



**Desjardins**

# ***Assemblées générales annuelles***

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NOTES FOR A SPEECH BY

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**GÉRARD GUILBAULT  
PRESIDENT AND CHIEF OPERATING OFFICER  
DESJARDINS ASSET MANAGEMENT**

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CENTRE DES CONGRÈS DE QUÉBEC, MARCH 29, 2008  
(THE ACTUAL SPEECH MAY DIFFER FROM THE FOLLOWING TEXT)

Mr. President of Desjardins Group,  
Mr. Chairman of the Board,  
Dear partners,  
Ladies and gentlemen,

I'm sure no one will be surprised to hear me say that 2007 was an eventful year, and an extremely challenging one as well.

Prior to the liquidity crisis, which as you know struck global capital markets last August, we had recorded six very positive months that paved the way for good asset management performances for our partners and clients in the second half of the year.

Again, you won't be surprised to hear that this crisis disrupted our plans. Like many other institutions, we had to redouble our efforts and work hard to find solutions in the interests of our partners and of Desjardins Group as a whole.

Before going any further, I want to express my sincerest thanks to the employees of Desjardins Asset Management, who worked in close cooperation with various Desjardins Group units and demonstrated professionalism, dedication, quick action and teamwork in a tough situation.

Not only did they weather the crisis while displaying great solidarity in the face of the difficulties confronting Desjardins Group, but their work also made a significant contribution toward identifying creative solutions to them.

In spite of this unusual event, I am pleased to note that the concerted efforts of the teams at Desjardins Asset Management generated the satisfactory results that I will present to you now.

Our assets under management totalled \$50.8 billion, an increase of almost 9% from 2006, chiefly because the markets performed well in the first half of the year, our existing management mandates were broadened, and we received new mandates from various Desjardins Group components.

Net earnings, which were \$17 million in 2006, amounted to \$16 million in 2007. On a basis comparable to 2005, net earnings for 2006 and 2007 would have actually been \$28 million.

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In this connection, under our commissioning agreement with the FCDQ, we paid out \$15 million before taxes in 2006 and \$16.5 million before taxes in 2007 in order to give concrete support to Quebec and Ontario caisses for their commitment to the success of our Alternative Term Savings and Perspectives Plus Term Savings products.

Now I want to focus in on the results of our three main business segments: mortgage investments and institutional financing, real estate investments and securities investments.

The Mortgage Investments team reached another high in 2007 that enabled it to meet our partners' needs. The team chalked up \$880 million in new financing, or \$293 million more than in 2006.

Of the new amount, \$120 million was earned in partnership with the Desjardins Business Centre network.

Year after year, the Mortgage Investments team derives great satisfaction from its complementary work with the network, and it takes pride in sharing its expertise in order to secure major financings that enhance Desjardins' reputation.

In 2007, the team made a sustained effort to develop business outside Quebec. Its efforts bore fruit, since 65% of the new financings were located in other Canadian provinces, including several large-scale projects in Western Canada that helped to raise Desjardins' profile.

The transformation of capital markets as a result of the liquidity crisis will help us achieve a better balance between supply and demand for financing in 2008, and will help us continue to make high quality loans with attractive margins.

The year ahead looks just as promising in public-private partnerships for \$100 million and under, a new niche we began developing in 2007.

Based on our partners' requirements, our task is now to identify the best projects across Canada and continue our efforts to strengthen ties with different public sector departments and private sector players in order to strategically position Desjardins in the P3 market.

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For our Real Estate Investments team, 2007 brought great success. Favourable market conditions helped the team earn a 27% return, up from 18% in 2006.

It was an intense year for the team: one of its achievements was the successful and timely completion of the sale of certain Desjardins Group properties to Desjardins Financial Security, as part of the Group's real estate synergies project. Montreal's Complexe Desjardins therefore changed owners at the beginning of 2007, followed by the Lévis campus midway through the year.

This project also called for the creation of a property management subsidiary. At the end of 2007, we helped set up our subsidiary Desjardins Property Management by combining the staff of Place Desjardins with the FCDQ's real estate operations team.

In addition to the usual property management operations, Desjardins Property Management has also been assigned the mission of maximizing the properties' energy efficiency.

This new responsibility, an extension of Desjardins' cooperative values and its commitment to sustainable development, will enable our subsidiary to offer the caisse network concrete ways to reduce their energy consumption. Some pilot projects will be rolled out in 2008 in collaboration with the FCDQ departments concerned.

The team's energy efficiency expertise was recognized in 2007 at the 18<sup>th</sup> edition of the prestigious Énergia competition, organized by the *Association québécoise pour la maîtrise de l'énergie*.

Complexe Desjardins received an Énergia award in honour of the energy efficiency measures it had adopted.

With such a strong foundation, I am confident that the team at Desjardins Property Management will carry on the subsidiary's mission and reap the success they so richly deserve. I want to express my thanks to them for their cooperation during this transition period.

Now let us turn to Securities Investments and Financial Engineering where, in spite of the turbulence caused by the global liquidity crisis, there were definitely some high points that should be mentioned.

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For instance, for a fourth consecutive year, we are happy to be the Canadian leader in hedge funds, with more than \$6 billion under management.

Furthermore, it was a positive year for multi-management, an investment approach we adopted in 2005 that allows us to structure portfolios and select some of the best managers in the world and closely monitor their activities.

We have created and manage 14 institutional multi-management funds totalling \$2 billion. Most of these funds exceeded their target returns in 2007.

In this regard, we are particularly pleased that three of the four equity funds posted results substantially above the median for comparable funds.

Among the new funds created in 2007, the Financial Engineering team succeeded in launching almost simultaneously three innovative replication funds, each with its own management style.

Replication funds, which seek to replicate the behaviour of a traditional hedge fund using different statistical techniques, offer many advantages. In addition to their undeniable business potential, they will make it possible for Desjardins to manage alternative investments at a better cost, and their greater transparency will promote optimal risk management. This type of product also facilitates liquidity management, an important advantage in the current environment.

The coming year is likely to be a challenging one, given the risky and more fragile state of the global economy. I am confident that the 240 employees of Desjardins Asset Management in Montreal, Quebec City, Toronto and Vancouver will continue to show great rigour while remaining alert for investment opportunities.

I want to express my appreciation for their commitment as well as their drive to achieve excellence in their work.

I would like to conclude on a couple of spring-like notes.

First, I'd like to mention that last summer, we won an award of excellence in the small organization category from the Disaster Recovery Institute of Canada. This award, given for the first time, recognized the implementation of our business continuity plan.

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Second, I'd like to briefly tell you again about our partnership with the YMCA of Greater Montreal and our Adopt-a-School program, through which we have provided significant financial assistance to several primary schools in underprivileged neighbourhoods.

Thanks to the support of our financial partners, we have been able to help three schools, or one more than we had initially planned, resulting in a number of important academic enrichment projects and extracurricular activities.

It gives us the greatest satisfaction to see that our assistance has really made a difference at these schools. I can only hope that this type of support, on a more human scale, will give birth to many similar initiatives by other organizations.

In closing, I want to thank our partners and clients for their confidence in choosing us to manage their assets, thereby encouraging us to surpass ourselves.

My hat is off to Mr. Alban D'Amours, President and Chief Executive Officer of Desjardins Group, for the exceptional quality of his work in leading the Group, and I sincerely thank him for his support and confidence.

I congratulate Ms. Monique Leroux who is succeeding him, and offer her our full cooperation and best wishes for success.

I thank Mr. Daniel Leclair, who has stepped down from his position, for the contribution he made to the Board of Directors, and I welcome Ms. Marie-Hélène Noiseux who joined the Board in February.

Finally, I express my thanks to Mr. André Gagné, Chairman of the Board, and all the members of the Board of Directors of Desjardins Asset Management for their support in carrying out our mission to serve Desjardins.

Thank you for your attention.