1966-1970
*Bolton, Hamilton	1966-1967
Cazavan, Marcel	1966-1972
*Lavoie, Raymond	1966-1978
Lemieux, Edmond A.	1966-1977
Parenteau, Roland	1966-1969
Parizeau, Jacques	1966-1968
Pepin, Marcel	1966-1970
*Turgeon, Maurice	1966-1972
Neapole, Charles B.	1967-1970
Bélanger, Michel-F.	1969-1972
Fortier, Gill	1970-1980
Belzile, Hervé	1970-1978
Laberge, Louis	1970-
Goyette, Pierre	1972-1977
Sheehan, John F.	1972-1974
Forget, Claude	1972-1973
Cazavan, Marcel	1973-1980
Castonguay, Claude	1973-1977
Beaulieu, Richard	1974-
Dinsmore, John-H.	1974-1977
Caron, Michel	1977-
Lafond, Georges	1977-
Marier, André	1977-
Rouleau, Alfred	1978-
Kierans, Eric	1978-1980
Péladeau, Pierre	1978-
Pelletier, Gaston	1978-
Paré, Fernand	1978-
Campeau, Jean	1980-
Legault, Claude	1980-

*deceased

MAIN ELEMENTS OF THE ACT AND REGULATIONS OF THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

The Caisse de dépôt et placement du Québec was created July 15th, 1965—the same day as the Régie des rentes du Québec, the first agency empowered to entrust to the Caisse the moneys not required for its current administration.

It was in the address he gave before the Assemblée nationale June 9th, 1965 at second reading of the Bill that Mr. Jean Lesage, Premier of Québec and Minister of Finance, pinpointed the thinking of the legislator as regards the *raison d'être* of the Caisse, its legal status, major objectives, and key operating facets. The Bill was especially rooted in the report presented in April and May, 1964 by the Comité interministériel d'étude sur le Régime de rentes du Québec whose Chairman was Mr. Wheeler Dupont and the other members Messrs. Gérald Alain, Édouard Laurent and André Marier.

Defining the general philosophy pertaining to administration of funds by the Caisse, Mr. Lesage specified: *"Unquestionably, the deposits must be assured the security one may expect from a properly-managed agency. The sums accumulated must especially be protected against erosion... The projected fund thus will provide for the possibility of investing an appreciable portion of the assets in securities other than fixed income. The interests of Quebecers, after all, are not limited to the security of the amounts they set aside to plan for their retirement. Funds of such magnitude must be channelled towards accelerated development of the public and private sectors so that Québec's economic and social objectives may be quickly attained with the greatest possible efficiency.*

"In short, the Caisse must not be envisaged solely as an investment fund like any other but also as an instrument of growth—a more powerful lever than any of those now available in this province."

Since its coming into force, the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q., chapter C-2) has been amended several times to enable it, among other things, to accept new depositors and, in such an event, to provide for the modalities whereby their assets would be managed.

BOARD OF DIRECTORS

Insofar as the Board of Directors was concerned, Mr. Lesage expressed the view that it *"should reflect the most essential trends of the Québec economy. It will act on the basis of a long-term evolution compatible with the general objectives of government policy without jeopardizing the General Manager's fundamental authority."*

The Caisse is administered by a Board of Directors made up of its General Manager, appointed for ten years, the President of the Régie des rentes du Québec, and of seven other members named for three years. The Government sets, as the case may be, the remuneration, additional remuneration, fees or allowances of each.

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

The Board also includes three associate members who sit without voting privileges: the Deputy Minister of Finance, a senior financial officer of Hydro-Québec and a member of the Commission municipale du Québec or an officer of the Ministère des Affaires municipales.

Each member of the Board, as he assumes office and annually thereafter, must transmit to the Minister of Finance and to the Chairman of the Board of the Caisse the list of corporate interests he and his spouse hold, respectively, along with a statement of all operations which may have modified the lists during the year. Furthermore, no member of the Board may hold an interest in a securities business nor may he obtain a loan from the Caisse.

The Board establishes the regulations of the Caisse and these are submitted to the Government for approval.

ADMINISTRATION OF THE CAISSE

The General Manager assumes administrative responsibility of the Caisse within the framework of regulations and policies; investment operations are carried out under his authority in conformity with the general investment policy adopted by the Board.

The Caisse is not part of the budget of the Gouvernement du Québec. Its administrative costs are apportioned among the various funds, based on the type of securities included in each fund.

PERSONNEL

Since April, 1979, in the wake of amendments to the Act governing it, the Caisse has assumed responsibility for management of its staff based on the regulations and *Norms and standards of remuneration as well as other working conditions*. Appointments to senior management posts are made by the Board upon recommendation of the General Manager and in keeping with authorized staff requirements.

Employees must agree to respect the confidential nature of the information they obtain through their employment and to comply with directives regarding permissible transactions. Such directives particularly include a ban on trading in securities of public companies in which the Caisse holds an interest, except for securities which qualify under a stock savings plan.

DEPOSITS IN THE VARIOUS FUNDS

The Caisse is empowered to receive deposits solely from agencies authorized by law to make such deposits. Consequently, individuals and companies or pension funds of the private sector cannot entrust funds to it.

The Act respecting the Caisse provides for three types of deposits: demand deposits, term deposits and participation deposits which, according to each case, are assigned to the General Fund, an Individual Fund, or, in the case of supplemental pension plans, to segregated funds.

The **General Fund** is a pooled fund consisting of different categories of investments whose makeup is established by the Board. The **segregated funds**—four in number—also are pooled funds but are made up, respectively, of investments of the same type and in proportions reflecting directives issued to the Caisse by administrators of the supplemental pension plans. An **Individual Fund** is managed separately and comprises investments which meet the specific requirements of a given depositor.

As a general rule, agencies or pension plans empowered to make deposits with the Caisse entrust it with moneys which are channelled into one or another of these funds. However, the security portfolios already held by some of the depositors are transferred and managed as such with a view to their orderly disposal, in conformity, in each case, with a special agreement approved by the Government. Proceeds from the sale of the securities of these **portfolios under management** as well as their income are subsequently transferred to the appropriate Caisse funds.

The Caisse accepts demand deposits and term deposits from day to day; it accepts participation deposits in its funds or withdrawals of such deposits only on the dates stipulated in the regulations.

Demand deposits bear interest at a variable rate set on a daily basis by the Caisse according to a formula based on the yield of capital on the money market: 91-day Treasury bills of the Government of Canada; 30-day commercial paper of major Canadian companies; and 30-day certificates of deposit of Canadian banks. Demand deposits are redeemable within three working days following receipt of a written notice of withdrawal from a depositor.

Term deposits each bear interest at a fixed rate set by the Caisse at the time of deposit and accepted by the depositor. They are redeemable at maturity.

Demand and term deposits constitute evidences of indebtedness of the Caisse towards the depositors and bear interest.

As for participation deposits in a determined fund, they are expressed in the form of units whose holders, on a pro rata basis, share the net income of the fund for the year; net income is established after the capital gains or losses on the sale of securities have been transferred to the general reserve account. Written notice must be given for withdrawal of such deposits. The period of notice varies according to the date and amount of the withdrawal so that the Caisse may make the moneys available without hindering the fund's investment operations.

INVESTMENTS

Save for 1969 amendments to the Act respecting the Caisse whereby it is required to administer its segregated funds in conformity with the Supplemental Pension Plans Act, the investment powers of the Caisse have remained virtually unchanged since its inception. On the whole, they compare with those of life insurance companies, subject, however, to certain particularities and restrictions.

Thus, while the Caisse may acquire and unrestrictedly hold bonds issued or guaranteed by the Gouvernement du Québec, the government of another Canadian province, or the Government of Canada, it cannot, on the other hand, acquire more than 20 per cent of any new bond issue of a Québec municipality or school board, nor hold more than 20 per cent of their outstanding bonded indebtedness.

Furthermore, the Caisse may, without restriction, acquire and hold hypothecs upon real estate in Québec if payment of principal and interest is insured by the Government of Canada or the Gouvernement du Québec. Conventional mortgage loans and real estate investments are also restricted to Québec and their total must not exceed 10 per cent of the Caisse's total assets.

The Caisse cannot hold more than 30 per cent of the common stock, or a category of common stock, of a given company unless such a company's sole purpose is to acquire, hold, rent or administer real estate; similarly, the Caisse cannot have more than 30 per cent of its total assets invested in stocks. Moreover, the overall investment in a single company is limited to five per cent of the total assets of the Caisse, including three per cent in stocks.

However, as regards investments which qualify solely under the basket clause, such as those made in starting businesses or in firms whose profitability does not fully meet the criteria set out in the Act, their total must not exceed seven per cent of the total assets of the Caisse. The latter cannot commit more than one per cent of its assets in this form to a single company or undertaking.

LIST OF DEPOSITORS

as at December 31st, 1980

TO GENERAL FUND

	First deposit
Commission administrative des régimes d'assurance-stabilisation des revenus agricoles (1)	1977
Commission de la santé et de la sécurité du travail (2) (3)	1973
Fonds d'assurance-prêts agricoles et forestiers	1978
Fonds d'indemnisation automobile du Québec	1978
Régie de l'assurance automobile du Québec	1978
Régie de l'assurance-dépôts du Québec	1969
Régie de l'assurance-récolte du Québec (1)	1968
Régie des marchés agricoles du Québec	1967
Régie des rentes du Québec	1966

TO SEGREGATED FUNDS

Office de la construction du Québec as administrator of the Supplemental pension plan for employees of the Québec construction industry (3)	1970
Commission administrative du régime de retraite	
Government and public employees retirement plan (3)	1973
General retirement plan for mayors and councillors of Québec municipalities	1975
Individual plans of the Commission administrative du régime de retraite	1977
Supplemental pension plan of the Université du Québec	1971

TO INDIVIDUAL FUND

Commission de la santé et de la sécurité du travail	1977
---	------

(1) After the coming into force of Chapter 73 of the 1979 statutes early in 1981, the Commission administrative des régimes d'assurance-stabilisation des revenus agricoles and the Régie de l'assurance-récolte du Québec were merged within an agency known as the Régie des assurances agricoles du Québec.

(2) Prior to the 1977 creation of the individual funds, the Commission de la santé et de la sécurité du travail was empowered to make deposits into the General Fund alone.

(3) The Caisse also administers a portfolio under management for each of these agencies.

Net contributions by depositors

(percentage)



	1980	1979
Commission administrative du régime de retraite	29.1	25.8
Régie de l'assurance automobile du Québec	27.1	27.0
Régie des rentes du Québec	24.1	21.0
Commission de la santé et de la sécurité du travail	17.8	17.4
Other depositors	1.9	8.8

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Highlights of the year

(in millions of dollars)

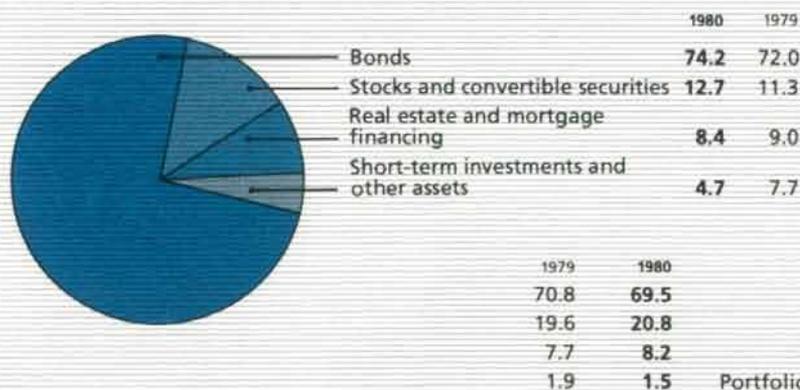
		1980	1979	Increase
Total funds	Assets under management	11 749.3	9 753.9	20.5%
	Investments	11 507.6	9 554.8	20.4%
	Long-term investments	11 192.9	9 019.3	24.1%
	Total income	1 133.9	932.9	21.5%
	Net income	1 041.8	836.8	24.5%
	Administrative expenditures	8.3	7.1	16.9%
	Net contributions	888.1	862.6	3.0%
	Number of depositors	14	14	—
	Number of employees	140	134	—
General Fund	Assets ⁽¹⁾	8 170.9	6 909.7	18.3%
	Income to be paid out to participation deposit holders	724.9	580.2	24.9%
	Net contributions	438.1	437.4	0.2%
	Net yield on participation deposits	10.20%	9.59%	—
Segregated funds	Combined assets	2 443.8	1 909.6	28.0%
	Income to be paid out to participation deposit holders	215.3	180.3	19.4%
	Net contributions	292.2	275.0	6.3%
	Net yield on participation deposits ⁽²⁾			
	Fund "O"	10.97%	—	—
	Fund "G"	9.89%	—	—
Fund "A"	8.22%	—	—	
Fund "H"	10.45%	—	—	
Individual Fund	Assets	962.7	750.6	28.3%
	Income to be paid out to participation deposit holder	88.5	63.0	40.5%
	Net contributions	190.0	185.0	2.7%
	Net yield on participation deposits ⁽²⁾	10.59%	—	—
Portfolios under management	Combined assets	171.9	184.0	(6.6%)
	Net income	13.1	13.3	(1.5%)
	Net contributions	(32.2)	(34.8)	—

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

(2) As a result of changes in accounting methods and in the distribution of income of the segregated funds and the Individual Fund, the 1980 net yield on participation deposits of these funds cannot be compared with those of 1979.

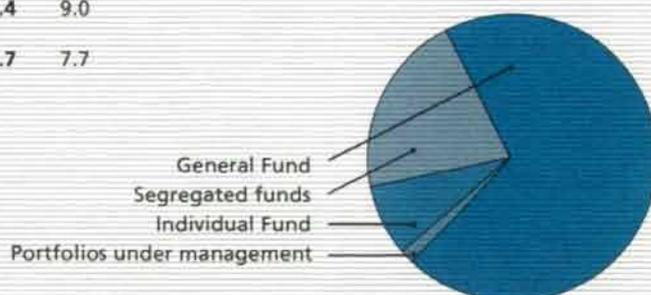
Breakdown of assets under management as at December 31st

(percentage)



Breakdown of assets as at December 31st

(percentage)



**BOARD
OF DIRECTORS**
(February, 1981)

Jean Campeau
Chairman of the Board
General Manager
Caisse de dépôt et placement du Québec

Claude Legault
Vice-Chairman of the Board
President
Régie des rentes du Québec

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

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

Louis Laberge
President
Fédération des travailleurs du Québec

***Georges Lafond**
Treasurer
Hydro-Québec

André Marier
President
Société québécoise d'initiatives
agro-alimentaires

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

Pierre Péladeau
President
Quebecor Inc.

Gaston Pelletier
President and Chief Operating Officer
Lombard Odier Trust Company

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

* Associate member
At December 31st, 1980, there was one
vacancy on the Board of Directors.

REPORT OF THE BOARD OF DIRECTORS

3

The Board of Directors of the Caisse held 13 meetings in 1980. The rate of attendance was 80 per cent.

CHANGES IN THE BOARD

Several changes took place in the Board during the year.

At the meeting of January 21st, Mr. Marcel Cazavan announced the Gouvernement du Québec had accepted his resignation as Chairman of the Board and General Manager of the Caisse effective the day his successor assumed office. Mr. Cazavan has since served as a special advisor to the new Chairman of the Board and General Manager. The Board paid tribute to Mr. Cazavan in its 1979 report.

On February 20th, the Government appointed Mr. Jean Campeau, Assistant Deputy-Minister of the Ministère des Finances du Québec, to the post of Chairman of the Board and General Manager, effective March 1st, 1980.

On May 5th, Mr. Eric Kierans announced his resignation as a member of the Board. At year-end, the post remained vacant.

At the end of September, Judge Gill Fortier completed his ten-year term as President of the Régie des rentes du Québec. As a result, he had to give up his post as Vice-Chairman of the Board of the Caisse—a post devolving upon the President of the Régie des rentes. His Board colleagues expressed their warm esteem and appreciation for the contribution he had made to the work of the Board since October, 1970.

In September, the Government named Mr. Claude Legault, President of the Association de bienfaisance et de retraite des policiers de la Communauté urbaine de Montréal, as President of the Régie des rentes du Québec. Mr. Legault officially assumed office November 1st, 1980 and attended his first meeting of the Board of the Caisse November 17th.

Finally, the term of Mr. André Marier on the Board was renewed for a three-year period, effective January 20th, 1980.

INVESTMENT POLICY

On May 26th, 1980, the Board amended its investment policy by authorizing the Caisse "to grant the *Gouvernement du Québec and Hydro-Québec, mainly as regards the setting of interest rates applicable to new issues, borrowing conditions equal to those enjoyed on the Canadian public market by the most credit-worthy province at the time of the transaction*".

It should be noted that this new policy on the part of the Caisse parallels that of the Alberta Heritage Savings Trust Fund, which grants provinces and State corporations, the Gouvernement du Québec and Hydro-Québec included, loans at interest rates enjoyed on the market by the most credit-worthy province in Canada. However, the policy remains less favorable in regard to the borrower than that of the Canada Pension Plan, which lends to provinces or their agencies at interest rates based on the yield of Government of Canada negotiable bonds with comparable maturity.

Furthermore, the Caisse indicated last year it is firmly resolved the resources of the Caisse should further serve Québec's economic development without, however, limiting the scope of its participation in the financing of the public sector. An outgrowth of decisions taken during the planning session forecast in the 1978 Annual Report and held in the Spring of 1979, this policy made it possible to pinpoint the direction the Caisse should take during the 1980s.

In this context, a number of proposals were studied by the management of the Caisse, submitted to the Board and approved during the year. Among the most significant, in terms of their originality or scope, were the following:

- the subscribing of an amount of \$10 million to the capital stock of the Société d'investissement Desjardins, giving the Caisse a 15 per cent participation in the company's ownership;
- a 30 per cent participation in the capital stock of Vidéotron (1979) Ltée following the decision rendered July 30th, 1980 by the CRTC authorizing Vidéotron to undertake the purchase of Cablevision Nationale Ltée, 30 per cent of whose shares the Caisse has held since 1971;
- the exercising by the Caisse of an option to purchase a 10.6 per cent equity position in Industries Domco Ltée, a major manufacturer of linoleum and floor coverings which has long been established in Québec;
- the subscribing by the Caisse in an amount of \$55 million of 13 per cent subordinated debentures of Northern and Central Gas Corporation Limited, exchangeable over a 7½-year period into 6,877,000 common shares of its subsidiary, Gaz Métropolitain, inc., at a price of \$8 each. The Caisse already owned some 7 per cent of the company;
- the authorization to subscribe \$2 million—a participation of 25 per cent—to the capital stock of a venture capital company to be formed and in which the three other partners are the National Bank of Canada, La Laurentienne, Compagnie mutuelle d'assurance and the Société générale de financement du Québec. The protocol of agreement pertaining to establishment of the company was signed January 15th, 1981 and it is expected to begin operations next May;
- association of the Caisse in *Opération 10 000 logements* of the Ville de Montréal, with the Caisse agreeing to provide some 150 mortgage loans totalling \$15 million for about 540 units;
- authorization of a \$25 million loan to the Société municipale d'habitation de Montréal for the construction of medium-cost housing;

- acquisition of a first office building—the Place Delta complex on Laurier Boulevard in Sainte-Foy. The building, almost entirely rented to the Gouvernement du Québec, houses the head office of the Université du Québec, among others; and
- association of the Caisse, through its subsidiary, *Développements Pasteur Inc.*, with the *Jardins de Mérci Inc.* in the construction of a 19-storey building consisting of 94 condominium units in Québec City.

APPROVAL OF SPECIFIC INVESTMENTS

The Board approved a dozen corporate financing proposals totalling \$73 million. It also agreed to 15 mortgage loans—industrial, commercial and residential—involving a total of some \$93 million.

ADMINISTRATIVE DECISIONS AND RATIFICATIONS

The Board introduced a number of amendments during the year to the regulations, *Norms and standards of remuneration and other working conditions* of the staff, as well as to permanent investment authorizations. It also ratified many decisions taken at various management levels. The year's investment program, the master budget, the annual report and the financial statements also were submitted to the Board for approval.

On behalf of the Board of Directors,



Jean Campeau
Chairman
Montréal, February 16th, 1981

THE ECONOMY

The second energy crisis and its attendant spectacular increases in energy costs and negative impact on trade balances and on the anticipated inflation deceleration significantly affected world economic trends in 1980, making it almost impossible to react as efficiently as in the past through stabilizing economic policies.

INDUSTRIALIZED NATIONS ABROAD

Most industrialized countries, which are largely dependent on foreign energy supplies, showed greater determination than during the first energy crisis, adopting defensive economic policies despite a sharp downturn in domestic economic cycles. Their objective was to maintain the stability of their national currency by restraining expected unfavorable effects on balance of trade and inflation.

AMERICAN ECONOMY

American economic cycles and financial markets experienced extreme and disturbing fluctuations in 1980 as a result of sudden changes in monetary policy of the Federal Reserve—American equivalent of the Bank of Canada. A drastic credit control program in the second quarter led to a marked and troubling downturn in economic activity as well as plunging interest rates. The quick, subsequent curtailment of this program curbed the economic slump in the second half and resulted in a rise in interest rates higher than in the Spring. In November, a new Administration, advocating a seemingly more conservative economic philosophy, led to unsettling effects on American economic cycles.

CANADIAN ECONOMY

Despite the worst economic recession in Canada since the Second World War, monetary and budgetary authorities refrained from resorting to usual stringent stabilizing measures in 1980. This failure to act is indicative of the narrow margin resulting from the large federal deficit and drastic American monetary policies.

The 1980 economic recession stemmed mainly from domestic demand factors such as spiralling interest rates, reduced purchasing power and consistently high inflation levels. The overall decline in the volume of the Gross National Product should approximate 0.5 per cent in 1980 compared with 2.7 per cent growth the previous year, while consumer prices are expected to rise by about 10 per cent in relation to nine per cent in the two previous years. More specifically, it was a disastrous year for consumer spending and residential construction while public spending slowed due to a lack of budget incentives. In the wake of sluggish demand, companies tended to freeze their capital investment programs, particularly for machinery, and were forced to reduce their inventories. The economic climate also favored the growth of export markets as import markets further declined.

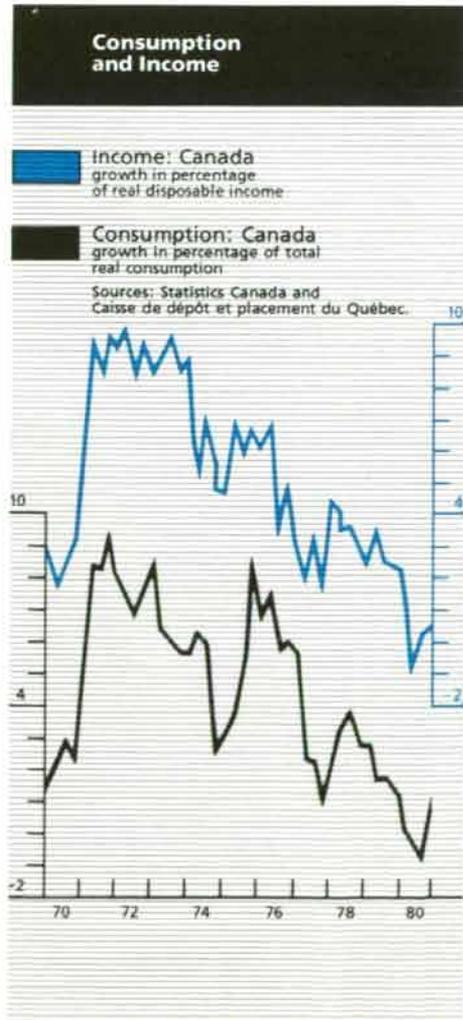
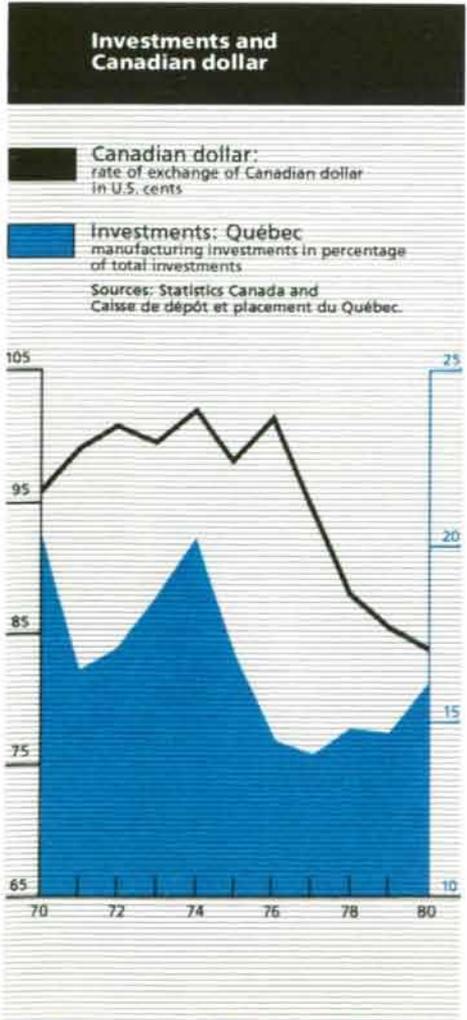
The downturn in 1980 economic activities is consistent with the overall situation which prevailed during the 1970s when Canadians experienced only a slight improvement in living standards. The rapid growth in production and revenue during the first part of the decade was followed by a sustained reduction in living standards arising from the downturn in world economic cycles. On the threshold of the 1980s, with Canada determined to meet world energy prices, this disappointing economic situation is likely to continue over the next few years, as has been pointed out frequently in recent official speeches.

QUÉBEC ECONOMY

Québec economic activities were influenced by difficult and uncertain economic conditions on the Canadian and international scenes in 1980. In spite of such unfavorable circumstances and on the heels of a performance clearly better than the national average last year, growth of the Québec gross domestic product paralleled that of Canada.

Retail sales advanced at a slower rate than in 1979 while residential construction dropped further as interest rates rose to record highs. Other types of investments merely kept pace with inflation. However, manufacturing capital investments were relatively high because of strong export markets and a weak Canadian dollar. Due to budget shortfalls, the public sector was unable to offset insufficient demand. Fewer jobs were created than in 1979 with the result that the unemployment rate remained at about 10 per cent in the second half of the year.

Since interest rates are expected to drop in 1981, the Québec economy should reflect greater progress than in 1980. However, escalating prices, mainly in the field of energy, and the static Canadian economy will keep growth at a much lower level than the average of the last decade.



REPORT OF THE GENERAL MANAGER

5

During the first quarter of 1980, total funds under management of the Caisse de dépôt et placement du Québec topped the \$10 billion mark. At December 31st, marking the end of the fifteenth year of the Caisse, these assets totalled \$11.75 billion, a rise of nearly \$2 billion, or 20.5 per cent more than the previous year. This increase stems mainly from income of \$1.13 billion and net contributions of \$888.1 million.

Table 1 provides a breakdown of overall funds under management. Its main component, the General Fund, accounts for 69.5 per cent; in 1980, its assets grew by 18.3 per cent. The four segregated funds, with combined assets of over \$2 billion, advanced by 28 per cent and now make up 20.8 per cent of total assets. The Individual Fund recorded the greatest progression, 28.3 per cent; at December 31st, its assets were equal to 8.2 per cent of overall funds. The three portfolios under management are administered with a view to orderly disposal; their liquid assets are reinvested in the various Caisse funds in accordance with established conditions. Assets of these portfolios declined by \$12.1 million in 1980, representing only 1.5 per cent of overall funds under management at December 31st.

FINANCIAL STATEMENTS

Duly audited financial statements covering the General Fund, the four segregated funds and the Individual Fund appear in Section 6. It should be noted that depositors to segregated funds or holding portfolios under management receive financial statements which are duly audited by the Auditor-General and cover all their assets under Caisse management.

Financial statistics required under Section 46 of the Act respecting the Caisse are given in Section 7 of this report. They supplement the financial statements, providing information on investment distribution of the various funds, real estate holdings, yield on deposits and the financial position of the main depositors.

ADMINISTRATIVE EXPENDITURES

For administrative purposes, all expenditures of the Caisse are paid by the General Fund and are charged quarterly to the various funds and portfolios according to the type of securities and conditions set out in regulations, as shown in **Graph 2**.

In 1980, administrative expenditures totalled \$8,266,000, a rise of 16.9 per cent. This increment is mainly due to variations in salaries and fringe benefits following salary adjustments, including 1979 retroactive increases paid in 1980, payment of holiday and sick leave credits to departing employees and hiring of additional staff.

The \$294,000 increase in service fees on mortgages results largely from the purchase, at the end of the first half of 1979, of a substantial block of mortgages. Such fees cover the whole of 1980 against six months in the previous year. However, the significant reduction in the professional fees account in 1980 reflects the non-recurring legal fees related to this 1979 transaction.

1 Summary of assets under management as at December 31st, 1980

(stated value—in millions of dollars)

	General Fund	Segregated funds	Individual Fund	Portfolios under management	Total	Net change in 1980
Investments						
Bonds	6 485.2	1 134.5	936.6	158.2	8 714.5	1 682.1
Stocks and convertible securities	879.4	615.1	—	1.9	1 496.4	390.7
Mortgage financing	417.1	525.6	—	8.3	951.0	94.9
Real estate investments	31.0	—	—	—	31.0	5.9
Short-term investments	314.7	—	—	—	314.7	(220.8)
Deposits in General Fund (net)	(125.5) ⁽¹⁾	123.3	2.2	—	—	—
Total investments	8 001.9⁽¹⁾	2 398.5	938.8	168.4	11 507.6	1 952.8
Other assets⁽²⁾	169.0	45.3	23.9	3.5	241.7	42.6
Total assets under management	8 170.9	2 443.8	962.7	171.9	11 749.3	1 995.4

(1) To establish the total of assets under management, the net amount of demand and term deposits of the segregated funds and the Individual Fund must be subtracted from General Fund investments; such deposits constitute an indebtedness of the General Fund towards the segregated funds and the Individual Fund.

(2) The other assets consist mainly of accrued and receivable income.

The General Fund Income and expenditure statement shows a sum of \$3,174,000 was apportioned to the four segregated funds, the Individual Fund and the three portfolios under management. Though combined assets under management in these funds and portfolios correspond to 30.5 per cent of overall funds, they were charged with 38.4 per cent of Caisse administrative expenditures considering that stocks, mortgage and real estate investments are proportionately more expensive to manage than bonds or short-term securities.

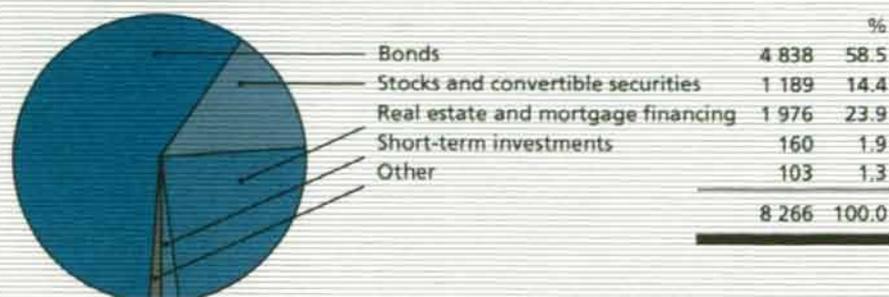
The types of investments also may vary significantly from one fund to the next. For example, long-term investments in the private sector represent 25.6 per cent of the General Fund while they account for 56.4 per cent of segre-

gated funds. In this respect, combined assets of segregated funds reflect investment decisions by pension fund administrators since the Act respecting the Caisse allows them to determine the distribution of moneys among these funds. Moreover, segregated fund investments are subject to provisions of the Supplemental Pension Plans Act which, in certain respects, are less restrictive than those covering other Caisse funds.

5

2 Breakdown of administrative expenditures in 1980 based on nature of securities

(in thousands of dollars)



INVESTMENTS

Long-term investments by the Caisse rose by \$2.17 billion during the year as shown in **Table 12**. However, taking into account a \$220.8 million reduction in short-term securities, the overall investment increase totalled \$1.95 billion.

Long-term investments in public sector securities rose by \$1.66 billion in 1980. The variation in private sector securities totalled \$510 million compared with \$658 million in 1979. This difference is due to a significant reduction in the demand for mortgages and the moderate increase in corporate bond investments. However, the unprecedented increment of \$390.7 million in stocks and con-

vertible securities raised their proportion in overall funds to 13 per cent at the end of 1980.

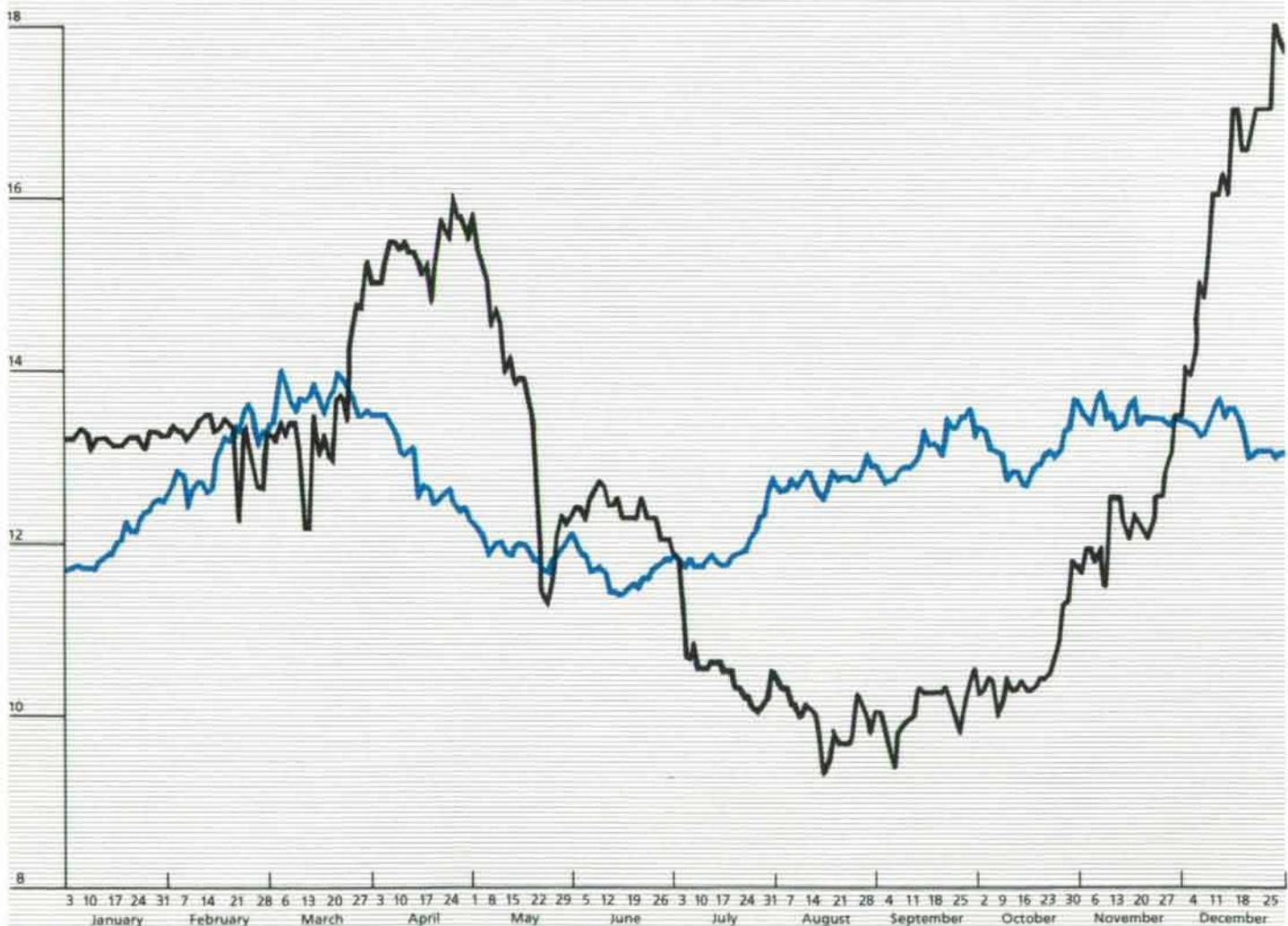
At year-end, bonds represented 75.7 per cent of overall investments compared with 73.6 per cent in 1979. This stems mainly from a heavier concentration in bonds issued or guaranteed by the Gouvernement du Québec which now account for 53.4 per cent of total, as evidenced in **Graph 16**.

3 Yield on Canadian long- and short-term securities in 1980

Yield of Government of Canada long-term bonds

Yield of Government of Canada three-month Treasury bills

Source: Caisse de dépôt et placement du Québec



PUBLIC SECTOR INVESTMENTS

The Département des placements en obligations manages the bonds comprised in the portfolios of the General Fund, the Segregated Bond Fund (Fund "O"), the Segregated Government Bond Fund (Fund "G"), the Individual Fund as well as those included in the portfolios under management of the Commission de la santé et de la sécurité du travail, of the Supplemental pension plan for employees of the Québec construction industry and of the Government and public employees retirement plan. In addition, the department is also responsible for the management of short-term investments. At December 31st, 1980, assets under its jurisdiction totalled \$9.03 billion, or 78.5 per cent of Caisse holdings, of which \$7.75 billion were public sector securities issued by various levels of government and their agencies.

Bond and money market characteristics in 1980

Fixed income securities remained subject to volatile interest rates in 1980. Influenced by American markets, both long-term and short-term interest rates in Canada reached new highs and fluctuated erratically. Since long-term bond yields on the Canadian market followed the variations of equivalent rates on the American market, the Bank of Canada did not have to intervene directly. **Graph 3** shows that federal government long-term bond yields moved from 14 per cent to 11½ per cent during the year.

4 Summary of acquisitions by the Caisse of new bonds issued or guaranteed by the Gouvernement du Québec on Canadian market in 1980*

(nominal value—in millions of dollars)

	Amounts of issues			Amount acquired by the Caisse	
	Public	Private	Total	Amount	Percentage of total
Gouvernement du Québec	375	875	1 250	975	78
Hydro-Québec	545	360	905	400	44
Total	920	1 235	2 155	1 375	64

* The figures in this table do not include savings bonds. Details of acquisitions will be found in the Financial statistics section, Table 13.

However, in spite of a strong U.S. influence, Canadian short-term rates did not keep pace and the Bank of Canada had to intervene vigorously to initiate the adjustment and thus prevent devaluation of the Canadian dollar. The central bank's action was strongly felt in open-market Treasury bill operations and in the management of banking system liquidities.

Canadian financial markets experienced a light calendar of public issues of new corporate bonds. Economic prospects with little promise, low investment levels as well as spiralling and unpredictable long-term interest rates led corporations to meet their financing requirements on the money market or by issuing a greater proportion of convertible securities than in previous years.

In view of the instability of financial markets, borrowers exceptionally chose to issue either mid-term securities, extendible or retractable bonds to reduce loan costs and investors' risks.

The short-term security market developed considerably as corporations increasingly resorted to short-term credit and frequently alternated between the use of credit lines and the issue of bankers' acceptances.

Investment strategy

The strategy followed in 1980 emerged from the erratic behavior of the bond market and the unprecedented surge of interest rates. The Caisse endeavored to take full advantage of high interest rates by maintaining low liquidities, particularly when rates reached record highs. Moreover, due to a volatile and vulnerable market, the Caisse showed prudence by reducing the average term of its bond portfolios and acquiring extendible or retractable bonds. It mostly accumulated easily negotiable high-grade securities. At the end of 1980, overall weighted average yield to maturity of bond portfolios in the General Fund, segregated "O" and "G" funds and Individual Fund was 10.75 per cent with a term of 15 years, nine months.

Bond market operations

The Caisse purchased \$1.486 billion of bonds issued by the Gouvernement du Québec and its agencies on the primary market compared with \$1.18 billion in 1979. Its holdings in Government of Canada bonds rose by \$211.1 million in 1980.

Caisse purchases of long-term securities issued by the Gouvernement du Québec and Hydro-Québec totalled \$1.375 billion, or \$975 million and \$400 million, respectively. However, the average term of these investments was considerably shortened from 23 years, six months in 1979 to 13 years, one month in 1980. The Caisse acquired 64 per cent of long-term securities floated by these issuers on the Canadian market compared with 55 per cent in 1979. Of these purchases, the proportion of private issues was 76 per cent in 1980 compared with 83 per cent in 1979 and an average of 80 per cent for the 1977 to 1979 period.

Pursuant to a decision by the Board of Directors May 26th, 1980, all private issues of Gouvernement du Québec and Hydro-Québec bonds were subsequently negotiated at the same rate at which the most credit-worthy province can borrow. The average yield to maturity of all bonds acquired through public and private issues during the year was 13.5 per cent compared with 10.90 per cent in 1979.

Caisse participation in new issues of municipal or school bonds or bonds guaranteed by grants increased considerably in 1980. In fact, through purchases of \$111 million on the primary market, it acquired approximately 13 per cent of all such issues in comparison with nine per cent in 1979. Its activities in this field aim at promoting this type of high-yield investment while supporting a market now undergoing structural change.

Money market operations

Due to great fluctuations in interest rates, the money market was very active in 1980 and the Caisse, among other things, was instrumental in establishing a market for Québec Treasury bills. It uses these operations for investment, liquidity and cash flow purposes. The volume of transactions in this area totalled \$16.4 billion in 1980. Holdings of short-term investments rose to a monthly average of \$575.3 million during the year in relation to \$932.3 million in 1979.

5 Summary of acquisitions of new municipal and school bonds as well as bonds guaranteed by grants of the Québec public sector issued on Canadian market

(nominal value—in thousands of dollars)

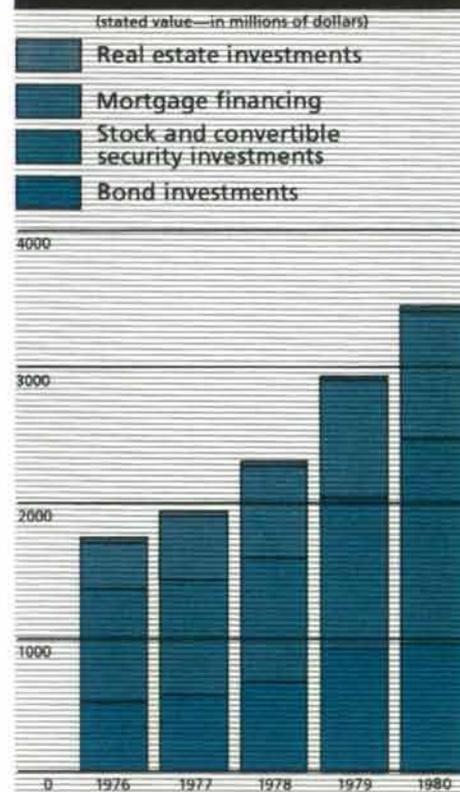
Categories	1980	1979	1978	1977	1976
Municipalities and urban and regional communities	64 628	54 754	24 077	61 994	50 710
School boards	15 803	9 274	12 295	24 955	27 560
	80 431	64 028	36 372	86 949	78 270
Cegeps	2 381	700	—	7 559	24 355
Hospitals	7 580	744	17 400	6 527	11 085
Universities	6 540	2 263	1 325	14 550	18 300
Social service centres	13 905	—	—	—	—
	30 406	3 707	18 725	28 636	53 740
Total	110 837	67 735	55 097	115 585	132 010

PRIVATE SECTOR INVESTMENTS

Notwithstanding a less spectacular progression in 1980, the stated value of private sector investments amounted to \$3.44 billion at December 31st, an increase of \$510 million over 1979, distributed as follows: stocks and convertible securities, \$1,496.4 million; public and private corporate bonds, \$964.3 million; mortgages, \$951 million and real estate investments, \$31 million.

As noted earlier, the most impressive rise—\$390.7 million—was recorded in stocks and convertible securities. The modest increase of \$18.4 million in bonds in 1980, in relation to \$268.2 million in 1979, stems from various factors. The reduction of some \$22 million in holdings of corporate debt securities results from the large amount maturing in 1980 in various Caisse portfolios and the dearth of new high-grade issues. The volume of outlays related to activities of the Département des financements d'entreprises also declined slightly during the year. However, the \$100.8 million increase in mortgage and real estate investments during the year is considered normal given general conditions in the Québec construction industry.

6 Summary of investments by the Caisse in private sector



7 Summary of corporate investments as at December 31st, 1980

(stated value—in millions of dollars)

Status of corporations	Number of corporations	Shares and convertible securities	Bonds	Total	
				Amount	Percentage
Corporations and subsidiaries whose shares are listed on stock exchanges	184	1 457.3	732.9	2 190.2	89.0
Private corporations	78	27.2	142.9	170.1	6.9
Public corporations and cooperatives	21	11.9	88.5	100.4	4.1
Total	283	1 496.4	964.3	2 460.7	100.0

INVESTMENTS IN STOCKS

At year-end, the Département des investissements en actions was managing close to \$1.5 billion—quoted market value; \$2.2 billion—in stocks and convertible securities of Canadian corporations, allocated as follows: \$879.4 million in the General Fund, \$615.1 million in the Segregated Stock Fund (Fund "A") and \$1.9 million in portfolios under management. **Table 7** shows this total corresponds to 60.8 per cent of the \$2.46 billion invested as of December 31st by the Caisse in stocks or bonds of 283 companies, 184 of which are listed on stock exchanges.

North American financial scene in 1980

In 1980, the North American financial scene was marked by sharp fluctuations in interest rates in response to dynamic interventions on the part of American monetary authorities seeking to check inflation and curb credit growth. These movements resulted in heightened market volatility.

In mid-March, with the support of the Carter Administration, the Federal Reserve imposed a series of credit restriction measures to push up interest rates. In the second quarter, these steps accelerated the downward trend of economic activity which had started at the beginning of the year.

Stock markets

Canadian and American stock markets reacted sharply. Between February 28th and March 27th, 1980, the TSE 300—the most representative index of the Canadian stock market—recorded a drop of 22 per cent following a 21 per cent rise since the beginning of the year. More speculative and volatile stocks such as golds and oils which had previously advanced rapidly fell by some 30 per cent.

The downturn in economic activities in the second quarter, prompted by Federal Reserve control measures, considerably cooled credit demand and was conducive to a significant decline in interest rates.

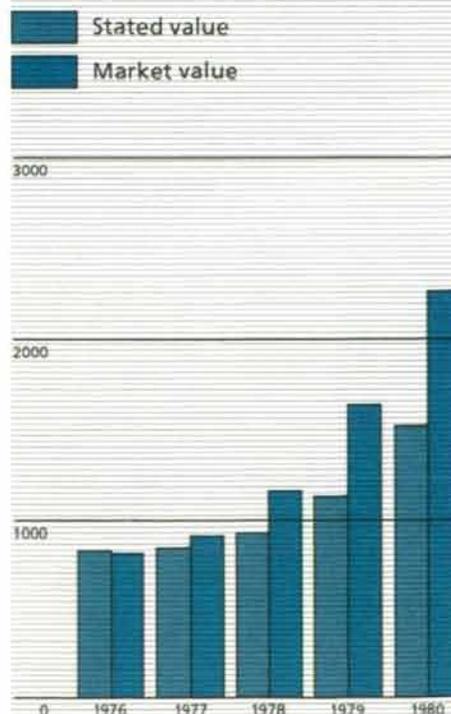
Following this deep and rapid reduction in the cost of credit, money market liquidities were channelled to the stock market which, at the time, offered better yield prospects following its major setback in March. Consequently, the stock market recovered and market values continued to move up until the end of September, regardless of the upturn in interest rates during the Summer. The TSE 300 Index recorded an increase of 38 per cent in relation to March 27th as golds and mines appreciated by 144 per cent and 45 per cent respectively.

Federal budget impact

From early October 1980, the Canadian stock market remained unstable. The expectation of a federal budget likely to put oil companies at a disadvantage and increase taxes or at least eliminate indexation of personal income tax basic exemptions dampened investors' enthusiasm. Concurrently, federal-provincial constitutional negotiations were completely deadlocked. The same was true with respect to Ottawa-Edmonton discussions on oil prices and sharing of oil revenues.

8 Stock and convertible security investments by General Fund and Segregated Fund—Stocks

(in millions of dollars)



9 Shares and corporate bonds by sectors of activity as at December 31st, 1980

(stated value—in millions of dollars)

Sectors of activity	Shares and convertible securities		Bonds		Number of corporations	Total	
		Net change in 1980		Net change in 1980			Net change in 1980
Metals and minerals	218.5	53.7	48.0	(0.9)	11	266.5	52.8
Golds	—	(2.5)	—	—	—	—	(2.5)
Oil and gas	149.6	46.0	42.5	(6.7)	13	192.1	39.3
Paper and forest products	141.1	22.1	35.2	8.6	17	176.3	30.7
Consumer products	181.7	81.4	105.1	34.2	45	286.8	115.6
Industrial products	135.2	18.5	118.6	(3.5)	54	253.8	15.0
Real estate and construction	3.8	(1.2)	72.2	6.4	22	76.0	5.2
Transportation	95.7	51.9	10.8	(2.1)	9	106.5	49.8
Pipelines	24.9	10.0	6.6	(7.1)	5	31.5	2.9
Utilities	143.6	(0.1)	190.2	14.6	14	333.8	14.5
Communications and media	38.8	12.1	10.9	7.0	9	49.7	19.1
Merchandising	64.9	24.0	46.6	7.1	37	111.5	31.1
Financial services	275.6	78.4	274.9	(39.2)	40	550.5	39.2
Investment companies	23.0	(3.6)	2.7	—	7	25.7	(3.6)
Total	1 496.4	390.7	964.3	18.4	283	2 460.7	409.1

On October 28th, the federal Minister of Finance presented the new government's first budget which, in fact, also constituted a new energy policy. As expected, tax measures affected oil companies and a new revenue-sharing formula reduced their share of revenues as well as that of producing provinces to the benefit of the federal government. In addition, cash flows and profits of oil companies, mainly integrated companies under foreign control and producing companies operating largely in territories defined as "provincial", according to some estimates, would be further reduced by 20 per cent to 30 per cent next year. Investors reacted both rapidly and violently; in less than two weeks, the market value of several oil stocks plunged by 25 to 30 per cent and even more in some cases.

In the meantime, with the rapid progression of liquid assets and bank loans in the United States resulting from relaxation of monetary policy in late Spring and an economic recovery in the third quarter, interest rates skyrocketed and gave rise to new Federal Reserve controls. This accelerated increase in the cost of credit was felt in Canada and forced stock market investors to retreat towards the end of the year. After reaching an all-time high of 2402 at the end of November, the TSE 300 Index closed the year at 2269, a 25 per cent increase in relation to the end of 1979.

Stock portfolio yields

Taking into account 1980 stock market fluctuations, Caisse stock portfolios nevertheless recorded attractive yields. The General Fund internal rate of return was 25.7 per cent of which 20.6 per cent was attributable to capital appreciation and 5.1 per cent to income. The rate of return of the Segregated Stock Fund (Fund "A"), based on the adjusted unit value, stood at 23.6 per cent.

Graph 8 highlights the unrealized capital appreciation on General Fund and Fund "A" stock and convertible security investments since 1977; at December 31st, 1980, it amounted to \$755.1 million.

Table 9 analyzes the changes recorded in 1980 in stocks and bonds by sector of activity. Overall net increase was \$409.1 million in comparison with \$453.8 million in 1979. However, the number of companies involved only increased by four.

Table 10 shows that individual investments of over \$10 million total \$1.98 billion and are distributed among 55 companies, or an average of \$36 million in relation to \$30.8 million in 1979. Average Caisse investments in Canadian corporations is rising, as evidenced by the fact that it held investments of over \$40 million in 1979 in 11 companies as opposed to 16 in 1980. In some major companies, the Caisse holds equity positions exceeding 10 per cent.

Even though these investments may appear extraordinarily large in absolute terms, they remain consistent with Caisse stock investment strategy which seeks both security of capital and yield on a diversified portfolio of securities issued by financially sound going concerns.

10

Distribution of corporate investments in shares and bonds by order of importance as at December 31st, 1980

(stated value—in millions of dollars)

Categories	Number of corporations	Total	
		Amount	Percentage
To 10 million	228	477.6	19.4
10 to 20 million	25	320.2	13.0
20 to 30 million	5	119.7	4.8
30 to 40 million	9	314.3	12.8
40 to 50 million	4	173.8	7.1
50 to 100 million	10	676.4	27.5
100 million and more	2	378.7	15.4
Total	283	2 460.7	100.0

CORPORATE FINANCING

Notwithstanding a significant drop in investment prospects in 1980, the Département des financements d'entreprises considered 96 applications, submitted 41 financing proposals and concluded 35 transactions totalling \$61.4 million compared with \$67.8 million in 1979. The great majority of these offers involved expansion, acquisition and financial restructuring projects of corporations located throughout Québec, many of which were new clients.

While most transactions were concluded in the form of term loans or bond purchases, subscriptions of common shares or convertible securities represented a greater proportion than in the past. Almost half the loans were granted at fixed rates and the others at floating rates. The latter formula was introduced at the Caisse in 1979 in the wake of major interest rate fluctuations; it has proven very popular with borrowers.

Outlays totalled \$60.3 million during the year, leaving outstanding commitments of \$26.5 million at year-end, compared with \$29.5 million at the end of 1979.

Transactions completed by the department are recorded, depending on their nature, in General Fund portfolios. At December 31st, 1980, their total of \$198.3 million and their weighted average yield of 13.45 per cent compared favorably with figures of \$148.6 million and 11.98 per cent respectively in 1979. Cumulative commitments since 1967 were \$267.5 million at year-end.

MORTGAGE AND REAL ESTATE INVESTMENTS

Mortgage and real estate investment outlays during the year totalled \$130 million; in 1979, they hit a record high of \$252 million following heavy purchases of blocks of mortgage debts on the secondary market. Of these outlays, \$36 million were allocated to the General Fund and \$94 million to the Segregated Mortgage Fund.

Their breakdown was as follows: 62 per cent in the residential sector, 30 per cent in commercial buildings and eight per cent in industrial buildings.

Including the foregoing figures, building depreciation and reimbursements, investments totalled \$982 million at year-end, or \$951 million in mortgages and \$31 million in real estate, as shown in **Table 12**. In 1980, weighted average yield of General Fund investments was 10.33 per cent and that of Segregated Mortgage Fund (Fund "H") investments, 10.79 per cent.

Construction industry

The mortgage market was affected by the general decline in construction activities. The following statistics provide evidence of this downward trend: Québec housing starts dropped from 68,748 in 1976 to 43,671 in 1978 with a further decrease to 29,186 in 1980; the same trend prevailed in other construction sectors.

Unstable and spiralling interest rates which climbed from a little over 10 per cent in 1978 to over 15 per cent at year-end created a psychotic atmosphere with lenders hesitating to grant rates which ultimately might have proven too low and borrowers afraid to commit themselves to rates which could have been too high.

Mortgages have been negotiated traditionally at fixed long-term rates. Over the past few years, terms have decreased from 30 or 25 years to five years, even three years and one year in the case of single-family units. In addition, lenders devised all kinds of revenue or profit-sharing formulae to ensure that the yield would keep pace with inflation. They also try to protect their capital against erosion by demanding a share of the increment value of buildings they finance.

5 Once involved in such compromises, several institutions also tackle building acquisitions and real estate development, mainly as a hedge against inflation. The Caisse took a few steps in this direction in 1980 but it is exercising great caution since this is a new direction. Initially, it decided to participate in the development of a condominium on its land near Les Jardins de Mérci complex in Québec City and to acquire an office building in Sainte-Foy. It intends to pursue this type of activity by acting on promising opportunities.

In short, 1980 was a year of hesitation because of unstable markets and adaptation to new formulae; it was a waiting period. As a result, start-up of some projects was delayed and at December 31st, Caisse commitments in 1981 outlays totalled \$160 million, the highest outstanding amount ever recorded at year-end. By sector, these commitments break down as follows: residential, 53 per cent; commercial buildings, 39 per cent; and industrial buildings, eight per cent.

There is no doubt changes in people's way of life will influence the distribution of Caisse mortgage and real estate investment portfolios as well as in other economic fields. Among others, condominiums, which have been very popular in Ontario, are gaining momentum in Québec while the increased number of service industry employees creates a demand for additional office space and the leisure society calls for a proliferation of sports complexes and resort centres.

If it may be said that the real estate sector is slower to react to change than other sectors due to the time needed to design and complete projects, the development nonetheless takes place and is reflected in activities of the Caisse from year to year, as shown in **Graph 11**.

FUNDS UNDER MANAGEMENT

To facilitate interpretation of duly audited financial statements appearing in Section 6, the Caisse submits a summary of operating results of each of its funds for the year ended December 31st, 1980.

GENERAL FUND

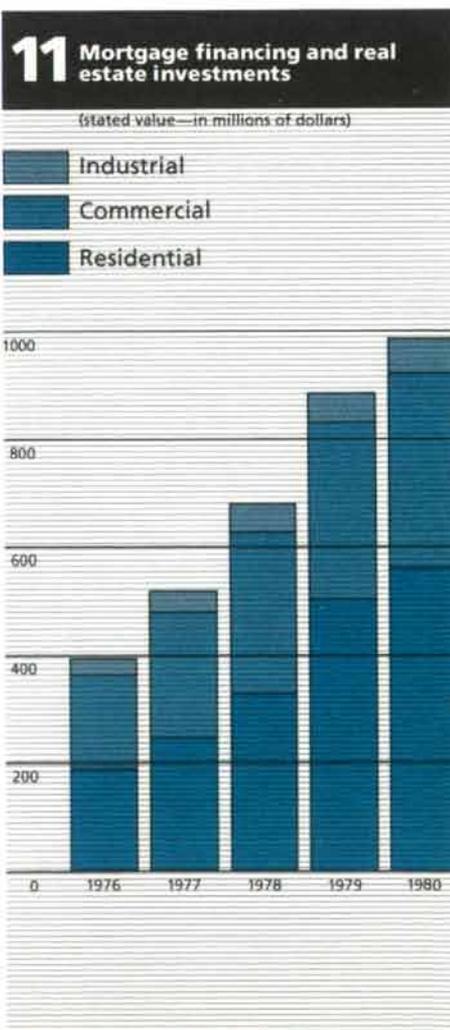
General Fund assets totalled \$8.30 billion at December 31st, an increase of \$1.17 billion during the year. Investments amounted to \$8.13 billion while accrued revenues and other assets accounted for the balance.

Table 17 gives the portfolio distribution and shows the changes which occurred during the year. It also indicates a weighted average yield of 10.42 per cent and a market value of \$7.42 billion at year-end—\$705.6 million lower than stated value.

Net contributions of General Fund depositors totalled \$438.1 million in 1980 compared with \$437.4 million the previous year. Net income for the year was \$724.9 million and, as shown in **Table 21**, the yield on participation deposits rose from 9.59 per cent in 1979 to 10.20 per cent in 1980. At year-end, the fund unit showed a realization value of \$784 in relation to \$812 at the end of 1979.

SEGREGATED FUNDS

At December 31st, 1980, combined assets of the four segregated funds totalled \$2.44 billion, an increase of \$534.2 million, or 28 per cent, in relation to the previous year. These funds were equivalent to 20.8 per cent of all assets under Caisse management and broke down as follows: Fund "O", \$1,070.2 million; Fund "G", \$112 million; Fund "A", \$719.1 million; and Fund "H", \$542.5 million. **Table 19** provides a breakdown of portfolios by investment categories, changes during the year and weighted average yields.



There are five participants in the segregated funds and their net deposits totalled \$292.2 million in 1980 against \$275 million in 1979. Combined investments in these funds amounted to \$2.40 billion at year-end, an increment of \$528.7 million. The largest increases were recorded in funds "O" and "A", corresponding to \$275.2 million and \$182.6 million, respectively. Fund "H" investments grew by \$69.9 million. Overall income for the year, after net transfers of \$9.2 million to the general reserve account, was \$215.3 million in relation to \$180.3 million in 1979.

Regulation and policy changes

Segregated fund operations were modified somewhat in 1980. Section 45 of the regulations of the Caisse came into force January 1st. It stems from Section 23 c) of its Act and reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of capital gain or loss on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them.

"The net income of a fiscal period of a fund corresponds to the gross income of the fiscal period of such fund less paid and accrued operating and administrative costs allocated among the funds..."

In view of the practices followed since establishment of the funds, implementation of the new regulations called for the following changes:

- net income of each fund is now allocated and paid to depositors; before January 1st, 1980, it was accumulated in the fund;
- the setting-up, on the balance sheet of each fund, of an account called general reserve in which profit and loss on sales of securities are accumulated;

- the allocation of Caisse administrative expenditures among the various funds according to the nature and amount of investments. Previously, management fees were charged directly to depositors on the basis of agreed rates;

- accumulated income at December 31st, 1979, remains in each segregated fund until new regulations specify their distribution.

Moreover, the Caisse agreed to intensify its role as investment counsellor to depositors in its segregated funds. To this end, a management committee was appointed; it regularly meets with administrators of the various pension plans to acquaint them with policies followed and to propose investment programs best suited to their requirements.

Fund "O"

Assets of the Segregated Bond Fund recorded an increase of \$284.4 million to total \$1.07 billion at the end of the year. It comprised \$1.03 billion in bonds and \$41.9 million in deposits in the General Fund and accrued interest. Market value of investments totalled \$925.7 million—\$117.4 million lower than stated value.

Net income for the year reached \$102 million after transfer of \$12.5 million from the general reserve account which had a debit balance of \$12.4 million at December 31st. Accumulated income at December 31st, 1979, stood at \$183.2 million.

At year-end, the realization value of Fund "O" participation deposit units amounted to \$1,923.69 and, as shown in **Table 23**, average yield on such deposits was 10.97 per cent in 1980.

Fund "G"

At December 31st, assets of the Segregated Government Bond Fund were \$112 million. They included \$106.3 million in Québec public sector issues and \$5.7 million in deposits and accrued income. The year's net income of \$11 million was allocated to the sole participant; accumulated income at December 31st, 1979, was \$25.3 million.

Market value of investments in the Fund was \$88.2 million, a \$20.8 million shortfall in relation to stated value. **Table 24** shows the yield on participation deposits averaged 9.89 per cent in 1980. At year-end, the unit realization value was \$1,065.40.

Fund "A"

At December 31st, assets of the Segregated Stock Fund were \$719.1 million, an increase of \$184.4 million during the year, mainly as a result of the issue of \$153.1 million in participation deposit units. After transfer of \$22.1 million in net profits on the sale of securities to the general reserve account, income for the year amounted to \$49.5 million.

Overall market value of investments was \$970.2 million at year-end, or a capital appreciation of \$258.6 million. Fund "A" units had a realization value of \$2,923.70. As shown in **Table 25**, the yield on participation deposits was 8.22 per cent.

Fund "H"

Assets of the Segregated Mortgage Fund increased by \$64.4 million in 1980 to \$542.5 million at December 31st. The Fund included, among others, \$525.6 million in mortgages, \$9.3 million in demand deposits and accrued income of \$7.6 million. Overall market value of investments was \$479 million, \$55.9 million less than stated value.

Mortgage investments rose by \$61.8 million during the year. At December 31st, residential mortgages represented 80.9 per cent of this portfolio in relation to 81.6 per cent in 1979. Because of higher mortgage interest rates, the unit realization value was \$1,951.74. Net income for the year totalled \$52.8 million and the yield of participation deposits in the Fund was 10.45 per cent, as indicated in **Table 26**.

INDIVIDUAL FUND

Assets of the Individual Fund, whose sole depositor is the Commission de la santé et de la sécurité du travail, recorded an increment of \$212.1 million in 1980 for a total of \$962.7 million. It comprised \$936.6 million in bonds, \$2.2 million in demand deposits and \$23.9 million in accrued income.

Regulations and policies

Regulations covering Individual Fund operations were approved by the Government in 1979 and implemented on January 1st, 1980. They stipulate that the fund's net income must be paid to the depositor. However, income earned before January 1st, 1980, remains in the "income to be paid out to depositor" account until new regulations provide for its attribution. In the past, the Caisse charged management fees to the Individual Fund; administrative expenditures are now allocated to this fund according to the method provided for in Caisse regulations.

At the end of 1980, the Commission and the Caisse agreed to diversify the Individual Fund portfolio which had so far consisted only of bonds. The investment program has provided for the channelling of large sums to stock and mortgage markets during the next two years.

Operating results

In 1980, the Commission made net contributions of \$190 million for investment in the Individual Fund of the Caisse; 1979 remittances had totalled \$185 million. Net income amounted to \$88.5 million, including a sum of \$3.5 million transferred from the general reserve.

Table 20 provides a breakdown of the portfolio as well as changes during the year. At December 31st, market value of investments was \$797.4 million, a shortfall of \$141.4 million in relation to stated value. The portfolio's weighted average yield to maturity improved from 10.56 per cent in 1979 to 11.08 per cent in 1980. According to **Table 22**, the yield on participation deposits was 10.59 per cent.

DEPOSITORS

Table 27 shows the trend in depositors' net contributions during the past five years. They increased from \$592.8 million in 1976 to \$888.1 million in 1980, an increment of 49.8 per cent. During the year, the largest contribution totalled \$258.6 million and was made by the Government and public employees retirement plan.

Table 28 shows depositors' financial position based on market value of their investments and deposits at December 31st, 1980. Their overall assets totalled \$10.91 billion compared with \$9.19 billion at the end of 1979.

The distribution shows that, as in 1979, the five largest depositors held over 99 per cent of these assets. The Régie des rentes du Québec remained the most important depositor in the Caisse even though its relative share of assets decreased anew from 62.4 per cent last year to 58.7 per cent.

Of the other four depositors, the total share of plans administered by the Commission administrative du régime de retraite advanced the most, from 13.3 per cent in 1979 to 15.3 per cent. The others, in order of importance are: Commission de la santé et de la sécurité du travail (9.6 per cent), Office de la construction du Québec (8.2 per cent) and Régie de l'assurance automobile du Québec (7.6 per cent). At 94.5 per cent, participation deposits remained the main component of depositors' overall assets.

Tables 29 to 34 inclusively show detailed financial situation of main depositors for the five-year period ended December 31st, 1980.

TRIBUTE TO STAFF

The Caisse is not exempt from problems and risks which nowadays are often the lot of financial institutions. It is therefore indeed pleased it could rely on a dedicated and competent staff to whom it extends its highly justified appreciation.



Jean Campeau

Montréal, February 16th, 1981

**FINANCIAL
STATEMENTS**

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Balance sheet
as at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Cash	\$ 451	\$ 1 084
Investment income accrued and receivable	168 098	127 511
Advances to participation deposit holders	—	8 259
Other assets	463	1 805
	169 012	138 659
Investments (Note 3)		
Portfolios:		
– Bonds	6 485 205	5 317 376
– Shares and convertible securities	879 393	720 246
– Mortgage and real estate investments	417 126	391 631
– Real estate	30 974	25 039
– Short-term investments	314 738	535 476
	8 127 436	6 989 768
	\$8 296 448	\$7 128 427
Liabilities		
Deposits (Note 4)		
Demand	\$ 210 483	\$ 279 339
Term	122 555	52 141
Income and interest to be paid out to depositors	205 871	165 959
Transactions in process of settlement	5 449	4 497
Other liabilities	5 171	4 786
	549 529	506 722
Participation deposit holders' equity		
Participation deposits (Note 6)	7 545 443	6 451 482
General reserve (Note 7)	201 476	170 223
	7 746 919	6 621 705
	\$8 296 448	\$7 128 427

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

On behalf of the Board of Directors,

Jean Campeau
Claude Legault

**Auditor's
Report**

I have examined the balance sheet of the General Fund of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure and the statement of income and interest to be paid out to depositors for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Income and expenditure
for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		(Note 9)
Interest on bonds	\$593 449	\$449 749
Dividends, interest on convertible securities	61 554	46 371
Interest on mortgage and real estate investments	41 451	32 566
Real estate revenue	2 764	2 912
Interest on short-term investments-net	77 828	92 776
	777 046	624 374
Profit and loss on sale of investments	31 133	50 690
Other income	12	180
Total income	808 191	675 244
Expenditure		
Administrative expenditures		
Salaries and fringe benefits	4 551	3 520
Travel expenses	178	155
Professional fees	399	750
Service fees on mortgages	1 323	1 039
Service and safekeeping charges	303	218
Fidelity and other insurance	183	199
Premises	579	490
Material and equipment	358	432
Stationery and office supplies	111	107
Documentation and information	139	120
Communications	142	99
	8 266	7 129
Allocation of administrative expenditures to other funds and portfolios (Note 8)	3 174	3 320
Administrative expenditures of the General Fund	5 092	3 809
Balance of income	803 099	671 435
Interest on demand and term deposits-net	47 024	40 525
Net income for the year	756 075	630 910
Transfer of profit and loss on sale of investments to general reserve (Note 7)	31 133	50 690
Income attributed to participation deposit holders	\$724 942	\$580 220

Income and interest to be paid out to depositors
for the year ended
December 31st, 1980
(in thousands of dollars)

	Deposit holders		Total
	Demand and term	Participation	
Balance to be paid out at beginning of year	\$ 5 176	\$160 783	\$165 959
Interest on demand and term deposits and income attributed to participation deposit holders	47 024	724 942	771 966
	52 200	885 725	937 925
Amounts paid	47 121	684 933	732 054
Balance to be paid out at year-end	\$ 5 079	\$200 792	\$205 871

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

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

Shares, land and short-term investments are accounted for at cost; bonds, convertible securities and buildings are accounted for at amortized cost. Mortgage and real estate investments negotiated directly with borrowers by the Caisse are accounted for at cost; mortgages negotiated en bloc with third parties are accounted for at amortized cost.

b) Recording of transactions

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

c) Participation deposits

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

d) General reserve

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

e) Dividend income

Dividends are taken into income on record date.

f) Interest on short-term investments—net

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

g) Fixed assets

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

h) Interest earned on advances

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

2. Consolidation

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

3. Market value of investments

At December 31st, 1980, the market value of investments was \$7 421 801 000 (1979, \$6 532 131 000).

4. Deposits

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

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

	1980 (in thousands of dollars)	1979 (in thousands of dollars)
Segregated funds		
Bonds (Fund "O")	\$ 14 816	\$ 33 099
Government bonds (Fund "G")	2 682	1 864
Stocks (Fund "A")	96 437	146 014
Mortgages (Fund "H")	9 334	1 165
Individual Fund	2 240	36 548
	\$125 509	\$218 690

5. Distribution of net income

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

6. Participation deposits

a) Changes during the year

	1980		1979	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	7 587 916	\$6 451 482	6 382 945	\$5 416 262
Units issued	1 395 445	1 094 859	1 204 971	1 035 220
Units cancelled	8 983 361 1 058	7 546 341 898	7 587 916	6 451 482
Balance at year-end	8 982 303	\$7 545 443	7 587 916	\$6 451 482

b) Realization value at December 31st

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Net assets of the Fund according to balance sheet	\$7 746 919	\$6 621 705
Deduct:		
Investments		
According to balance sheet	8 127 436	6 989 768
According to market value (Note 3)	7 421 801	6 532 131
	705 635	457 637
Total realization value of units	\$7 041 284	\$6 164 068
Unit realization value (in dollars)	\$ 784	\$ 812

7. General reserve

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning of year	\$ 170 223	\$ 119 533
Transferred from statement of income and expenditure	31 133	50 690
	201 356	170 223
Variance between book value and realization value of cancelled units of participation deposits	120	—
Balance at year-end	\$ 201 476	\$ 170 223

8. Administrative expenditures

Since January 1st, 1980, administrative expenditures are apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each. Formerly, management fees were charged directly and entered in the revenue of the General Fund; in 1979, they have been charged as follows:

To participants of segregated funds	\$2 206 000
To Fund "H"	614 000
To the Individual Fund	455 000
To portfolios under management	45 000
	\$3 320 000

9. Comparative figures

Certain comparative figures of the income and expenditure statement of 1979 have been reclassified to conform with the presentation adopted in 1980.

Balance sheetas at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Investments (Note 2)		
Bonds	\$936 589	\$697 018
Demand deposits in General Fund	2 240	36 548
	938 829	733 566
Accrued interest	23 829	16 834
Transactions in process of settlement	—	243
	\$962 658	\$750 643
Liabilities		
Account payable	\$ 20	\$ —
Income to be paid out to depositor (Note 4)	126 377	100 882
	126 397	100 882
Participation deposit holder's equity		
Participation deposits (Note 3)	839 760	649 761
General reserve (Notes 5 and 7)	(3 499)	—
	836 261	649 761
	\$962 658	\$750 643

On behalf of the Board of Directors,

Jean Campeau
Claude Legault**Income and expenditure**for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		
Interest on bonds and short-term investments	\$ 87 905	\$ 60 988
Interest on deposits in General Fund-net	1 129	3 519
	89 034	64 507
Profit and loss on sale of investments	(3 499)	(1 069)
	85 535	63 438
Expenditure		
Administrative expenditures (Note 6)	515	455
Net income for the year	85 020	62 983
Transfer of profit and loss on sale of investments to general reserve (Notes 5 and 7)	3 499	—
Income attributed to participation deposit holder (Note 7)	\$ 88 519	\$ 62 983

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

Auditor's Report

I have examined the balance sheet of the Individual Fund of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As stated in Note 7, the Caisse has been applying Section 45 of its new regulations since January 1st, 1980; in this connection it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holder by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

In my opinion, except for the fact that doubts exist as to the application of provisions of the Act and regulations concerning apportionment of income to the participation deposit holder as stated in the preceding paragraph, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

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

b) Recording of transactions

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

c) Participation deposits

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

d) Interest paid on advances

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

2. Market value of investments

At December 31st, 1980, the market value of investments was \$797 360 000 (1979, \$652 856 000).

3. Participation deposits

The holder of participation deposits in this Fund is the Commission de la santé et de la sécurité du travail.

	1980		1979
	Number of units	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning of year	569 051	\$649 761	\$464 761
Units issued	192 534	189 999	200 000
	761 585	839 760	664 761
Withdrawals during the year	—	—	15 000
Balance at year-end	761 585	\$839 760	\$649 761

In conformity with the new regulations which came into force on January 1st, 1980, a total of 569 051 units were assigned to participation deposits of \$649 761 000 at December 31st, 1979.

4. Income to be paid out to depositor

At December 31st, 1980, income to be paid out to the depositor consisted of \$25 495 000 representing income of the last quarter of the year 1980 paid to the depositor January 1st, 1981, and of \$100 882 000 representing income for the years 1978 and 1979. The Caisse is now studying amendments to be made to its regulations to define modalities of disposal of the latter amount.

5. General reserve

The general reserve is made up of profits or losses on sale of investments and, if such is the case the variance between book value and realization value of cancelled units of participation deposits.

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Transfer from statement of income and expenditure and balance at year-end (debit)	\$ (3 499)	\$ —

6. Administrative expenditures

Since January 1st, 1980, administrative expenditures are paid for by the General Fund and apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each.

Management fees and safekeeping charges debited to the Fund during 1979 totalled \$455 000.

7. Distribution of net income

Since its coming into force January 1st, 1980, the Caisse has been applying Section 45 of its regulations which reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss in capital on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them."

Following the audit of the financial operations of the Fund, it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holder by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

The Caisse is now studying amendments to be made to its Act and regulations with a view to regularizing this situation.

**SEGREGATED FUND—
BONDS**
(FUND "O")

Caisse de dépôt et placement du Québec
(R.S.Q., chapter C-2)

Financial statements

Balance sheet
as at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Investments (Note 2)		(Note 8)
Bonds	\$1 028 221	\$734 735
Demand deposits in General Fund	14 816	33 099
	1 043 037	767 834
Accrued interest	27 125	18 007
	\$1 070 162	\$785 841
Liabilities		
Income to be paid out to depositors	\$ 10 167	\$ —
Transactions in process of settlement	1 533	3 469
	11 700	3 469
Participation deposit holders' equity		
Participation deposits (Note 3)	887 603	598 971
Accumulated income at December 31st, 1979 (Note 4)	183 248	183 248
General reserve (Notes 5 and 7)	(12 389)	153
	1 058 462	782 372
	\$1 070 162	\$785 841

On behalf of the Board of Directors,

Jean Campeau
Claude Legault

**Income
and expenditure**
for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		
Interest on bonds	\$ 96 773	\$59 843
Interest on short-term investments	2 560	4 158
Interest on deposits in General Fund—net	3 200	6 162
	102 533	70 163
Profit and loss on sale of investments	(12 542)	(12 103)
	89 991	58 060
Expenditure		
Administrative expenditures (Note 6)	559	—
Net income for the year	89 432	
Net income for the year transferred to accumulated income	—	\$58 060
Transfer of profit and loss on sale of investments to general reserve (Notes 5 and 7)	12 542	
Income attributed to participation deposit holders (Note 7)	\$101 974	

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

**Auditor's
Report**

I have examined the balance sheet of the Segregated Fund-Bonds (Fund "O") of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As stated in Note 7, the Caisse has been applying Section 45 of its new regulations since January 1st, 1980; in this connection it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holders by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

In my opinion, except for the fact that doubts exist as to the application of provisions of the Act and regulations concerning apportionment of income to the participation deposit holders as stated in the preceding paragraph, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

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

b) Recording of transactions

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

c) Participation deposits

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

d) Interest paid on advances

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

2. Market value of investments

At December 31st, 1980, the market value of investments was \$925 665 000 (1979, \$697 294 000).

3. Participation deposits

	1980		1979	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	342 091	\$598 971	281 577	\$468 674
Units issued	147 119	288 632	63 635	135 549
	489 210	887 603	345 212	604 223
Units cancelled	—	—	3 121	5 252
Balance at year-end	489 210	\$887 603	342 091	\$598 971

4. Accumulated income at December 31st, 1979

The Caisse is now studying amendments to be made to its regulations with a view to defining the modalities of disposal of this accumulated income.

Accumulated income at December 31st, 1979, was adjusted by \$1 534 000 to take into account the share of such income attributable to units of participation cancelled during 1979.

5. General reserve

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

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning of year	\$ 153	\$ —
Variance (restated) between book value and realization value of cancelled units of participation	—	153
Transfer from statement of income and expenditure	(12 542)	—
Balance at year-end (debit)	\$ (12 389)	\$ 153

The variance at December 31st, 1979, has been restated to take into account the correction of accumulated income referred to in Note 4.

6. Administrative expenditures

Since January 1st, 1980, administrative expenditures are paid for by the General Fund and apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each.

Management fees charged directly to depositors during 1979 totalled \$656 000.

7. Distribution of net income

Until December 31st, 1979, the net income of segregated funds was held as accumulated income in each fund.

Since its coming into force January 1st, 1980, the Caisse has been applying Section 45 of its regulations which reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss in capital on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them."

Following the audit of the financial operations of the Fund, it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holders by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

The Caisse is now studying amendments to be made to its Act and regulations with a view to regularizing this situation.

8. Comparative figures

Certain comparative figures of the balance sheet for 1979 have been restated to conform with the presentation for 1980.

**SEGREGATED FUND –
GOVERNMENT BONDS**
(FUND "G")

Caisse de dépôt et placement du Québec
(R.S.Q., chapter C-2)

Financial statements

Balance sheet
as at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Investments (Note 2)		(Note 8)
Bonds	\$106 302	\$106 251
Demand deposits in General Fund	2 682	1 864
	108 984	108 115
Accrued interest	3 051	2 982
	\$112 035	\$111 097
Liabilities		
Income to be paid out to depositor	\$ 938	\$ —
Participation deposit holder's equity		
Participation deposits (Note 3)	86 116	86 116
Accumulated income at December 31st, 1979 (Note 4)	25 293	25 293
General reserve (Note 5)	(312)	(312)
	111 097	111 097
	\$112 035	\$111 097

On behalf of the Board of Directors,

Jean Campeau
Claude Legault

**Income
and expenditure**
for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		
Interest on bonds	\$ 10 754	\$ 9 701
Interest on deposits in General Fund-net	327	760
	11 081	10 461
Expenditure		
Administrative expenditures (Note 6)	66	—
Net income for the year	11 015	—
Net income for the year transferred to accumulated income	—	\$ 10 461
Income attributed to participation deposit holder (Note 7)	\$ 11 015	

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

**6 Auditor's
Report**

I have examined the balance sheet of the Segregated Fund—Government bonds (Fund "G") of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

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

b) Recording of transactions

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

c) Participation deposits

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

d) Interest paid on advances

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

2. Market value of investments

At December 31st, 1980, the market value of investments was \$88 249 000 (1979, \$94 502 000).

3. Participation deposits

At December 31st, 1979 and 1980, there was only one deposit holder in this Fund.

	1980		1979	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning and year-end	84 816	\$86 116	84 816	\$86 116

4. Accumulated income at December 31st, 1979

The Caisse is now studying amendments to be made to its regulations with a view to defining the modalities of disposal of this accumulated income.

Accumulated income at December 31st, 1979, was adjusted by \$496 000 to take into account the share of such income attributable to units of participation cancelled during 1977.

5. General reserve

The general reserve is made up of profits or losses on sale of investments and, if such is the case the variance between book value and realization value of cancelled units of participation deposits.

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning and year-end (debit)		
Variance (restated) between book value and realization value of cancelled units of participation	\$ (312)	\$ (312)

The variance at December 31st, 1979, has been restated to take into account the correction of accumulated income referred to in Note 4.

6. Administrative expenditures

Since January 1st, 1980, administrative expenditures are paid for by the General Fund and apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each.

Management fees charged directly to depositors during 1979 totalled \$100 000.

7. Distribution of net income

Until December 31st, 1979, the net income of segregated funds was held as accumulated income in each fund.

Since its coming into force January 1st, 1980, the Caisse has been applying Section 45 of its regulations which reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss in capital on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them."

8. Comparative figures

Certain comparative figures of the balance sheet for 1979 have been restated to conform with the presentation for 1980.

**SEGREGATED FUND—
STOCKS**
(FUND "A")

Caisse de dépôt et placement du Québec
(R.S.Q., chapter C-2)

Financial statements

Balance sheet
as at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Investments (Note 2)		(Note 8)
Shares and convertible securities	\$615 106	\$382 885
Demand deposits in General Fund	96 437	146 014
	711 543	528 899
Investment income accrued and receivable	7 584	5 735
	\$719 127	\$534 634
Liabilities		
Income to be paid out to depositors	\$ 7 463	\$ —
Transactions in process of settlement	3 390	1 552
	10 853	1 552
Participation deposit holders' equity		
Participation deposits (Note 3)	557 232	404 179
Accumulated income at December 31st, 1979 (Note 4)	129 634	129 634
General reserve (Note 5)	21 408	(731)
	708 274	533 082
	\$719 127	\$534 634

On behalf of the Board of Directors,

Jean Campeau
Claude Legault

**Income
and expenditure**
for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		
Dividends, interest on convertible securities	\$ 34 870	\$ 22 120
Interest on short-term investments	737	3 134
Interest on deposits in General Fund—net	14 362	7 310
	49 969	32 564
Profit and loss on sale of investments	22 139	36 050
	72 108	68 614
Expenditure		
Administrative expenditures (Note 6)	496	—
Net income for the year	71 612	
Net income for the year transferred to accumulated income	—	\$ 68 614
Transfer of profit and loss on sale of investments to general reserve (Note 5)	(22 139)	
Income attributed to participation deposit holders (Note 7)	\$ 49 473	

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

**Auditor's
Report**

I have examined the balance sheet of the Segregated Fund—Stocks (Fund "A") of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

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

b) Recording of transactions

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

c) Participation deposits

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

d) Dividend income

Dividends are taken into income on record date.

e) Interest paid on advances

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

2. Market value of investments

At December 31st, 1980, the market value of investments was \$970 160 000 (1979, \$685 204 000).

3. Participation deposits

	1980		1979	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	275 077	\$404 179	217 883	\$278 796
Units issued	55 631	153 053	58 785	127 469
Units cancelled	330 708	557 232	276 668	406 265
	—	—	1 591	2 086
Balance at year-end	330 708	\$557 232	275 077	\$404 179

4. Accumulated income at December 31st, 1979

The Caisse is now studying amendments to be made to its regulations with a view to defining the modalities of disposal of this accumulated income.

Accumulated income at December 31st, 1979, was adjusted by \$313 000 to take into account the share of such income attributable to units of participation cancelled during 1979.

5. General reserve

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

	1980 (in thousands of dollars)	1979 (in thousands of dollars)
Balance at beginning of year (debit)	\$ (731)	\$ —
Variance (restated) between book value and realization value of cancelled units of participation	—	(731)
Transfer from statement of income and expenditure	22 139	—
Balance at year-end	\$21 408	\$ (731)

The variance at December 31st, 1979, has been restated to take into account the correction of accumulated income referred to in Note 4.

6. Administrative expenditures

Since January 1st, 1980, administrative expenditures are paid for by the General Fund and apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each.

Management fees charged directly to depositors during 1979 totalled \$819 000.

7. Distribution of net income

Until December 31st, 1979, the net income of segregated funds was held as accumulated income in each fund.

Since its coming into force January 1st, 1980, the Caisse has been applying Section 45 of its regulations which reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss in capital on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them."

8. Comparative figures

Certain comparative figures of the balance sheet for 1979 have been restated to conform with the presentation for 1980.

**SEGREGATED FUND—
MORTGAGES**
(FUND "H")

Caisse de dépôt et placement du Québec
(R.S.Q., chapter C-2)

Financial statements

Balance sheet
as at December 31st, 1980
(in thousands of dollars)

Assets	1980	1979
Investments (Note 2)		(Note 8)
Mortgage and real estate investments	\$525 555	\$463 788
Demand deposits in General Fund	9 334	1 165
	534 889	464 953
Accrued interest	7 575	10 533
Due by mortgagors—real estate taxes	—	2 616
	\$542 464	\$478 102
Liabilities		
Income to be paid out to depositors	\$ 14 160	\$ —
Mortgagor deposits	3 397	959
Deferred income	111	—
	17 668	959
Participation deposit holders' equity		
Participation deposits (Note 3)	395 621	347 545
Accumulated income at December 31st, 1979 (Note 4)	129 482	129 482
General reserve (Notes 5 and 7)	(307)	116
	524 796	477 143
	\$542 464	\$478 102

On behalf of the Board of Directors,
Jean Campeau
Claude Legault

**Income
and expenditure**
for the year ended
December 31st, 1980
(in thousands of dollars)

Income	1980	1979
Investment income		(Note 8)
Interest on mortgage and real estate investments	\$ 51 992	\$ 43 442
Interest on short-term investments	—	120
Interest on deposits in General Fund—net	2 253	162
	54 245	43 724
Other income	6	—
	54 251	43 724
Profit and loss on sale of investments	(423)	91
	53 828	43 815
Expenditure		
Administrative expenditures (Note 6)	1 402	614
Net income for the year	52 426	—
Net income for the year transferred to accumulated income	—	\$ 43 201
Transfer of profit and loss on sale of investments to general reserve (Notes 5 and 7)	423	—
Income attributed to participation deposit holders (Note 7)	\$ 52 849	

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

**Auditor's
Report**

I have examined the balance sheet of the Segregated Fund—Mortgages (Fund "H") of the Caisse de dépôt et placement du Québec as at December 31st, 1980 and the statement of income and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

As stated in Note 7, the Caisse has been applying Section 45 of its new regulations since January 1st, 1980; in this connection it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holders by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

In my opinion, except for the fact that doubts exist as to the application of provisions of the Act and regulations concerning apportionment of income to the participation deposit holders as stated in the preceding paragraph, the investments and the financial transactions of the Fund were made in compliance with the Act respecting the Caisse de dépôt et placement du Québec and these financial statements present fairly the financial position of this Fund as at December 31st, 1980 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles and the particular accounting policies mentioned in the financial statements, applied on a basis consistent with that of the preceding year.

Gérard Larose, C.A.
Auditor-General
Québec, March 9th, 1981

Notes to financial statements

1. Disclosure of significant accounting policies

a) Investments

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

b) Participation deposits

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

c) Interest paid on advances

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

2. Market value of investments

At December 31st, 1980, the market value of investments was \$478 967 000 (1979, \$430 790 000).

3. Participation deposits

	1980		1979	
	Number of units	(in thousands of dollars)	Number of units	(in thousands of dollars)
Balance at beginning of year	216 245	\$347 545	183 466	\$279 611
Units issued	23 988	48 076	35 399	71 992
	240 233	395 621	218 865	351 603
Units cancelled	—	—	2 620	4 058
Balance at year-end	240 233	\$395 621	216 245	\$347 545

4. Accumulated income at December 31st, 1979

The Caisse is now studying amendments to be made to its regulations with a view to defining the modalities of disposal of this accumulated income.

Accumulated income at December 31st, 1979, was adjusted by \$1 406 000 to take into account the share of such income attributable to units of participation cancelled during 1979.

5. General reserve

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

	1980	1979
	(in thousands of dollars)	(in thousands of dollars)
Balance at beginning of year	\$ 116	\$ —
Variance (restated) between book value and realization value of cancelled units of participation	—	116
Transfer from statement of income and expenditure	(423)	—
Balance at year-end (debit)	\$(307)	\$116

The variance at December 31st, 1979, has been restated to take into account the correction of accumulated income referred to in Note 4.

6. Administrative expenditures

Since January 1st, 1980, administrative expenditures are paid for by the General Fund and apportioned among the various funds and portfolios on a pro rata basis of the weighted assets of each.

During 1979, management fees totalling \$631 000 were charged directly to depositors in addition to mortgage service fees of \$614 000 charged directly to the Fund.

7. Distribution of net income

Until December 31st, 1979, the net income of segregated funds was held as accumulated income in each fund.

Since its coming into force January 1st, 1980, the Caisse has been applying Section 45 of its regulations which reads as follows: "At the closing of the fiscal period of a fund, the net income of the fiscal period is established and, after transfer of the amount of profit or loss in capital on the sale of securities to the general reserve account of the fund, the balance of net income is apportioned among the depositors of the fund on a pro rata basis of the number of units of participation held by each of them."

Following the audit of the financial operations of the Fund, it now appears doubtful that the new provisions of the Act and regulations of the Caisse make it possible to establish the income to be attributed to the participation deposit holders by adding to the net income for the year a transfer which results in a debit balance in the general reserve.

The Caisse is now studying amendments to be made to its Act and regulations with a view to regularizing this situation.

8. Comparative figures

Certain comparative figures of the financial statements for 1979 have been restated to conform with the presentation for 1980.

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Total funds Summary of investments as at December 31st, 1980

(in millions of dollars)

Stated value %	Breakdown of portfolios	General Fund	Segregated funds	Individual Fund	Portfolios under management	TOTAL ⁽¹⁾		Net change in 1980 (stated value)
						Nominal value	Stated value	
Long-term investments								
Bonds								
Issued or guaranteed by the Government of Canada								
5.45	Government of Canada	344.5	158.3	122.4	1.4	723.3	626.6	211.1
—	Other	—	—	—	0.2	0.2	0.2	—
5.45		344.5	158.3	122.4	1.6	723.5	626.8	211.1
Issued or guaranteed by the Gouvernement du Québec								
35.58	Gouvernement du Québec	3 246.1	434.5	374.0	39.6	4 129.4	4 094.2	927.4
16.71	Hydro-Québec	1 546.3	191.9	168.8	15.9	1 969.2	1 922.9	431.6
1.00	Sidbec	100.8	10.0	5.0	—	116.0	115.8	(2.4)
0.11	Other	11.5	—	—	1.0	13.1	12.5	(0.2)
53.40		4 904.7	636.4	547.8	56.5	6 227.7	6 145.4	1 356.4
Guaranteed by grants								
0.90	Cegeps	67.2	19.9	12.2	4.7	106.5	104.0	3.8
0.60	Hospitals	42.8	12.2	5.3	8.6	70.0	68.9	3.4
0.88	Universities	54.2	22.6	20.3	3.9	103.4	101.0	4.9
0.12	Social service centres	6.4	4.0	3.0	—	13.4	13.4	13.4
2.50		170.6	58.7	40.8	17.2	293.3	287.3	25.5
Municipal and school								
3.98	Municipalities	237.3	111.7	61.1	47.6	472.4	457.7	58.2
2.01	School boards	153.5	27.3	30.2	21.1	237.5	232.1	12.6
5.99		390.8	139.0	91.3	68.7	709.9	689.8	70.8
0.01	Other governments	—	—	—	0.9	0.9	0.9	(0.1)
8.38	Corporate	674.6	142.1	134.3	13.3	988.7	964.3	18.4
75.73	Total bonds	6 485.2	1 134.5	936.6	158.2	8 944.0	8 714.5	1 682.1
Mortgage financing								
Residential								
4.32	Insured mortgages	83.3	413.3	—	0.2	—	496.8	47.4
0.24	Conventional mortgages	7.6	12.1	—	8.0	—	27.7	8.5
4.56		90.9	425.4	—	8.2	—	524.5	55.9
3.04	Commercial	275.5	73.6	—	0.1	—	349.2	29.7
0.45	Industrial	25.7	26.6	—	—	—	52.3	9.3
0.22	Other	25.0	—	—	—	—	25.0	—
8.27	Total mortgage financing	417.1	525.6	—	8.3	—	951.0	94.9

Shares and convertible securities								
1.90	Metals and minerals	129.5	89.0	—	—	—	218.5	53.7
—	Golds	—	—	—	—	—	—	(2.5)
1.30	Oil and gas	82.7	66.9	—	—	—	149.6	46.0
1.23	Paper and forest products	82.6	58.5	—	—	—	141.1	22.1
1.58	Consumer products	107.4	74.1	—	0.2	—	181.7	81.4
1.17	Industrial products	79.0	54.9	—	1.3	—	135.2	18.5
0.03	Real estate and construction	3.7	0.1	—	—	—	3.8	(1.2)
0.83	Transportation	55.3	40.4	—	—	—	95.7	51.9
0.22	Pipelines	13.9	11.0	—	—	—	24.9	10.0
1.25	Utilities	84.7	58.7	—	0.2	—	143.6	(0.1)
0.34	Communications and media	27.4	11.4	—	—	—	38.8	12.1
0.56	Merchandising	38.5	26.2	—	0.2	—	64.9	24.0
2.39	Financial services	157.2	118.4	—	—	—	275.6	78.4
0.20	Investment companies	17.5	5.5	—	—	—	23.0	(3.6)
13.00	Total shares and convertible securities	879.4	615.1	—	1.9	—	1 496.4	390.7
Real estate investments								
0.12	Land	13.7	—	—	—	—	13.7	(0.1)
0.15	Land and buildings	17.3	—	—	—	—	17.3	6.0
0.27	Total real estate investments	31.0	—	—	—	—	31.0	5.9
Total long-term investments	97.27	7 812.7	2 275.2	936.6	168.4	—	11 192.9	2 173.6
Short-term investments	2.73	314.7	—	—	—	317.9	314.7	(220.8)
Deposits in General Fund	—	(125.5)	123.3	2.2	—	—	—	—
Total investments⁽²⁾	100.00	8 001.9	2 398.5	938.8	168.4	—	11 507.6	1 952.8

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

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

Breakdown of long-term investments (in percentage)

69.24	Public sector	74.37	43.62	85.66	86.04	—	69.24	76.54
30.76	Private sector	25.63	56.38	14.34	13.96	—	30.76	23.46
100.00		100.00	100.00	100.00	100.00	—	100.00	100.00

13 Participation in new Gouvernement du Québec and Hydro-Québec issues on Canadian market in 1980

(in dollars)

Date of issue	Nature	Amount in nominal value	Date of maturity	Redeemable on or after	Interest rate	Yield to maturity	Price	Amount purchased by the Caisse (nominal value)
					%	%		
February 14th	Private	150 000 000	February 27th, 1986	—	13.125	13.125	100.00	150 000 000
May 2nd	Private	200 000 000	May 28th, 1995	—	12.78	12.78	100.00	200 000 000
July 28th	Private	200 000 000	August 15th, 1997	—	12.15	12.15	100.00	200 000 000
September 22nd	Private	200 000 000	October 8th, 1996	—	13.40	13.40	100.00	200 000 000
October 7th	Public	175 000 000	November 5th, 1984-1993	—	13.25	13.25 -13.25	100.00	25 000 000
November 26th	Public	137 000 000	December 22nd, 1985-1994	—	13.25	13.39 -13.33	99.50	50 000 000
November 26th	Public	63 000 000	December 22nd, 1995	—	13.75	13.85	99.375	25 000 000
December 8th	Private	63 000 000	December 22nd, 1985-1994	—	13.25	13.16 -13.20	100.32	63 000 000
December 8th	Private	62 000 000	December 22nd, 1995	—	13.75	13.56	101.20	62 000 000
Total—Gouvernement du Québec								975 000 000
March 19th	Public	160 000 000	April 15th, 1985-1990	—	14.00	14.00 -14.00	100.00	50 000 000
April 8th	Public	200 000 000	May 6th, 1986-1992	—	14.00	14.06 -14.04	99.75	100 000 000
June 25th	Private	200 000 000	July 15th, 2005	July 15th, 2000	11.75	11.75	100.00	90 000 000
September 3rd	Public	185 000 000	September 30th, 2005	September 30th, 2000	13.25	13.25	100.00	75 000 000
December 2nd	Private	85 000 000	December 14th, 1990-2000	—	13.25	13.32 -13.30	99.625	85 000 000
Total—Hydro-Québec								400 000 000
Total								1 375 000 000

14 Breakdown of acquisitions by the Caisse of new bonds issued or guaranteed by the Gouvernement du Québec on Canadian market

(nominal value — in millions of dollars)

Years ended December 31st	General Fund	Segregated funds	Individual Fund	Total	Issues	
					Private	Public
1966-1970	610.8	—	—	610.8	225.0	385.8
1971	162.5	—	—	162.5	120.0	42.5
1972	214.5	0.5	—	215.0	60.0	155.0
1973	209.2	0.8	—	210.0	50.0	160.0
1974	292.5	12.5	—	305.0	175.0	130.0
1975	381.4	17.9	—	399.3	238.0	161.3
1976	378.8	45.2	51.0	475.0	255.0	220.0
1977	375.0	120.0	65.0	560.0	450.0	110.0
1978	555.5	89.0	125.5	770.0	585.0	185.0
1979	837.0	121.0	132.0	1 090.0	910.0	180.0
1980	1 030.0	185.0	160.0	1 375.0	1 050.0	325.0
Total	5 047.2	591.9	533.5	6 172.6	4 118.0	2 054.6

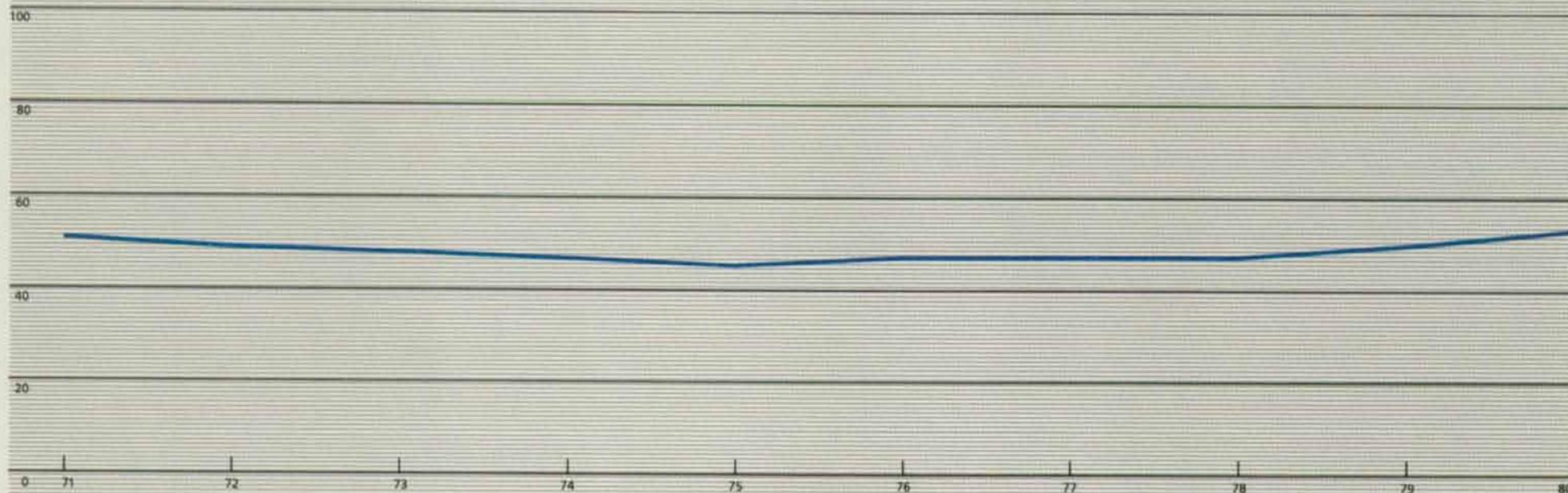
15 Acquisitions by the Caisse of new bonds issued or guaranteed by the Gouvernement du Québec on Canadian market

(nominal value — in millions of dollars)

Years ended December 31st	Gouvernement du Québec	Hydro- Québec	Sidbec	Other	Total
1966-1970	426.5	174.3	10.0	—	610.8
1971	77.5	65.0	20.0	—	162.5
1972	60.0	155.0	—	—	215.0
1973	85.0	125.0	—	—	210.0
1974	165.0	110.0	30.0	—	305.0
1975	183.2	160.0	54.3	1.8	399.3
1976	395.0	50.0	30.0	—	475.0
1977	450.0	110.0	—	—	560.0
1978	585.0	185.0	—	—	770.0
1979	775.0	315.0	—	—	1 090.0
1980	975.0	400.0	—	—	1 375.0
Total	4 177.2	1 849.3	144.3	1.8	6 172.6

16

Percentage of securities issued or guaranteed by the Gouvernement du Québec and held by the Caisse in relation to total investments as at December 31st



Securities issued or guaranteed by the Gouvernement du Québec
(stated value—in millions of dollars)

	Total investments (stated value—in millions of dollars)	Gouvernement du Québec	Hydro- Québec	Sidbec	Other	Total	Percentage
1971	1 731.9	579.2	298.0	—	11.0	888.2	51.3
1972	2 196.0	641.2	442.2	—	10.9	1 094.3	49.8
1973	2 900.8	776.7	588.0	29.9	12.2	1 406.8	48.5
1974	3 499.2	897.2	657.9	59.9	12.0	1 627.0	46.5
1975	4 235.3	1 003.1	796.7	112.1	11.8	1 923.7	45.4
1976	5 223.9	1 463.9	848.9	138.9	18.4	2 470.1	47.3
1977	6 288.0	1 867.6	963.5	143.4	13.9	2 988.4	47.5
1978	7 825.5	2 426.4	1 147.1	123.7	13.6	3 710.8	47.4
1979	9 554.8	3 166.8	1 491.3	118.2	12.7	4 789.0	50.1
1980	11 507.6	4 094.2	1 922.9	115.8	12.5	6 145.4	53.4

17 General Fund Summary of investments as at December 31st, 1980

(in thousands of dollars)

	Stated value %	Breakdown of portfolios	Number of issuers	Nominal value	Stated value	Market value	Yield ⁽¹⁾ %	Net change in 1980 (stated value)
Long-term investments		Bonds						
		Issued or guaranteed by the Government of Canada						
	4.24	Government of Canada	1	401 115	344 496	332 147	12.28	128 382
	—	Other	—	—	—	—	—	—
	4.24		1	401 115	344 496	332 147	12.28	128 382
		Issued or guaranteed by the Gouvernement du Québec						
	39.94	Gouvernement du Québec	1	3 277 182	3 246 031	2 667 038	10.55	725 768
	19.03	Hydro-Québec	1	1 583 120	1 546 349	1 238 013	10.31	275 818
	1.24	Sidbec	1	101 050	100 819	81 154	10.17	(2 439)
	0.14	Other	7	12 039	11 480	8 172	7.80	(88)
	60.35		10	4 973 391	4 904 679	3 994 377	10.46	999 059
		Guaranteed by grants						
	0.83	Cegeps	32	68 720	67 216	56 471	9.58	2 429
	0.52	Hospitals	39	43 473	42 768	35 167	9.13	1 064
	0.67	Universities	8	55 479	54 225	43 609	10.19	2 614
	0.08	Social service centres	1	6 405	6 382	6 248	13.74	6 382
	2.10		80	174 077	170 591	141 495	9.81	12 489
		Municipal and school						
	2.92	Municipalities	173	245 653	237 305	200 303	10.44	28 773
	1.89	School boards	106	157 357	153 500	125 512	9.91	7 019
	4.81		279	403 010	390 805	325 815	10.24	35 792
	—	Other governments	—	—	—	—	—	—
	8.30	Corporate	164	686 118	674 634	570 916	10.87	(7 893)
	79.80	Total bonds	534	6 637 711	6 485 205	5 364 750	10.57	1 167 829
		Mortgage financing						
		Residential						
	1.03	Insured mortgages	843	—	83 264	65 369	—	1 884
	0.09	Conventional mortgages	9	—	7 589	5 392	—	(759)
	1.12		852	—	90 853	70 761	—	1 125
	3.39	Commercial	79	—	275 539	218 849	—	19 743
	0.31	Industrial	28	—	25 734	22 411	—	4 627
	0.31	Other	1	—	25 000	21 630	—	—
	5.13	Total mortgage financing	960	—	417 126	333 651	10.28	25 495

	Shares and convertible securities						
1.59	Metals and minerals	9	—	129 564	226 908	6.12	16 609
—	Golds	—	—	—	—	—	(1 246)
1.02	Oil and gas	11	—	82 724	151 176	5.42	14 065
1.02	Paper and forest products	9	—	82 579	112 469	8.48	9 539
1.32	Consumer products	12	—	107 353	155 659	6.00	41 373
0.97	Industrial products	22	—	78 987	111 191	5.74	1 552
0.05	Real estate and construction	3	—	3 741	3 739	3.45	(1 201)
0.68	Transportation	4	—	55 234	100 724	7.81	29 159
0.17	Pipelines	5	—	13 927	19 949	6.47	3 967
1.04	Utilities	6	—	84 694	99 659	8.76	(4 673)
0.34	Communications and media	7	—	27 408	37 576	4.18	8 147
0.47	Merchandising	17	—	38 447	66 680	5.61	7 603
1.93	Financial services	13	—	157 234	259 825	8.22	34 965
0.22	Investment companies	6	—	17 501	30 309	23.29	(712)
10.82	Total shares and convertible securities	124	—	879 393	1 375 864	7.31	159 147
	Real estate investments						
0.17	Land	23	—	13 694	14 658	10.03	(124)
0.21	Land and buildings	12	—	17 280	18 140	10.07	6 059
0.38	Total real estate investments	35	—	30 974	32 798	10.05	5 935
Total long-term investments	96.13	—	—	7 812 698	7 107 063	10.19	1 358 406
Short-term investments	3.87	20	317 925	314 738	314 738	16.17	(220 738)
Total investments	100.00	—	—	8 127 436	7 421 801	10.42	1 137 668

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

18 General Fund—Statement of real estate investments held at December 31st, 1980 and real estate rented under long-term lease

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

Municipalities	Land and buildings	Cost	Net stated value
Baie-Comeau	Lot (block 59), Lafleche Township	\$6 071 120	\$6 071 120
Baie-d'Urfe	Lots (327-1, part 58-1 and part 343), Parish of Sainte-Anne	831 813	769 748
Dorval	Lots (87 and 88), Parish of Pointe-Claire	725 000	672 377
Jonquière	Lot (29-1), Rang 4, Jonquière Township	809 000	793 321
Laval	Lots (352-1-19, 20, 21, 22), Parish of Saint-Martin	170 000	165 091
Laval	Lot (616-3), Parish of Saint-Martin	900 000	809 167
Laval	Lots (616-7, 617-3, 618-12), Parish of Saint-Martin	1 602 516	1 431 745
Pointe-Claire	Lot (130-17), Parish of Pointe-Claire	1 680 000	1 602 959
Pointe-Claire	Lots (116-7, 117-6), Parish of Pointe-Claire	1 300 000	1 154 987
Sainte-Foy	Lots (86-51, 87-122, 91-48), Parish of Sainte-Foy	653 000	571 054
Saint-Laurent	Lots (477-3, 475-413), Parish of Saint-Laurent	1 400 000	1 196 609
Sherbrooke	Lots (113-5-1-1, 113-5-2-1, 113-11, 113-12-1, 113-12-2, 113-22, 113-23), Orford Township	425 000	405 167
Ville Mont-Royal	Lot (577-4), Parish of Saint-Laurent	1 712 639	1 636 451
	Sub-total	\$18 280 088	\$17 279 796

Municipalities	Land under long-term lease	Cost	Net stated value
Alma	Lots (36-B-1, 37-1 Rang 4), Labarre Township	\$300 000	\$300 000
Baie-Comeau	Lots (blocks 9-240, 241), Lafleche Township	40 000	40 000
Cap-de-la-Madeleine	Lots (552-5, 6, 7, 553-4, 5, 6, 554-21, 22) in the plan and official records of Champlain District, now incorporated into the Ville de Cap-de-la-Madeleine	200 000	200 000
Côte-Saint-Luc	Lot (101-141), Municipality of the Parish of Montréal	80 000	80 000
Hull	Lots (244-626, 244-363, 364, 365, 366, 244-408, 409, 410, 244 part 595), Subdivision 1	560 000	560 000
Laval	Lots (654-20, 21, 22, 23, part 654-57), Parish of Saint-Martin	84 000	84 000
Longueuil	Lot (parts 68-69), Parish of Saint-Antoine	500 000	500 000
Montréal	Lots (816, 817-1, 817-2, 818, 819, 820-1, 820-2, 821-1, 821-2, 1261, 1262), District of Saint-Jacques	2 400 000	2 400 000
Montréal	Lots (182-1 and 2), District of Saint-Laurent	250 000	250 000
Montréal	Lots (10-274A to 277A, 275 to 277, part 278, part 287, 291 and 294, 291A to 293A, and part 294A) of the Incorporated Village of Côte Saint-Louis	230 000	230 000
Montréal	Lots (1275 to 1279), Parish of Saint-Antoine	600 000	600 000
Montréal	Lots (1286, 1287, 1288, 1289, 1290, (-1-6) 1297A, 1297B, 1297B-1, 1297C, 1297D, 1901), Parish of Saint-Antoine	1 275 000	1 275 000
Québec	Lot (part 417-4), Parish of Saint-Roch Nord	66 680	66 680
Québec	Lots (227 N.S., 227-383 and 227-400), Parish of Saint-Colomb-de-Sillery	3 029 103	3 029 103
Québec	Lots (227-397, 398, 399), Parish of Saint-Colomb-de-Sillery	1 018 277	1 018 277
Québec	Lots (4536, 4547), Montcalm District	2 500 000	2 500 000
Québec	Lots (585-46, 585-54-3, 585-54-7, 585-54-4, 585-49-2, 585-49-1, 585-53-4-4), Parish of Saint-Roch Nord	85 000	85 000

Rivière-du-Loup	Lots (202-255, 246, 247, 248, 239-240), Ville de Fraserville	155 000	155 000
Sainte-Foy	Lot (61-55), Parish of Sainte-Foy	100 000	100 000
Sainte-Foy	Lot (403-540), Parish of Sainte-Foy	40 000	40 000
Sainte-Foy	Lot (110-1), Parish of Sainte-Foy	78 029	78 029
Sept-Îles	Lot (497 part 2) Rang 2, Village of Sept-Îles, Letellier Township	71 500	71 500
Sept-Îles	Lots (1842-1, 1493-1) Rang 2, Village of Sept-Îles, Letellier Township	31 500	31 500
Sub-total		\$13 694 089	\$13 694 089
Total real estate investments		\$31 974 177	\$30 973 885

19 Segregated funds Summary of investments as at December 31st, 1980

(in thousands of dollars)

	Stated value %	Breakdown of portfolios	Number of issuers	Nominal value	Stated value	Market value	Yield ⁽¹⁾ %	Net change in 1980 (stated value)
Fund "O"		Bonds						
		Issued or guaranteed by the Government of Canada						
	6.60	Government of Canada	1	189 740	158 362	156 897	12.64	47 723
	—	Other	—	—	—	—	—	—
	6.60		1	189 740	158 362	156 897	12.64	47 723
		Issued or guaranteed by the Gouvernement du Québec						
	15.62	Gouvernement du Québec	1	376 381	374 620	321 251	11.24	114 208
	7.31	Hydro-Québec	1	180 820	175 284	156 932	11.84	85 822
	0.41	Sidbec	1	10 000	9 967	8 106	10.64	1
	—	Other	—	—	—	—	—	—
	23.34		3	567 201	559 871	486 289	11.42	200 031
		Guaranteed by grants						
	0.68	Cegeps	17	16 804	16 303	13 876	10.75	871
	0.44	Hospitals	13	10 619	10 506	8 810	10.94	761
	0.83	Universities	7	20 576	20 068	16 264	11.09	2 689
	0.17	Social service centres	1	4 000	4 000	3 867	13.50	4 000
	2.12		38	51 999	50 877	42 817	11.14	8 321
		Municipal and school						
	3.84	Municipalities	76	94 443	92 086	80 130	11.35	18 298
	1.04	School boards	30	25 408	24 937	20 927	10.95	4 360
	4.88		106	119 851	117 023	101 057	11.27	22 658
	—	Other governments	—	—	—	—	—	—
	5.93	Corporate	56	150 562	142 088	123 789	11.35	14 753
	42.87	Total bonds	204	1 079 353	1 028 221	910 849	11.57	293 486
	—	Short-term investments	—	—	—	—	—	—
	0.62	Deposits in General Fund	—	14 816	14 816	14 816	17.54	(18 283)
	43.49	Total investments—Fund "O"	204	1 094 169	1 043 037	925 665	11.65	275 203
Fund "G"		Government bonds						
		Issued or guaranteed by the Gouvernement du Québec						
	2.50	Gouvernement du Québec	1	60 000	59 913	48 021	9.83	3
	0.69	Hydro-Québec	1	17 000	16 579	13 236	10.48	4
	—	Sidbec	—	—	—	—	—	—
	—	Other	—	—	—	—	—	—
	3.19		2	77 000	76 492	61 257	9.97	7
		Guaranteed by grants						
	0.15	Cegeps	9	3 690	3 602	3 082	10.54	9
	0.07	Hospitals	3	1 800	1 765	1 483	10.40	3
	0.11	Universities	3	2 550	2 489	1 896	10.46	1
	—	Social service centres	—	—	—	—	—	—
	0.33		15	8 040	7 856	6 461	10.49	13

	Municipal and school						
0.81	Municipalities	27	19 974	19 580	15 812	10.51	26
0.10	School boards	13	2 413	2 374	2 037	10.45	5
0.91		40	22 387	21 954	17 849	10.50	31
4.43	Total bonds	57	107 427	106 302	85 567	10.12	51
—	Short-term investments	—	—	—	—	—	—
0.11	Deposits in General Fund	—	2 682	2 682	2 682	17.54	818
4.54	Total investments—Fund "G"	57	110 109	108 984	88 249	10.30	869
Fund "A"							
	Shares and convertible securities						
3.71	Metals and minerals	10	—	88 969	143 475	5.64	37 171
—	Golds	—	—	—	—	—	(1 296)
2.79	Oil and gas	11	—	66 868	101 066	4.54	32 391
2.44	Paper and forest products	7	—	58 495	77 195	7.96	12 662
3.09	Consumer products	9	—	74 135	101 267	5.89	40 040
2.29	Industrial products	16	—	54 939	73 221	6.15	16 916
0.00	Real estate and construction	1	—	85	140	9.10	—
1.68	Transportation	2	—	40 404	62 927	6.81	22 788
0.46	Pipelines	4	—	11 010	12 842	4.59	6 007
2.45	Utilities	5	—	58 665	61 891	9.06	4 602
0.48	Communications and media	4	—	11 422	17 876	5.17	3 929
1.09	Merchandising	9	—	26 150	39 284	4.80	16 448
4.94	Financial services	9	—	118 399	170 924	7.33	43 433
0.23	Investment companies	1	—	5 565	11 615	9.26	(2 870)
25.65	Total shares and convertible securities	88	—	615 106	873 723	6.52	232 221
—	Short-term investments	—	—	—	—	—	—
4.02	Deposits in General Fund	—	96 437	96 437	96 437	17.54	(49 577)
29.67	Total investments—Fund "A"	88	—	711 543	970 160	8.01	182 644
Fund "H"							
	Mortgage financing						
	Residential						
17.23	Insured mortgages	20 074	—	413 313	370 175	—	45 531
0.50	Conventional mortgages	157	—	12 028	10 996	—	1 505
17.73		20 231	—	425 341	381 171	—	47 036
3.07	Commercial	124	—	73 599	64 571	—	10 022
1.11	Industrial	63	—	26 615	23 891	—	4 709
—	Other	—	—	—	—	—	—
21.91	Total mortgage financing	20 418	—	525 555	469 633	10.79	61 767
—	Short-term investments	—	—	—	—	—	—
0.39	Deposits in General Fund	—	9 334	9 334	9 334	17.54	8 169
22.30	Total investments—Fund "H"	20 418	—	534 889	478 967	10.91	69 936
Total investments	100.00	—	—	2 398 453	2 463 041	10.34	528 652

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

20 Individual Fund Summary of investments as at December 31st, 1980

(in thousands of dollars)

	Stated value %	Breakdown of portfolio	Number of issuers	Nominal value	Stated value	Market value	Yield ⁽¹⁾ %	Net change in 1980 (stated value)
Bonds								
		Issued or guaranteed by the Government of Canada						
	13.04	Government of Canada	1	131 075	122 431	105 224	10.81	35 363
	—	Other	—	—	—	—	—	—
	13.04		1	131 075	122 431	105 224	10.81	35 363
		Issued or guaranteed by the Gouvernement du Québec						
	39.84	Gouvernement du Québec	1	375 695	373 999	313 262	10.96	94 483
	17.97	Hydro-Québec	1	172 100	168 767	146 178	11.46	69 983
	0.53	Sidbec	1	5 000	4 984	4 039	10.59	1
	—	Other	—	—	—	—	—	—
	58.34		3	552 795	547 750	463 479	11.11	164 467
		Guaranteed by grants						
	1.31	Cegeps	14	12 547	12 273	10 549	10.97	672
	0.56	Hospitals	6	5 365	5 225	4 746	11.71	2 178
	2.16	Universities	7	20 737	20 287	16 234	10.62	51
	0.32	Social service centres	1	3 000	3 000	2 900	13.50	3 000
	4.35		28	41 649	40 785	34 429	11.08	5 901
		Municipal and school						
	6.51	Municipalities	99	63 400	61 148	53 044	11.44	14 535
	3.21	School boards	34	30 669	30 143	25 856	10.93	3 435
	9.72		133	94 069	91 291	78 900	11.27	17 970
	—	Other governments	—	—	—	—	—	—
	14.31	Corporate	54	138 275	134 332	113 089	10.91	15 870
Total bonds	99.76		219	957 863	936 589	795 121	11.06	239 571
Short-term investments	—		—	—	—	—	—	—
Deposits in General Fund	0.24		—	2 240	2 240	2 240	17.54	(34 308)
Total investments	100.00		219	960 103	938 829	797 361	11.08	205 263

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

21 Yield on various categories of average deposits in General Fund

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	1979
Demand deposits	287,678	36,589	12.719	11.759
Term deposits	83,213	10,435	12.541	10.947
Participation deposits	7,108,508	724,942	10.198	9.586

23 Yield on various categories of average deposits in Segregated Fund—Bonds (Fund "O")

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	
Demand deposits	19,410	2,734	14.083	
Term deposits	3,689	467	12.660	
Participation deposits*	929,966	101,974	10.965	

* Participation deposits include accumulated income as at December 31st, 1979.

25 Yield on various categories of average deposits in Segregated Fund—Stocks (Fund "A")

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	
Demand deposits	99,584	12,516	12.569	
Term deposits	12,842	1,846	14.371	
Participation deposits*	602,060	49,473	8.217	

* Participation deposits include accumulated income as at December 31st, 1979.

22 Yield on various categories of average deposits in Individual Fund

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	
Demand deposits	6,737	977	14.495	
Term deposits	1,093	152	13.949	
Participation deposits*	836,107	88,519	10.587	

* Participation deposits include income to be paid out to depositor for the years 1978 and 1979.

24 Yield on various categories of average deposits in Segregated Fund—Government bonds (Fund "G")

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	
Demand deposits	2,584	327	12.667	
Term deposits	—	—	—	
Participation deposits*	111,409	11,015	9.887	

* Participation deposits include accumulated income as at December 31st, 1979.

26 Yield on various categories of average deposits in Segregated Fund—Mortgages (Fund "H")

	Average deposits	Interest paid or due	Yield	
	(in thousands of dollars)	(in thousands of dollars)	1980	
Demand deposits	16,897	2,253	13.336	
Term deposits	—	—	—	
Participation deposits*	505,551	52,849	10.454	

* Participation deposits include accumulated income as at December 31st, 1979.

27 Net contributions by depositors

(in millions of dollars)

Depositors	1980	1979	1978	1977	1976
Commission administrative du régime de retraite					
Government and public employees retirement plan					
— Contributions of unionized employees	217.3	175.0	150.7	144.9	101.0
— Contributions of non-unionized employees and of employers	41.3	47.3	31.1	64.2	38.9
	258.6	222.3	181.8	209.1	139.9
Régie de l'assurance automobile du Québec	240.8	233.1	261.8	—	—
Régie des rentes du Québec	214.1	180.6	212.0	236.1	298.7
Commission de la santé et de la sécurité du travail	157.8	150.2	132.5	83.1	72.5
Office de la construction du Québec	28.8	54.5	68.9	74.8	84.2
Other	(12.0)	21.9	8.6	(73.7)	(2.5)
Total	888.1	862.6	865.6	529.4	592.8

Net contributions are made up of deposits received less withdrawals.

28 Depositors' holdings with the Caisse at market value as at December 31st, 1980

(in thousands of dollars)

	Participation deposits				Portfolios under management	Total long- term holdings	Net demand and term deposits	Accrued interest and income	Depositors' holdings	
	General Fund	Segregated funds	Individual Fund	Sub- total					%	
Régie des rentes du Québec	6 214 797	—	—	6 214 797	—	6 214 797	12 366	177 595	6 404 758	58.71
Commission administrative du régime de retraite Government and public employees retirement plan	—	1 585 994	—	1 585 994	7 505	1 593 499	43 488	17 914	1 654 901	15.17
General retirement plan for the mayors and councillors of the municipalities of Québec	—	4 084	—	4 084	—	4 084	84	43	4 211	0.04
Individual plans	—	6 700	—	6 700	—	6 700	53	70	6 823	0.06
	—	1 596 778	—	1 596 778	7 505	1 604 283	43 625	18 027	1 665 935	15.27
Commission de la santé et de la sécurité du travail	48 741	—	795 674	844 415	104 731	949 146	67 557	27 801	1 044 504	9.58
Office de la construction du Québec Supplemental pension plan for employees of the Québec construction industry	—	846 565	—	846 565	22 739	869 304	5 195	14 846	889 345	8.16
Régie de l'assurance automobile du Québec	765 728	—	—	765 728	—	765 728	40 882	22 441	829 051	7.60
Supplemental pension plan of the Université du Québec	—	23 873	—	23 873	—	23 873	—	310	24 183	0.22
Régie de l'assurance-récolte du Québec	—	—	—	—	—	—	15 104	414	15 518	0.14
Fonds d'indemnisation automobile du Québec	2 105	—	—	2 105	—	2 105	9 518	396	12 019	0.11
Fonds d'assurance-prêts agricoles et forestiers	9 913	—	—	9 913	—	9 913	1 007	309	11 229	0.10
Régimes d'assurance-stabilisation des revenus agricoles	—	—	—	—	—	—	11 042	149	11 191	0.10
Régie des marchés agricoles du Québec	—	—	—	—	—	—	1 233	17	1 250	0.01
Total	7 041 284	2 467 216	795 674	10 304 174	134 975	10 439 149	207 529	262 305	10 908 983	100.00

29 Funds of the Régie des rentes du Québec entrusted to management of the Caisse as at December 31st

(stated value—in millions of dollars)

	1980	1979	1978	1977	1976
Funds of the Régie					
Deposits in General Fund					
Participation deposits	6 668.2	5 853.7	5 159.0	4 514.2	3 903.4
Income receivable	177.6	137.7	113.0	98.3	88.9
Demand deposits	12.4	—	—	4.5	16.7
Funds entrusted to the Caisse	6 858.2	5 991.4	5 272.0	4 617.0	4 009.0
Net income	652.7	538.8	443.0	371.9	317.1
Net contributions	214.1	180.6	212.0	236.1	298.7

31 Funds of the Commission de la santé et de la sécurité du travail entrusted to management of the Caisse as at December 31st

(stated value—in millions of dollars)

	1980	1979	1978	1977	1976
Funds of the Commission					
Deposits in General Fund					
Participation deposits	52.4	52.4	52.4	52.4	52.4
Term deposits	60.0	—	—	—	—
Demand deposits	9.8	4.1	10.8	1.3	1.4
	122.2	56.5	63.2	53.7	53.8
Deposits in Individual Fund					
Participation deposits	839.8	649.7	464.8	302.0	180.5
Income receivable	126.4	100.9	37.9	7.8	—
	966.2	750.6	502.7	309.8	180.5
Portfolio under management	133.5	147.5	159.7	175.6	180.6
Funds entrusted to the Caisse	1 221.9	954.6	725.6	539.1	414.9
Net income	109.5	78.8	54.0	41.1	30.8
Net contributions	157.8	150.2	132.5	83.1	72.5

30 Funds of the Government and public employees retirement plan entrusted to management of the Caisse as at December 31st

(stated value—in millions of dollars)

	1980	1979	1978	1977	1976
Funds of the Plan					
Deposits in General Fund	43.9	37.7	72.5	29.8	51.9
Deposits in segregated funds					
Participation deposits					
Bonds (Fund "O")	705.4	458.9	329.8	230.2	158.7
Government bonds (Fund "G")	111.4	111.9	101.4	92.1	—
Stocks (Fund "A")	519.4	415.1	236.8	140.4	77.7
Mortgages (Fund "H")	151.5	133.1	79.3	62.0	9.9
	1 487.7	1 119.0	747.3	524.7	246.3
Income receivable	17.5	—	—	—	—
	1 505.2	1 119.0	747.3	524.7	246.3
Portfolios under management	8.6	9.4	10.7	17.0	13.8
Funds entrusted to the Caisse	1 557.7	1 166.1	830.5	571.5	312.0
Net income	133.5	113.3	66.0	41.1	21.5
Net contributions	258.6	222.3	181.8	209.1	139.9

32 Funds of the Supplemental pension plan for employees of the Québec construction industry entrusted to management of the Caisse as at December 31st

(stated value—in millions of dollars)					
	1980	1979	1978	1977	1976
Funds of the Plan					
Deposits in General Fund	5.2	12.3	14.6	32.7	10.4
Deposits in segregated funds					
Participation deposits					
Bonds (Fund "O")	339.4	305.1	249.1	175.1	114.8
Stocks (Fund "A")	161.7	113.1	96.7	88.9	83.7
Mortgages (Fund "H")	369.4	339.7	279.8	212.4	158.7
	870.5	757.9	625.6	476.4	357.2
Income receivable	14.8	—	—	—	—
	885.3	757.9	625.6	476.4	357.2
Portfolios under management	29.9	27.2	30.0	36.8	27.1
Funds entrusted to the Caisse	920.4	797.4	670.2	545.9	394.7
Net income	85.3	72.7	55.4	41.3	30.2
Net contributions	28.8	54.5	68.9	74.8	84.2

33 Funds of the Régie de l'assurance automobile du Québec entrusted to management of the Caisse as at December 31st

(stated value—in millions of dollars)			
	1980	1979	1978
Funds of the Régie			
Deposits in General Fund			
Participation deposits	809.8	533.0	198.5
Income receivable	22.5	13.4	6.3
Term deposits	30.0	—	40.0
Demand deposits	10.9	9.5	33.4
Funds entrusted to the Caisse	873.2	555.9	278.2
Net income	76.5	44.6	16.4
Net contributions	240.8	233.1	261.8

34 Funds of the Supplemental pension plan of the Université du Québec entrusted to management of the Caisse as at December 31st

(stated value—in thousands of dollars)					
	1980	1979	1978	1977	1976
Funds of the Plan					
Deposits in General Fund	0.5	257.0	284.8	224.3	131.6
Deposits in segregated funds					
Participation deposits					
Bonds (Fund "O")	15 245.4	9 641.7	6 585.7	4 507.8	2 911.9
Stocks (Fund "A")	4 333.4	4 333.4	3 178.3	2 141.4	1 428.7
Mortgages (Fund "H")	4 192.5	4 192.5	3 181.8	2 217.6	1 364.1
	23 771.3	18 167.6	12 945.8	8 866.8	5 704.7
Income receivable	309.6	—	—	—	—
	24 080.9	18 167.6	12 945.8	8 866.8	5 704.7
Funds entrusted to the Caisse	24 081.4	18 424.6	13 230.6	9 091.1	5 836.3
Net income	2 251.8	1 678.9	1 045.5	663.7	434.9
Net contributions	3 405.0	3 515.0	3 094.0	2 591.0	1 822.0

Portfolios under management
Bonds

Government of Canada	1.6	1.9	2.2	5.6	17.3	11.1	5.9	5.9	1.0	1.0
Gouvernement du Québec and guaranteed	56.5	63.8	69.5	75.7	147.4	80.3	80.6	86.3	4.1	4.1
Guaranteed by grants	17.2	18.4	20.5	23.5	41.3	21.7	21.1	21.0	0.6	0.6
Municipal and school	68.7	74.4	80.0	84.0	118.4	94.9	88.9	88.7	2.1	2.2
Other governments	0.9	1.0	1.0	2.1	1.3	1.5	1.4	1.4	0.9	0.9
Corporate	13.3	17.5	19.0	17.4	48.8	23.7	10.9	11.1	12.3	12.5
Total bonds	158.2	177.0	192.2	208.3	374.5	233.2	208.8	214.4	21.0	21.3
Shares and convertible securities	1.9	2.6	3.1	7.6	12.1	7.2	7.9	8.3	8.0	9.1
Mortgage financing	8.3	0.7	0.8	0.9	1.6	1.6	2.2	8.0	11.7	14.0
Short-term investments	—	—	—	8.4	4.5	—	—	—	—	—
Total investments	168.4	180.3	196.1	225.2	392.7	242.0	218.9	230.7	40.7	44.4

Total funds
Bonds

Government of Canada	626.8	415.7	224.5	125.9	81.5	86.1	43.4	64.5	57.2	59.6
Gouvernement du Québec and guaranteed	6 145.4	4 789.0	3 710.8	2 988.4	2 470.1	1 923.7	1 627.0	1 406.8	1 094.3	888.2
Guaranteed by grants	287.3	261.8	263.8	254.2	221.4	165.4	138.3	113.8	66.7	39.4
Municipal and school	689.8	619.0	552.4	525.4	422.6	349.5	281.4	233.1	125.5	109.4
Other governments	0.9	1.0	1.0	2.1	1.3	1.5	1.4	1.4	0.9	0.9
Corporate	964.3	945.9	677.8	593.2	534.5	430.2	361.6	290.6	264.0	204.3
Total bonds	8 714.5	7 032.4	5 430.3	4 489.2	3 731.4	2 956.4	2 453.1	2 110.2	1 608.6	1 301.8
Shares and convertible securities	1 496.4	1 105.7	920.1	841.4	823.8	721.5	656.1	518.6	371.9	295.2
Mortgage financing	951.0	856.1	652.1	495.7	371.1	301.2	244.8	162.2	102.7	84.6
Real estate investments	31.0	25.1	25.4	25.4	25.4	26.0	25.7	23.9	21.9	20.9
Short-term investments ⁽¹⁾	314.7	535.5	797.6	436.3	272.2	225.3	119.5	85.9	90.9	29.4
Total investments	11 507.6	9 554.8	7 825.5	6 288.0	5 223.9	4 230.4	3 499.2	2 900.8	2 196.0	1 731.9

(1) For purposes of this presentation, short-term investments and total investments of the General Fund do not reflect demand and term deposits of the segregated funds and the Individual Fund, which are included with their respective total investments. Figures for previous years have been restated to account for the presentation adopted in 1980.

36 Total funds—Ten-year retrospective of financial data as at December 31st

(in millions of dollars)

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Assets under management										
General Fund ⁽¹⁾	8 170.9	6 909.7	5 872.8	4 891.0	4 299.1	3 688.9	3 156.4	2 630.9	2 138.1	1 688.8
Segregated funds										
Fund "O"	1 070.2	785.8	599.9	435.9	281.5	161.1	77.6	31.2	17.2	9.3
Fund "G"	112.0	111.1	100.6	91.3	—	—	—	—	—	—
Fund "A"	719.1	534.6	343.2	236.1	166.1	99.3	46.8	21.6	13.6	7.4
Fund "H"	542.5	478.1	367.5	300.2	172.9	109.7	58.3	33.0	20.9	11.2
	2 443.8	1 909.6	1 411.2	1 063.5	620.5	370.1	182.7	85.8	51.7	27.9
Individual Fund	962.7	750.6	503.6	309.8	—	—	—	—	—	—
Portfolios under management	171.9	184.0	200.5	229.8	401.2	246.4	219.4	234.8	46.1	50.2
	11 749.3	9 753.9	7 988.1	6 494.1	5 320.8	4 305.4	3 558.5	2 951.5	2 235.9	1 766.9
Net income										
General Fund	724.9	580.2	455.9	381.1	327.0	262.6	213.4	165.8	133.3	103.8
Segregated funds										
Fund "O"	102.0	58.0	48.9	35.3	24.0	10.3	4.5	1.8	1.1	0.6
Fund "G"	11.0	10.5	9.3	6.0	—	—	—	—	—	—
Fund "A"	49.5	68.6	26.9	12.5	10.1	6.4	2.2	2.1	0.9	0.2
Fund "H"	52.8	43.2	32.6	23.9	14.7	8.2	4.3	2.4	1.2	0.4
	215.3	180.3	117.7	77.7	48.8	24.9	11.0	6.3	3.2	1.2
Individual Fund	88.5	63.0	37.9	23.2	—	—	—	—	—	—
Portfolios under management	13.1	13.3	15.7	19.1	27.7	17.3	15.7	9.0	3.2	3.4
	1 041.8	836.8	627.2	501.1	403.5	304.8	240.1	181.1	139.7	108.4
Net contributions										
General Fund	438.1	437.4	475.9	158.4	249.1	265.4	280.9	293.5	302.5	246.6
Segregated funds	292.2	275.0	257.2	287.9	227.5	170.4	86.8	21.3	13.3	10.8
Individual Fund and portfolios under management	157.8	150.2	132.5	83.1	116.2	11.0	—	—	—	—
	888.1	862.6	865.6	529.4	592.8	446.8	367.7	314.8	315.8	257.4
Breakdown in percentage of investment categories										
Bonds										
Gouvernement du Québec and guaranteed	53.4	50.1	47.4	47.5	47.3	45.4	46.5	48.5	49.8	51.3
Guaranteed by grants	2.5	2.7	3.4	4.1	4.2	3.9	4.0	3.9	3.1	2.3
Municipal and school	6.0	6.5	7.0	8.4	8.1	8.3	8.0	8.0	5.7	6.3
	61.9	59.3	57.8	60.0	59.6	57.6	58.5	60.4	58.6	59.9
Government of Canada and other governments	5.4	4.4	2.9	2.0	1.6	2.0	1.3	2.3	2.6	3.5
Corporate	8.4	9.9	8.7	9.4	10.2	10.2	10.3	10.0	12.0	11.8

Total bonds	75.7	73.6	69.4	71.4	71.4	69.8	70.1	72.7	73.2	75.2
Shares and convertible securities	13.0	11.6	11.8	13.4	15.8	17.2	18.8	17.9	16.9	17.0
Mortgage financing	8.3	8.9	8.3	7.9	7.1	7.1	7.0	5.6	4.7	4.9
Real estate investments	0.3	0.3	0.3	0.4	0.5	0.6	0.7	0.8	1.0	1.2
	97.3	94.4	89.8	93.1	94.8	94.7	96.6	97.0	95.8	98.3
Deposits and short-term investments	2.7	5.6	10.2	6.9	5.2	5.3	3.4	3.0	4.2	1.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Breakdown in percentage of long-term investments										
Public sector	69.2	67.5	67.6	66.6	64.6	63.1	61.9	64.6	63.9	64.5
Private sector	30.8	32.5	32.4	33.4	35.4	36.9	38.1	35.4	36.1	35.5
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Fixed income securities	86.4	87.5	86.5	85.2	82.9	81.3	79.8	80.7	81.3	81.4
Variable income securities	13.6	12.5	13.5	14.8	17.1	18.7	20.2	19.3	18.7	18.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Other financial data										
Unit value (in dollars)										
General Fund	784	812	849	851	839	786	774	883	926	894
Segregated funds										
Fund "O"	1,924 ⁽²⁾	2,081	2,085	1,960	1,783	1,516	1,389	1,376	1,331	1,224
Fund "G"	1,065 ⁽²⁾	1,149	1,158	1,089	—	—	—	—	—	—
Fund "A"	2,924 ⁽²⁾	2,506	1,851	1,445	1,283	1,138	940	1,266	1,256	1,086
Fund "H"	1,952 ⁽²⁾	2,048	1,965	1,813	1,647	1,491	1,356	1,235	1,134	1,062
Administrative expenditures	8.3	7.1	5.9	6.7	4.6	3.9	2.6	2.3	1.5	1.2
Number of employees	140	134	114	122	113	102	86	84	80	72
Average assets per employee	83.9	72.8	70.1	53.2	47.1	42.2	41.4	35.1	27.9	24.5

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

(2) Until December 31st, 1979, income from the segregated funds was accumulated in each fund; as of January 1st, 1980, it has been paid to the depositors.

MANAGEMENT STAFF

as at December 31st, 1980

Jean Campeau
Chairman of the Board and
General Manager

Michel Bastien
Portfolio Manager–
Investissements en actions

André Bineau
Portfolio Manager–
Investissements en actions

Gérard J. Blondeau
Deputy General Manager–
Communications

Marcel Camu
Secretary

Marcel Cazavan
Special Advisor to the Chairman and
General Manager

Dominique Colard
Director–Placements hypothécaires
(Eastern region)

Serge Desjardins
Chief–Bureau de la vérification
interne

Gilles Doré
Senior Advisor–Placements
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Pierre Dufresne
Senior Investment Analyst–
Investissements en actions

Jacques Dumont
Portfolio Manager–
Placements en obligations

Pierre Galarneau
Director–Placements hypothécaires
(Western region)

Philippe Girard
Chief–Service de la recherche,
Investissements en actions

Reynald Harpin
Senior Analyst–
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Georges Hébert
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Raymond R. Lacourse
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Annual Report 1980

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