

Elimination of Federal Tax Credit Will Result in Fewer Job-Creating Investments and Higher Taxes for Shareholder-Savers

Montréal, October 29, 2013 – The gradual elimination of the federal tax credit for labour-sponsored funds will not affect the Fonds de solidarité FTQ's ability to offer a reasonable return or to meet shareholder redemption requests. However, Ottawa's decision, which will translate into a substantial tax hike for shareholder-savers, will lead to fewer job-creating investments in the Québec economy.

"The conclusions of a KPMG-SECOR analysis should reassure the Fonds' shareholder-savers," said Fonds president and CEO Yvon Bolduc. "The study confirms what we already knew, that share price does not depend on the federal tax credit, the size of the Fonds, annual contributions or redemption requests. All that matters is the value of its assets. As well, the Fonds has the capacity, at any time, to meet its obligations to shareholders because its assets are highly liquid and that will always be a priority for us."

"However, the elimination of the federal tax credit in 2017 will cost the average Fonds investor, who contributes \$2,830 year, \$425 more in taxes. The Fonds' business model will remain viable despite the possible decrease in contributions due to this disguised tax increase. This means the Fonds will have to reduce its investments in job-creating Québec companies, which runs counter to the federal government's *Venture Capital Action Plan*. The conclusions of the KPMG-SECOR analysis show the potential disruptive effect the federal proposal could have on the funding of job-creating Québec companies," continued Mr. Bolduc.

Reasonable shareholder return even without the federal credit

Even without the federal tax credit, shareholder return (7-year annualized) would have been very competitive in relation to certain market indices. According to the KPMG-SECOR analysis, factoring in only the 15% Québec tax credit, the Fonds de solidarité FTQ would have delivered an 8.4% return to shareholders who, through payroll deduction, invested the same amount each year from 2007 to 2013. This performance is better than that of many market indices.

Seven-year annualized shareholder return 2007-2013 (at May 31)

Fonds de solidarité FTQ (with Québec credit only)	8.4%
RUSSELL 2000	6.0%
S&P 500	5.9%
DEX (bonds)	5.8%
S&P/TSX	4.0%
Balanced mutual funds (globefunds.com)	2.6%
BMO Small Cap	-2.0%

About the Fonds de solidarité FTQ

Created in 1983, the Fonds de solidarité FTQ has been driving the Québec economy for 30 years. With net assets of \$9.3 billion as at May 31, 2013, the Fonds is a development capital fund that channels the savings of Quebecers into investments in all sectors of the economy to help create and maintain jobs and further Québec's development. The Fonds is a partner, either directly or through its network members, in 2,395 companies. With 615,664 shareholders-savers, the Fonds helps create, maintain or protect 170,915 jobs. For more information, visit www.FondsFTQ.com.

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