Management discussion and analysis

This interim Management Discussion and Analysis ("MD&A") supplements the financial statements and contains financial highlights but does not reproduce the complete interim financial statements of Capital régional et coopératif Desjardins (CRCD). It presents management's assessment of CRCD's results for the period reported in the financial statements, as well as its financial position and any material changes to it.

CRCD's annual and compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or investment profile represent returns before expenses and income taxes.

This disclosure document contains management's analysis of forward-looking statements. Caution should be exercised in the interpretation of this analysis and these statements since management often makes reference to objectives and strategies that contain risks and uncertainties. Due to the nature of CRCD's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. CRCD disclaims any intention or obligation to update or revise such statements based on any new information or new event that may occur after the reporting date.

Copies of the interim financial statements may be obtained free of charge, on request, by calling 514 281-2322 or (toll free) 1 866 866-7000, extension 5552322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at www.capitalregional.com or SEDAR at www.sedar.com.

Annual financial information may be obtained in the same way.

1.0 Highlights

1.1 Commitments throughout Québec

CRCD and its ecosystem[(1)] make a real contribution to the economic development of the regions. As at June 30, 2019, funds committed were as follows:

ABITIBI-TÉMISCAMINGUE*

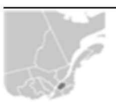
$22M → **30** companies
$1M → **1** cooperative

BAS-SAINT-LAURENT*

$21M → **23** companies
$0.2M → **1** cooperative

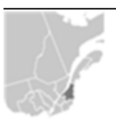
CAPITALE-NATIONALE

$80M → **39** companies
$3M → **2** cooperatives



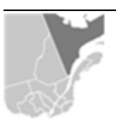
CENTRE-DU-QUÉBEC

$55M → **22** companies
$13M → **2** cooperatives



CHAUDIÈRE-APPALACHES

$107M → **36** companies
$2M → **4** cooperatives



CÔTE-NORD*

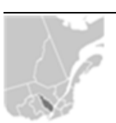
$3M → **9** companies

ESTRIE

$60M → **31** companies
$4M → **4** cooperatives

GASPÉSIE–ÎLES-DE-LA-MADELEINE*

$7M → **8** companies



LANAUDIÈRE

$24M → **11** companies
$1M → **1** cooperative

LAURENTIDES

$11M → **6** companies

LAVAL

$19M → **11** companies

MAURICIE*

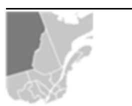
$17M → **13** companies
$1M → **1** cooperative

MONTÉRÉGIE

$181M → **53** companies
$82M → **3** cooperatives

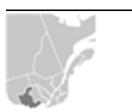
MONTRÉAL

$241M → **76** companies
$86M → **2** cooperatives



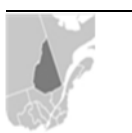
NORD-DU-QUÉBEC*

$3M → **15** companies



OUTAOUAIS

$6M → **3** companies



SAGUENAY–LAC-SAINT-JEAN*

$62M → **63** companies
$2M → **3** cooperatives

OUTSIDE QUÉBEC (ex Europe)

$2M → **3** companies

EUROPE

$7M → **3** companies

FUNDS

$63M → **15** funds

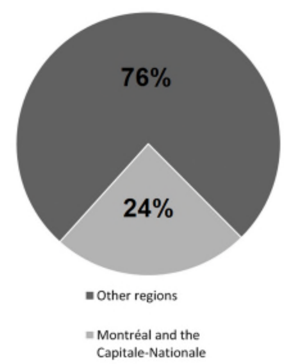
IN TOTAL

494
COMPANIES COOPERATIVES AND FUNDS

$1,186M
BENEFITTING SMES

60,500
JOBS CREATED OR MAINTAINED

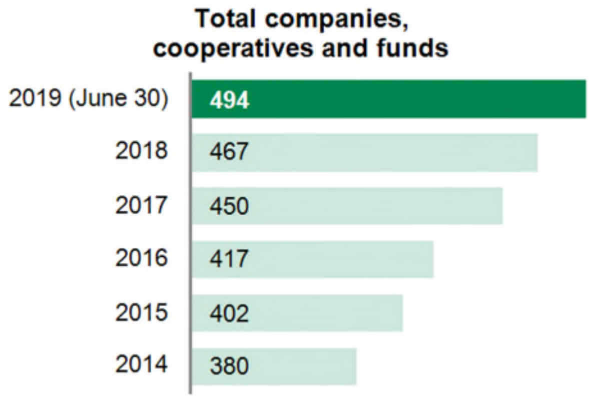
76%
OF COMPANIES AND COOPERATIVES BASED IN QUÉBEC ARE FROM REGIONS OTHER THAN MONTRÉAL AND THE CAPITALE-NATIONALE.

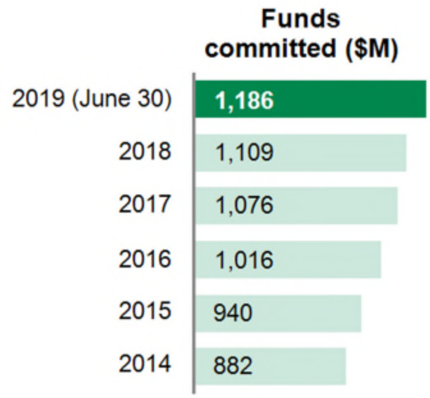


** Resource region*
(1) See the Entrepreneurial ecosystem section for a detailed description of the main features of the ecosystem.

1.2 CRCD and its ecosystem support companies and cooperatives

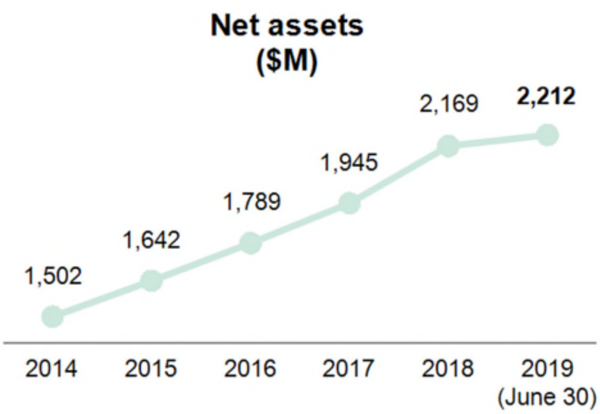
AS AT JUNE 30, 2019 AND DECEMBER 31

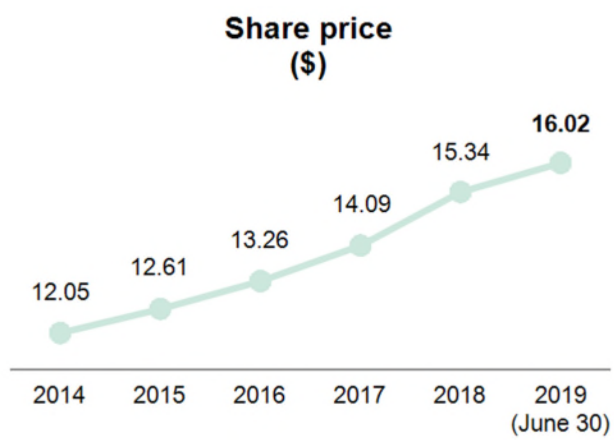


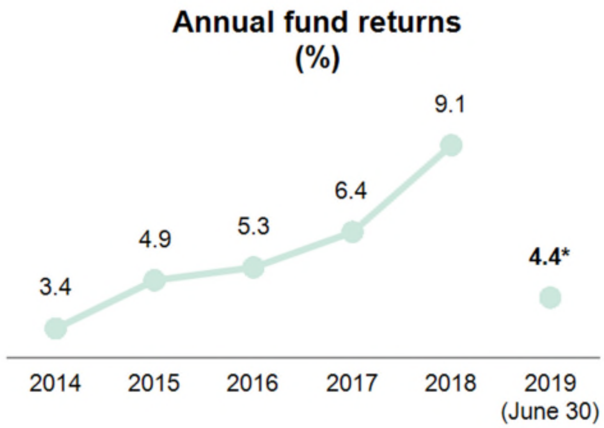


1.3 CRCD financial data

AS AT JUNE 30, 2019 AND DECEMBER 31







* Non-annualized return for the six-month period ended June 30, 2019.

2.0 CRCD financial highlights

The following charts present key financial data and are intended to assist in understanding CRCD's financial results for the preceding five fiscal years and for the six-month period ended June 30, 2019. This information is derived from CRCD's audited separate annual financial statements.

2.1 Ratios and supplemental data

(in thousands of $, unless indicated otherwise)	**June 30, 2019 (6 months)**	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2014**
Revenue	**24,178**	70,285	51,392	44,449	45,269	44,422
Gains on investments	**87,212**	138,632	96,541	78,869	64,035	42,884
Net earnings	**93,500**	174,894	112,757	85,957	74,806	49,245
Net assets	**2,212,051**	2,168,804	1,945,342	1,789,417	1,642,076	1,502,462
Common shares outstanding (number, in thousands)	**138,089**	141,391	138,080	134,944	130,183	124,665
Total operating expense ratio and common share issue expense ratio[1] (%)	**1.7**	1.6	1.9	2.2	2.0	2.2
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	**4**	17	16	11	19	19
- Other investments (%)	**42**	163	87	126	131	102
Trading expense ratio[2] (%)	**-**	-	-	-	-	-
Number of shareholders (number)	**105,602**	107,862	105,614	104,317	102,222	96,236
Issues of common shares – Class A "Issuance"	**363**	141,179	134,850	133,401	149,882	62,906
Issues of common shares – Class B "Exchange"	**99,612**	-	-	-	-	-
Common share issue expenses, net of related taxes	**-**	2,523	2,396	1,579	1,750	764
Redemption of common shares	**50,616**	90,088	89,285	70,438	83,324	79,501
Investments impacting the Québec economy at cost	**884,085**	838,258	828,255	787,142	738,596	675,355
Fair value of investments impacting the Québec economy	**1,146,806**	1,080,069	1,033,951	921,518	817,199	710,923
Funds committed but not disbursed	**157,890**	192,169	183,606	189,121	171,082	193,764

[1] The ratio of total operating expenses and common share issue expenses is calculated by dividing total expenses (before income taxes) as shown on the separate statements of comprehensive income and common share issue expenses as shown on the separate statements of changes in net assets by net assets as at the end of the period or by average net assets for the financial year, pursuant to Section 68 of the *Regulation respecting Development Capital Investment Fund Continuous Disclosure*.

[2] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to CRCD.

2.2 Changes in net assets per common share

(in $)	June 30, 2019 (6 months)	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net assets per common share, beginning of period/year	**15.34**	14.09	13.26	12.61	12.05	11.66
Increase attributable to operations	**0.68**	1.28	0.84	0.66	0.59	0.40
Interest, dividends, distributions and negotiation fees	**0.19**	0.51	0.38	0.34	0.35	0.36
Operating expenses	**(0.13)**	(0.21)	(0.24)	(0.26)	(0.23)	(0.25)
Income taxes	**-**	(0.03)	(0.02)	(0.03)	(0.03)	(0.06)
Realized gains (losses)	**0.14**	0.79	0.06	0.18	0.29	0.52
Unrealized gains (losses)	**0.48**	0.22	0.66	0.43	0.21	(0.17)
Difference attributable to common share issues and redemptions	**-**	(0.03)	(0.01)	(0.01)	(0.03)	(0.01)
Net assets per common share, end of period/year	**16.02**	**15.34**	**14.09**	**13.26**	**12.61**	**12.05**

3.0 Overview

CRCD ended the first six months of 2019 with net earnings of $93.5 million ($77.9 million for the same period of 2018), representing a non-annualized return of 4.4% (4.1% as at June 30, 2018), resulting in an increase in net assets per share to $16.02 based on the number of shares outstanding as at June 30, 2019, compared with $15.34 as at the end of fiscal 2018. CRCD aims to strike an appropriate balance between shareholder return and its mission of Québec economic development. The financial asset management strategy adopted by CRCD several years ago provides the benefits of strong complementarity between the Investments impacting the Québec economy and Other investments portfolios. In fact, CRCD has generated favourable returns for over ten years.

Investments impacting the Québec economy posted a non-annualized return of 4.1% for the six-month period ended June 30, 2019, compared with a return of 8.8% for the same period a year earlier. As at June 30, 2019, the cost of Investments impacting the Québec economy totalled $884.1 million, of which $83.9 million was disbursed during the first six months of fiscal 2019. As at June 30, 2019, funds committed but not disbursed, which represent investments already agreed upon with companies, cooperatives or funds to be disbursed by CRCD at a later date, amounted to $157.9 million. New commitments for the year amounted to $49.7 million. In addition, due to the favourable turnaround in the stock and bond markets, CRCD's Other investments portfolio recorded a non-annualized return of 6.6% for the first six months of 2019, compared with a non-annualized return of 0.9% for the same period in 2018.

During the six-month period, issues of Class A "Issuance" common shares totalled $0.4 million, or the balance of the 2018 issue which was completed on January 22, 2019. The subscription period for the 2019 issue will begin in the fall. For more information, please see the Subscriptions section of this MD&A. Share redemptions totalled $50.6 million. CRCD also exchanged Class A "Issuance" shares for Class B "Exchange" shares for a total amount of $99.6 million. Net assets amounted to $2,212.1 million. There were 105,602 shareholders as at June 30, 2019. As at June 30, 2019, the balance of shares eligible for redemption amounted to over $1,139.1 million.

3.1 Our vision for Québec entrepreneurship

Québec faces a huge challenge: developing and growing existing businesses. Businesses in Québec tend to remain too small and to overleverage themselves, putting a healthier capital structure at risk. Undercapitalization has significant repercussions on their performance, including low productivity and a low level of activity in international markets, which ultimately lowers Québec's ability to create and retain its fair share of highly paid jobs – jobs that are needed to maintain a healthy economy for the province.

Together with its manager Desjardins Capital Management Inc. (Desjardins Capital or DC), CRCD, in carrying out its mission, aims to stand tall and play a unique role on these diverse issues that guide its actions every day.

3.2 Growing businesses stronger

From the support, networking or training we offer our partner companies through to enhancing our product offering and sharing our business network, CRCD, through its manager, DC, acts on many levels to grow Québec SMEs and cooperatives.

As a leading player on the Québec development capital scene, we contribute to the vitality of the Québec economy by financing companies' growth initiatives, energizing the regions, and supporting jobs and business successions to build a strong Québec now and for future generations. A Québec leader in business transfers, DC has already completed several hundred transactions contributing to the continuity and sustainability of Québec's flagship companies. In addition, we support start-up or early-stage companies that use technological or industrial innovations and capitalize on new uses of existing technologies.

We also support Québec SMEs in their expansion in Europe with the new Desjardins Capital Transatlantic, L.P. fund which began operations during the 2018 fiscal year. This fund makes a new area of expertise available to Québec entrepreneurs, well beyond financial concerns, through support for international development with a team on the ground. A DC representative is based in France to support Québec entrepreneurs who want to develop new markets by setting up offices or acquiring competitors in Europe.

A real catalyst in the business development process of our existing and potential partners, we maintain close relationships with entrepreneurs throughout the province by creating numerous networking opportunities. These meetings make it possible to bring together entrepreneurs, business partners and experts who have questions on topical matters such as growth challenges and business succession issues.

Our support goes far beyond sharing our vast internal network and external business relationships. Various agreements have been negotiated, with Desjardins Group as well as other specialized external firms, to offer value-added services to our entrepreneurs in achieving their objectives.

Furthermore, we provide our partner companies with tailored support for implementing and monitoring sound SME governance practices, which represents undeniable value added. Very active in this area, we have a network of nearly 250 directors with skills and expertise unequalled in the industry. Their role is to help entrepreneurs set up a governance forum to support business growth and strategy. They have access to work tools and are regularly trained and evaluated to ensure they can effectively meet the needs of the companies they work with. Our entrepreneurial governance model, based on agility, simplicity, strategic thinking and alignment with business needs, is a unique type of support greatly appreciated by partner entrepreneurs.

3.3 Economic conditions

ECONOMIC ENVIRONMENT IN 2019

Global economy

Annual growth in world trade remained very weak in early 2019. But the climate seem to be stabilizing, influenced mainly by emerging Asian countries, which were also the source of much of the earlier declines. While conditions are not yet showing any real sign of improvement, they are no longer actually deteriorating. Nonetheless, the environment remains vulnerable and the global manufacturing sector continues to show signs of weakness, as reflected by the industry's purchasing managers index which have generally continued to trend downward over recent months. In the euro zone, GDP growth was stronger than expected in the first quarter, but several indicators continue to point to slow economic growth. China's economy is continuing along on its strongly slower trend, compounded by current conditions. There also appears to be some weakness in the monthly indicators, especially in industrial production and automobile sales. As regards industrials, this is partly tied to the effect of heightened trade tensions between China and the United States. The Chinese government is aiming to stabilize growth with various expansionary measures, but the slowdown is expected to continue nonetheless. Overall, global real GDP growth is expected to be 3.3% in 2019 and 2020.

The capital markets started the second quarter off on a positive note, with the main stock exchanges continuing their upturn in April. The sudden end of the trade truce between China and the United States in early May, however, when President Trump suddenly announced the introduction of new tariffs on Chinese imports, reignited volatility in the markets and heightened concerns around the global economy. Bond rates declined sharply as investors turned to safe havens and once again started to focus more on accommodative monetary policies, particularly in the U.S. The growing expectation around central bank intervention allowed stock market indices to quickly resume their upward trend and post remarkable performance for the first half of 2019 as a whole, with the S&P 500 and S&P/TSX even reaching new all-time highs in the second quarter. The U.S. Federal Reserve (Fed) lowered its key rates at the end of July for the first time in over ten years.

By presenting the July U.S. key rate cut as a mid-cycle adjustment, the Fed seemed to be trying to curb investors' expectations for additional monetary easing. However, the renewed upswing in trade tensions between China and the United States in early August and the very negative market reaction could prompt the Fed to announce a second cut in key rates as early as September. The President of the European Central Bank also suggested that further monetary easing was likely in the euro zone if economic conditions did not improve. As a consequence, bond rates could remain very low over the short term before rising slightly as trade tensions ease. It would be surprising if the Bank of Canada were to follow the Fed's lead, especially since monetary policies have been more accommodative in Canada. Accordingly, Canadian key interest rates are thus expected to remain stable for several quarters as the Canadian economy is sending encouraging signals while the international environment seems more uncertain. Favourable changes in interest rate spreads could cause the Canadian dollar to strengthen slightly against the U.S. dollar over the next few quarters.

United States

After an annualized increase of 3.1% in the first quarter of 2019, U.S. real GDP grew by 2.1% in the second quarter. Domestic demand picked up again in the spring on a sharp uptick in consumer spending, although non-residential investment was down and exports pulled back, suggesting that uncertainty around foreign trade is affecting the U.S. economy, and the manufacturing industry in particular. Manufacturers are expressing concern over trade issues, and the recent escalation in trade tensions between the United States and China could aggravate the situation. Expected growth in U.S. real GDP for 2019 is 2.3%. A 1.9% gain is expected for 2020. But care must be taken to ensure that certain emerging signs of weakness do not take root too deeply.

Canada

Canada's economy continued to be weak in early 2019. After the last quarter of 2018 turned in an annualized quarterly gain of only 0.3%, the first quarter of 2019 closed up 0.4%. But this seemingly disappointing performance hid some excellent news: domestic demand rebounded in the first quarter with growth of 3.4%, putting an end to two consecutive quarters of decline. What's more, the job market remains highly robust and unemployment reached a new all-time low of 5.4% last May. This means that the weakness in real GDP is being caused by a significant deterioration in the trade balance. Not only did exports decline, mainly due to the reduction in oil production ordered by the Alberta government, but imports rose sharply, driven by stronger domestic demand. Economic growth is expected to pick up in the second quarter of 2019 as the negative effects of the oil production slowdown gradually fade. But real GDP growth may be somewhat lower after that as global economic conditions have deteriorated slightly and uncertainty around trade tensions remains high. Bottom line, forecast growth in Canadian real GDP is 1.5% for 2019 and 1.6% for 2020.

Québec

Québec's economy continues to grow at a good pace, although less strongly than in the second half of 2018. That being said, Québec's annualized real GDP growth reached 2.4% in the first quarter of 2019 on a rebound in the domestic economy. Households stepped up the pace of consumer spending. Amid the buoyant job market, the Bank of Canada key interest rate hikes between mid-2017 and the end of 2018 have faded into the background. Full-time employment is growing rapidly, the unemployment rate remains around 5% and annual wage increases are approaching 3%. Income growth is rapid and the savings rate climbed to 5.9% in the first quarter of 2019. The housing sector remains strong as sales of existing homes are on track to reach a new high this year. Average price increases have been around 5% since early 2019. On the other hand, business indicators are trending downward: investment, international exports and corporate net earnings. All to say that the slowing global economy and tensions around trade are causing headwinds for Québec. Even if the international economic environment continues to deteriorate for businesses, households will help to smooth the bumps. Real GDP growth is expected to be about 2% this year. The removal of U.S. tariffs on steel and aluminum last May was welcome, but ratification of the Canada-U.S.-Mexico Agreement (CUSMA) does not appear to be a shoo-in.

4.0 Management's discussion of financial performance

4.1 Operating results

CRCD's NET RESULTS AND RETURNS

CRCD ended the first half of the year on June 30, 2019 with net earnings of $93.5 million, or a non-annualized return of 4.4%, compared with net earnings of $77.9 million (non-annualized return of 4.1%) for the same period in 2018. Based on the number of common shares outstanding, net assets per share increased to $16.02 as at the end of the six-month period, compared with $15.34 at the end of fiscal 2018. For illustrative purposes, at a price of $16.02 effective August 15, 2019, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 13.5%, taking into account the 50% income tax credit as per the rate applicable on August 16, 2012.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated non-annualized returns of 4.1% and 6.6%, respectively, while expenses, net of administrative charges and income taxes had an impact of 0.9% on CRCD's non-annualized return.

CRCD's asset allocation strategy allows it to enjoy a more balanced overall portfolio profile, while actively contributing to Québec's economic development.

Return by activity

	As at June 30, 2019			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Activities related to Investments impacting the Québec economy[1]	1,145	52.8	4.1	2.1
Other investments and cash	1,022	47.2	6.6	3.2
	2,167	100.0	5.3	5.3
Expenses, net of administrative charges			(0.9)	(0.9)
Income taxes			-	-
CRCD's return			**4.4**	**4.4**

[1] Includes Investments impacting the Québec economy, amounts receivable on disposal of investments, financial liabilities and foreign exchange contracts.

Return by activity

	As at June 30, 2018			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Activities related to Investments impacting the Québec economy[1]	1,080	56.0	8.8	4.7
Other investments and cash	847	44.0	0.9	0.4
	1,927	100.0	5.1	5.1
Expenses, net of administrative charges			(1.0)	(1.0)
Income taxes			(0.0)	(0.0)
CRCD's return			4.1	4.1

[1] Includes Investments impacting the Québec economy, amounts receivable on disposal of investments, financial liabilities and foreign exchange contracts.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $88.1 million and disposals of $51.4 million were made for a net balance of $36.7 million. Combined with realized and unrealized net gains of $30.2 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $1,146.9 million as at June 30, 2019 ($1,080.0 million as at December 31, 2018). Investments in the funds comprising the entrepreneurial ecosystem, as described below, in the amount of $31.3 million, and a $25.0 million aggregate investment in two companies, mainly accounted for the investments of $88.1 million made during the first half of the year.

In measuring the Investments impacting the Québec economy, funds committed but not disbursed are also to be taken into account, amounting to $157.9 million as at June 30, 2019, compared with $192.2 million as at December 31, 2018. Total commitments at cost as at June 30, 2019, amounted to $1,042.0 million in 114 companies, cooperatives and funds, of which $884.1 million was disbursed. As at June 30, 2019, backed by its entrepreneurial ecosystem, CRCD supported growth in 494 companies, cooperatives and funds.

As at June 30, 2019, higher value recognized on underlying investments increased a financial liability by $0.3 million to $5.0 million ($4.7 million as at December 31, 2018).

During the first six months of fiscal 2019, Investments impacting the Québec economy generated a positive contribution of $44.9 million, for a return of 4.1%, compared with $89.3 million for the same period of 2018 (a return of 8.8%). The return spread between the two periods is mainly due to the significant appreciation of certain portfolio companies during the first six months of 2018, while the majority of partner companies also performed well during the current six-month period.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
Revenue	14,864	14,137
Gains and losses	30,044	75,180
	44,908	89,317

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability. Negotiation fees, which amounted to $1.5 million for the six months ended June 30, 2019 ($1.6 million for the same period of 2018), are earned by DC, the manager, and a credit for that amount is applied against the management fees paid to DC by CRCD. Negotiation fees are included in the contribution generated by the Investments impacting the Québec economy as they are included in the profitability analysis of the investments. The profile of the investments held by CRCD is changing and the amounts injected into its ecosystem funds continue to grow (see the following section for more details). Therefore, investments held by these ecosystem funds generate revenue in addition to the revenue generated by CRCD's direct investments. This revenue, of which CRCD's share amounted to $7.3 million for the first six months of fiscal 2019 ($7.1 million for the same period of 2018), is reported as "Gains and losses," as it makes a positive contribution to the fair value of CRCD's interest in these funds.

CRCD accounts for its Investments impacting the Québec economy at fair value. Two comprehensive portfolio reviews are carried out each year, with one covering the six-month period ending June 30 and the other covering the six-month period ending December 31.

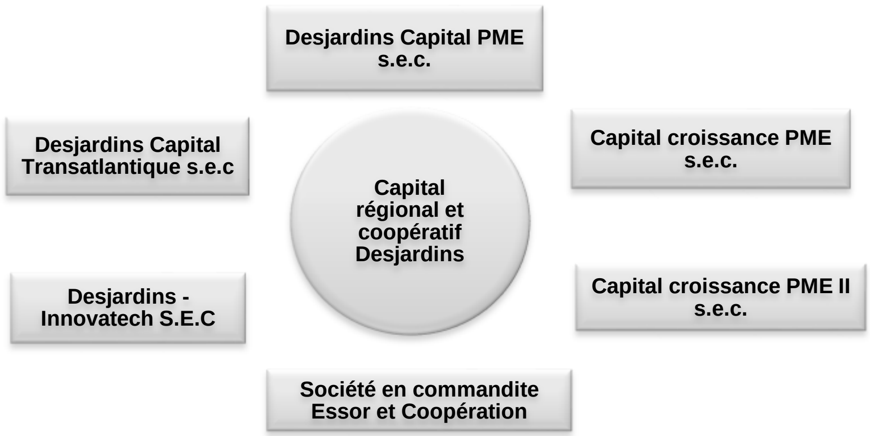
CRCD recorded in its results for the six-month period a realized and unrealized gain of $30.0 million compared with $75.2 million for the same period of 2018. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2019, the overall risk level of the Investments impacting the Québec economy portfolio was relatively stable compared with its December 31, 2018 level, as discussed in the Credit and counterparty risk section.

ENTREPRENEURIAL ECOSYSTEM

CRCD invests directly in Québec companies and also fulfils its economic development role via investments through the funds it has helped create with its manager, each of which has a specific mission. With this approach of seeking capital from various partners, CRCD can leverage its resources, thereby enhancing its positive impact on Québec's economic development.

MAIN FUNDS OF THE ENTREPRENEURIAL ECOSYSTEM



These funds, which are also managed by CRCD's manager, DC, are detailed below:

- On January 1, 2018, DC created the Desjardins Capital PME s.e.c. fund. (DCPME) in partnership with Desjardins Private Management. The fund's main goal is to invest in Québec's small- and medium-sized businesses, with an investment limit not exceeding $10 million. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments are made on an annual basis. For fiscal 2019, the limited partners, consisting of CRCD and the DIM Private Completion Strategy Fund, committed to pay $100 million. As at June 30, 2019, CRCD had disbursed $24.4 million ($30.4 million as at December 31, 2018) of its $40.0 million annual commitment and a total of 87 companies and funds benefited from $154.1 million committed by the DCPME fund.
- On July 4, 2018, DC created two funds jointly with France-based Groupe Siparex: the Desjardins Capital Transatlantic, L.P. fund (DC Transatlantic) and the Siparex Transatlantique – Fonds professionnel de Capital Investissements fund. The purpose of these funds is to co-invest in SMEs in Québec and Europe to support them in their marketing or acquisition efforts on both sides of the Atlantic. CRCD and other investor partners such as Export Development Canada (EDC), Groupe Siparex and French public investment bank BPIFrance committed a total of €75 million, or approximately $120 million, to the two funds. CRCD has a 60.7% interest in DC Transatlantic, which is managed by DC. As at June 30, 2019, CRCD had disbursed $6.3 million ($5.1 million as at December 31, 2018) of its total commitment of $34.1 million (€22.8 million), allowing four companies to benefit from $8.3 million committed by the fund.
- The objective of the Société en commandite Essor et Coopération (Essor et Coopération), established on January 1, 2013, is to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, have made commitments totalling $89.9 million. CRCD has a 94.6% interest in the Essor et Coopération fund. Since the fund's inception, CRCD has disbursed $34.7 million of its total commitment of $85 million. As at June 30, 2019, Essor et Coopération had made commitments totalling $29.7 million to support 21 cooperatives.
- CRCD is also the sponsor of the Desjardins-Innovatech S.E.C. fund (DI). DI has undertaken to inject a total of $85 million to support Québec technology or innovation businesses through each stage of their development. CRCD's interest in DI is 54.5%. In addition to this interest, CRCD has agreed to make an additional investment in the form of a note for a maximum amount of $5.0 million in DI of which $0.3 million was disbursed in the first six months of 2019 for a total disbursement of $2.0 million. This note does not affect the units held by CRCD in this fund. DI helps create innovative business accelerators in partnership with specialized organizations located in various regions of Québec, enabling it to support businesses from the embryonic stage through commercialization. As at June 30, 2019, DI had made commitments of $67.8 million to support a total of 63 companies and funds.

- The Capital croissance PME s.e.c. fund (CCPME), created on July 1, 2010, had an investment policy similar to that of the DCPME fund, which is to make capital available to Québec companies, with an investment limit not exceeding $5 million. CRCD and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest, on a 50/50 basis, a total initial amount of $220 million. The 2014 renewal of this agreement resulted in the creation of Capital croissance PME II s.e.c. fund (CCPME II), which allowed an additional $320 million to be committed, increasing the total commitments in the two funds to $540 million. As at June 30, 2019, CRCD had disbursed $249.5 million of its total commitment of $270 million. As CCPME II's investment period closed on November 30, 2017, funds committed but not disbursed will be used for reinvestment and to pay the fund's operating expenses until its scheduled winding-up date of November 30, 2023. A total of 240 companies and funds benefited from $209.5 million committed by the CCPME funds as at June 30, 2019. Since their inception, these funds have committed $456.5 million to 375 companies.

In total, as at June 30, 2019, CRCD and its ecosystem supported the growth of 494 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $1,186.0 million, while helping to create and retain 60,500 jobs. Of that total, 21 cooperatives benefited from commitments of $194.9 million.

Given the size of the amounts allocated to these funds and to better manage and track operations, CRCD monitors changes in asset allocation and performance by investment profile.

Each investment profile includes assets held by CRCD together with similar assets held by the funds in its ecosystem based on CRCD's proportionate share in each fund.

The investment profiles related to Investments impacting the Québec economy are:

- Debt: investments in the form of advances and/or mainly unsecured loans and/or preferred shares;

- Equity: investments comprising common shares that may be combined with advances and/or mainly unsecured loans and preferred shares in companies other than those included under the venture capital profile;

- Venture capital: investments in companies in pre-startup, startup or post-startup stages;

- External funds: investments in funds outside CRCD's entrepreneurial ecosystem.

ENTREPRENEURIAL ECOSYSTEM PERFORMANCE

Return by investment profile

	As at June 30, 2019			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	347	16.0	5.3	0.8
Equity	657	30.3	3.5	1.1
External funds	43	2.0	4.3	0.1
Venture capital	78	3.6	4.6	0.2
Investment profiles subtotal	1,125	51.9	4.1	2.1
Other asset items held by ecosystem funds	20	0.9	2.1	-
Ecosystem total	1,145	52.8	4.1	2.1

Return by investment profile

	As at June 30, 2018			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	311	16.1	2.3	0.4
Equity	672	34.9	12.0	4.0
External funds	37	1.9	6.8	0.1
Venture capital	48	2.5	9.5	0.2
Investment profiles subtotal	1,068	55.4	8.9	4.7
Other asset items held by ecosystem funds	12	0.6	(5.3)	(0.0)
Ecosystem total	1,080	56.0	8.8	4.7

The entrepreneurial eco-system's performance, with a non-annualized total return of 4.1%, stems mainly from the Debt and Equity profiles, which represent the core volume of assets under management as of June 30, 2019. The Debt profile, with a non-annualized return of 5.3%, posted a higher return compared with the same period in 2018, owing to lower corporate bond rates between the two periods. The return spread of the Equity profile between the two periods is mainly due to the significant appreciation of certain investments in 2018, while the majority of partner companies also performed well during the current six-month period.

OTHER INVESTMENTS

Managing the Other investments portfolio involves the portion of assets not earmarked for Investments impacting the Québec economy, including temporarily available cash resources prior to their investment in companies.

CRCD has implemented management strategies for the Other investments portfolio to optimize potential returns while retaining the required liquidity to meet liquidity needs arising from redemption requests from shareholders and Investments impacting the Québec economy it expects to make. This portfolio, consisting primarily of liquid assets, includes fixed-income securities, global equity funds, Canadian equity funds, real estate funds and market neutral equity funds. This portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at June 30, 2019, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $1,003.0 million ($804.7 million as at June 30, 2018) and consisted of the following:

Other investments portfolio

	As at June 30, 2019		As at June 30, 2018	
	Fair value ($M)	% of portfolio	Fair value ($M)	% of portfolio
Cash and money market instruments	32.7	3.3	64.8	8.0
Bonds	602.6	60.1	396.8	49.3
Global equity funds	163.0	16.2	156.7	19.5
Canadian equity funds	74.0	7.4	93.9	11.7
Real estate funds	100.2	10.0	92.5	11.5
Market neutral equity funds	30.5	3.0	-	-
Portfolio total	**1,003.0**	**100.0**	**804.7**	**100.0**

As at June 30, 2019, 73% of portfolio bond securities were government-guaranteed (68% as at June 30, 2018).

The Other investments portfolio represented 45% of total net assets at the end of the first six months of 2019 (41% as at June 30, 2018), an increase mainly arising from significant divestments in the Investments impacting the Québec economy portfolio in the second half of 2018. Commitments already made but not disbursed of $157.9 million, representing 7% of net assets, will eventually be covered from CRCD's Other investments portfolio and allocated to Investments impacting the Québec economy.

CRCD expects Other investments to represent nearly 35% of total net assets over the long term. In keeping with its core mission, this will allow an increase in funds allocated to Investments impacting the Québec economy.

Contribution generated by Other investments

(in thousands of $)	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	**10,755**	8,650
Gains and losses	**57,168**	(876)
	67,923	7,774

Revenue consists mainly of interest, dividends and distributions related to Other investments. Interest income (primarily from bonds) is recognized at the bond rate in effect at the acquisition date.

Current income rose $2.1 million for the first six months of 2019, compared with 2018, owing to higher average effective interest rates between the two periods combined with growth in the bond portfolio.

Gains of $57.2 million in the first six months of 2019 stemmed mainly from the following financial assets:

- The bond portfolio posted a $28.3 million increase in value, owing primarily to lower key interest rates since December 2018 but also to narrower credit spreads fuelled by the central banks' accommodative tone in the first six months of 2019.
- The stock market turnaround during the six-month period favourably impacted CRCD's Other investments portfolio, generating gains of $13.3 million for global equity funds and $13.6 million for Canadian equity funds. As portfolio equity funds have low volatility, CRCD did not fully benefit from the favourable stock market environment during the first half of 2019.
- The real estate funds generated a gain of $1.5 million, owing primarily to the appreciation in value of office, warehousing and distribution properties located in Toronto and Vancouver.

CRCD's financial asset management strategy aims to diversify the market risks associated with the Other investments portfolio through the use of Canadian and global securities unrelated to bond markets. Moreover, CRCD aims to match the average maturity of the bond portfolio with the average maturity of expected cash outflows, thereby limiting the long-term effect of bond rates on CRCD's results.

CAPITAL RAISING

CRCD offers its common shares for subscription through the Desjardins caisse network in Québec, and via AccèsD Internet.

On February 28, 2014, CRCD reached its capitalization limit of $1.25 billion. Under its constituting act, share issues have since been limited to an amount equal to the preceding issue period's redemptions, up to a maximum of $150 million. Each issue period lasts 12 months and runs from March 1 to the last day of February of the following year.

However, in recent years, the provincial government has granted CRCD the right to issue shares for an amount greater than the limit stipulated in the Act. In its March 27, 2018 budget, the Québec government authorized CRCD to issue $140 million in Class A "Issuance" shares for each of the 2018, 2019 and 2020 issues and set the tax credit rate for the purchase of such shares at 35%. To allow as many shareholders as possible to buy such shares under the 2018 and 2019 issues, the maximum annual subscription amount allowable was capped at $3,000 per investor, for a tax credit of $1,050.

In the same budget, new provisions were announced concerning the possibility of taking advantage of a new tax credit for a shareholder who defers the redemption of eligible shares for seven years. The Government of Québec authorized CRCD, for the 2018, 2019 and 2020 issue periods only, to exchange its current Class A "Issuance" shares for new Class B "Exchange" shares up to an annual maximum of $100 million. These new provisions allow CRCD shareholders who have never redeemed shares to exchange their current eligible Class A "Issuance" shares, up to a value of $15,000 annually, for new Class B "Exchange" shares which they will also be required to hold for seven years, as consideration for a provincial tax credit of 10% of the amounts exchanged.

These provisions were implemented in the fall of 2018 and exchange requests for the maximum authorized amount of $100 million for the 2018 taxation year were accepted in February 2019. The share exchange process relating to the 2019 taxation year was conducted last spring and the acceptance of applications for a total allowable amount of $100 million was completed in July 2019.

Accordingly, CRCD's share capital now comprises two classes of shares. Class A shares are issued to raise capital, while the recently created Class B shares are designed to be exchanged for Class A shares.

The minimum holding period for CRCD shares before a shareholder would normally be eligible for a redemption is seven years to the day from the date of purchase. Note, however, that shareholders who withdraw some or all of their shares after the seven-year holding period may no longer claim a tax credit for any subscription or exchange for which the tax credit would apply in the current tax year or in any subsequent tax year.

A special tax is payable by CRCD if it fails to comply with the authorized issuance or exchange amounts, and control mechanisms have been implemented by CRCD to ensure compliance. For the first six months of 2019 and for fiscal 2018, no special tax was paid.

As at June 30, 2019, CRCD had $1,575.3 million in share capital for 138,088,850 outstanding common shares.

During the six-month period, CRCD raised $0.4 million through Class A "Issuance" shares, representing the balance of the 2018 issue which was completed on January 22, 2019. The subscription period for the 2019 issue will begin in the fall. Issues of Class B "Exchange" shares resulting from the exchange of Class A "Issuance" shares amounted to $99.6 million for the first six months of 2019.

During the first six months of 2019, share redemptions totalled $50.6 million ($47.7 million for the same period of 2018).

As at June 30, 2019, the balance of shares eligible for redemption amounted to over $1,139 million. No new shares will become eligible for redemption during the second half of 2019 as the sale of the 2012 issue shares was completed before June 30, 2012. Furthermore, the $100 million issue of Class B "Exchange" shares in July 2019 for the 2019 issue period will reduce the balance of redeemable shares by the same amount. CRCD feels that the current economic conditions and low interest rates in particular are behind the low volume of redemptions in the last few years.

As at June 30, 2019, shareholders numbered 105,602 compared with 107,862 as at December 31, 2018.

CRCD's policy is to reinvest income from operations rather than pay dividends to its shareholders in order to increase the capital available for investment in eligible entities and to create share value appreciation.

EXPENSES AND INCOME TAXES

Expenses

(in thousands of $)	Six months ended June 30, 2019	Six months ended June 30, 2018
Management fees	**9,701**	12,701
Other operating expenses	**2,752**	2,351
Shareholder services	**5,818**	2,313
	18,271	17,365

CRCD has entrusted DC with its management and operations, in accordance with the strategies and objectives approved by the Board of Directors. The current three-year management agreement is in effect as of January 1, 2018. Under this agreement, management fees amount to a maximum rate of 1.75% (1.95% for the year ended December 31, 2018) of CRCD's annual average asset value less any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees charged to CRCD to avoid double billing relative to CRCD's interest in some funds. DC and CRCD have agreed that, for a given fiscal year, an adjustment could be made to allow CRCD to benefit from the economies of scale achieved by DC with regard to the growth of CRCD's assets and the increase in the balance of CRCD shares eligible for redemption over the last few years. The negotiation fees arising from portfolio companies are earned by DC, and their amount is deducted from the management fees payable by CRCD. The decrease in management fees mainly reflects the economies of scale achieved by DC with regard to the growth of CRCD's assets.

There was no significant change in other operating expenses between the two periods.

The $3.5 million increase in shareholder services was mainly driven by higher IT expenses and share distribution fees. Firstly, investments in information technology rose $0.7 million as the work that began in fiscal 2018 to implement a complete online solution for all shareholders continued. Share subscription and redemption will be available online once the project is completed.

Secondly, distribution fees increased by $2.4 million due to the revised agreement executed on January 1, 2019 between CRCD and the Fédération des caisses Desjardins du Québec with regard to compensation paid by CRCD to the Desjardins caisse network. Under this agreement, CRCD now pays the caisses a fee for all shareholder advisory services, determined annually based on CRCD's assets under management and the degree to which share transactions are automated. Issue expenses were eliminated as a result of this change. Accordingly, greater use of the online solution available to shareholders will be reflected in decreased costs. Furthermore, the 20 bp reduction in the maximum management fee rate accorded by DC reduces the effect of CRCD's growing assets.

Income tax recovery amounted to $0.4 million for the first six months of fiscal 2019 compared with a $0.3 million expense for the same period in 2018. The nature of the income has a significant impact on tax expense (recovery) since, unlike interest income, dividends are generally not taxable and capital gains are eligible for tax deductions and refund mechanisms.

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2019, cash outflows from issues net of redemptions amounted to $50.3 million (cash outflows of $46.1 million for the same period of 2018). Operating activities combined with fees for the development of an intangible asset generated net cash inflows of $26.8 million (net cash inflows of $41.7 million in 2018).

Cash outflows related to Investments impacting the Québec economy amounted to $83.9 million for the first six months of 2019 ($105.7 million for the first half of 2018). The Other investments portfolio recorded net sale proceeds of $76.3 million, compared with $76.5 million for the same period in 2018.

As at June 30, 2019, cash and cash equivalents totalled $17.8 million ($41.3 million as at December 31, 2018).

CRCD has an authorized line of credit of $50 million as at June 30, 2019. In the event that liquidity needs exceed expectations, this line of credit could be used on a temporary basis to cover CRCD's obligations. This additional flexibility optimizes the level of liquid assets held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was undrawn for the first six months ended June 30, 2019 and fiscal 2018.

Given the management approach for Other investments of matching the average maturity of bonds held with the average maturity of its expected cash outflows, CRCD does not anticipate any shortfall in liquidity in the short or medium terms and expects to be able to redeem eligible shares issued at least seven years earlier from those shareholders who make such a request.

4.2 CRCD's vision, mission, strategic priorities and strategies

CRCD was founded on the July 1, 2001 effective date of the *Act constituting Capital régional et coopératif Desjardins* (the Act) adopted on June 21, 2001 by Québec's National Assembly, on the initiative of Desjardins Group. The manager, DC, manages its affairs.

CRCD's vision, mission, objectives and strategies remain substantially similar to those described in its most recent annual MD&A.

4.3 Governance

BOARD OF DIRECTORS

The Board has the general authority to manage the affairs of CRCD and oversee the fulfilment of its mission. In this capacity, it is responsible for guiding and overseeing all of CRCD's affairs and risks, including strategic risk the oversight of which is specifically conferred upon it.

The Board is involved in and makes decisions on matters such as governance, strategic planning, investment, financial reporting, financial asset management, risk management, capitalization, general meetings of shareholders and contracts.

To this end, the Board is supported by six committees that regularly report to it and make appropriate recommendations. Also, the manager reports on outsourced activities through its executives who attend meetings of the Board and the committees.

The committee roles and responsibilities remain substantially similar to those described in the most recent annual MD&A.

4.4 Risk management

POLICIES AND PRACTICES

Sound risk management practices are critical to the success of CRCD. An integrated risk management policy has been put in place to provide the capacity to anticipate and be proactive in mitigating the impact of risk events.

NOTE TO THE READER

The following sections regarding market risks, credit and counterparty risks, concentration risks and liquidity risks have been reviewed by CRCD's independent auditor as part of the audit of the separate financial statements in respect of which an independent auditor's report was issued on August 15, 2019.

MARKET RISKS

Market risks pertain to CRCD's role in the capital markets and, indirectly, to general changes in economic conditions. They also pertain to the impact of capital market movements on the value of CRCD's assets. The various risks that make up market risks directly impacting CRCD are listed below.

In accordance with CRCD's global financial asset management approach, the impact of these interest rate and stock market risks and their interrelatedness are taken into account when determining overall asset allocation.

Interest rate risk

Interest rate fluctuations have an impact on the market value of fixed-income securities and real estate funds held in the portfolio for which fair value is determined based on market conditions. The fair value of these assets as at June 30, 2019 was $956.6 million ($986.5 million as at December 31, 2018). Fixed-income securities held in the Other investments portfolio include money market instruments and bonds. Fixed-income securities held in the Investments impacting the Québec economy portfolio include loans and advances and preferred shares.

Money market instruments with a fair value of $20.6 million ($51.2 million as at December 31, 2018) are not valued based on changes in interest rates, given their very short maturities and CRCD's intention to hold them until maturity.

Bonds with a fair value of $602.6 million ($642.0 million as at December 31, 2018) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a decrease of $36.0 million in net earnings, representing a 1.6% decrease in CRCD's share price as at June 30, 2019 ($39.9 million for 1.9% as at December 31, 2018). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $38.7 million increase in net earnings, representing a 1.7% increase in the share price ($42.9 million for 2.0% as at December 31, 2018). CRCD's financial asset management strategy aims to diversify the portfolio securities, resulting in limited exposure to long-term bonds. Given that CRCD matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long-term effect of interest rates on results should be limited.

Real estate funds with a fair value of $100.2 million ($96.4 million as at December 31, 2018) may also be affected by interest rate fluctuations. However, unlike bonds, there is no direct correlation between changes in interest rates and changes in fair value of this asset class.

In the Investments impacting the Québec economy portfolio, loans and advances and preferred shares for which CRCD also holds participating shares in the same company and those that are discounted, totalling a fair value of $221.1 million ($225.6 million as at December 31, 2018), are not sensitive to changes in interest rates. Conversely, the other loans and advances and preferred shares included in the portfolio, totalling a fair value of $233.2 million ($197.0 million as at December 31, 2018), are sensitive to changes in interest rates. However, the interest rate risk related to the other loans and advances and preferred shares held in the portfolio is limited given the amounts in question.

Stock market risk

Stock market trends have a twofold impact on CRCD. In addition to the direct impact on the market values of publicly traded stocks, the valuations of some private portfolio companies may also be affected by changes in stock prices.

As at June 30, 2019, global and Canadian equity funds, valued at $237.0 million ($239.5 million as at December 31, 2018), held in the Other investments portfolio, consisted primarily of listed equities. Accordingly, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $23.7 million increase or decrease in net earnings, representing a 1.2% increase or decrease in CRCD's share price.

Market-neutral equity funds, valued at $30.6 million at June 30, 2019 (nil as at December 31, 2018), are less exposed to stock market fluctuations as they minimize market risk. Furthermore, since these funds represent low exposure for the portfolio, any fluctuation would not have a significant direct impact on CRCD's net earnings.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $22.0 million ($18.4 million as at December 31, 2018). Accordingly, for these investments a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $2.2 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD's share price.

Currency risk

Changes in currency values have an impact on the activities of a number of CRCD's partner companies. The net effect of an appreciation in the Canadian dollar is not necessarily always negative for these companies, nor is a depreciation necessarily positive. However, rapid fluctuations in the Canadian dollar heighten the difficulties faced by these companies.

Currency fluctuations impact the fair value of assets valued initially in a foreign currency and subsequently translated into Canadian dollars at the prevailing rate of exchange. In the portfolio of Investments impacting the Québec economy, assets whose values fluctuate due to changes in foreign exchange rates represented a fair value of $80.7 million or 3.6% of net assets as at June 30, 2019, compared with $76.4 million or 3.5% of net assets at December 31, 2018.

CRCD aims to systematically hedge currency risk for assets measured in foreign currency, unless the exposure stems from the long-term expected returns of certain asset classes. A $10 million line of credit has been granted to CRCD for its foreign exchange contract transactions. As at June 30, 2019, CRCD held foreign exchange contracts under which it will be required to deliver US$60.6 million (US$53.1 million as at December 31, 2018) at the rate of CAD/USD 1.3092 (CAD/USD 1.3615 as at December 31, 2018), as well as foreign exchange contracts under which it will be required to deliver €4.5 million (€3.6 million as at December 31, 2018) at the rate of CAD/EUR 1.5003 (CAD/EUR 1.5685 as at December 31, 2018) on September 30, 2019. As at June 30, 2019, CRCD had nil collateral on its foreign exchange contracts ($4.5 million as at December 31, 2018).

As at June 30, 2019, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to $5.4 million ($1.8 million as at December 31, 2018). Any fluctuation in the Canadian dollar will therefore not have a significant impact on CRCD's results.

For the Other investments portfolio, the net exposure of investments to foreign currencies amounted to $167.7 million (137.4 million as at December 31, 2018). A 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a $16.8 million increase (decrease) in net earnings, representing a 0.7% change in CRCD's share price.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, CRCD is exposed to credit and counterparty risks related to potential financial losses if a partner company fails to fulfil its commitments or experiences a deterioration of its financial position. By diversifying its investments by investment profile, and by limiting the potential risk of each partner company, CRCD has limited portfolio volatility due to the possibility of negative events.

CRCD does not generally require guarantees to limit credit risk on its loans. Requiring guarantees would contravene the eligibility rules for Investments impacting the Québec economy.

The maximum credit risk is the carrying amount of the financial instruments at the end of the reporting period, in addition to funds committed but not disbursed.

Investments impacting the Québec economy, except those carried out through funds, are first ranked by risk from 1 to 9 based on the criteria defined by Moody's RiskAnalyst tool. Subsequently, all the investments are reviewed monthly to identify those that meet the criteria for a ranking of 10.

Investments impacting the Québec economy made as funds are reported in the Low to acceptable risk category due to the structure of this type of product, and because they generally involve no leverage.

The table below shows the stability in the Investments impacting the Québec economy portfolio, ranked by risk (fair value amounts):

		As at June 30, 2019		As at December 31, 2018	
Rating		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**1,085,861**	**94.7**	1,031,104	95.5
7 to 9	At risk	**38,760**	**3.4**	33,458	3.1
10	High risk and insolvent	**22,185**	**1.9**	15,507	1.4

Furthermore, CRCD is exposed to credit risk on financial instruments not recognized in assets, which are funds committed but not disbursed in connection with the Investments impacting the Québec economy portfolio. The table below shows the breakdown, by risk rating, of funds committed but not disbursed as at the reporting date:

		As at June 30, 2019		As at December 31, 2018	
Rating		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**155,740**	**98.6**	191,969	99.9
7 to 9	At risk	**750**	**0.5**	-	-
10	High risk and insolvent	**1,400**	**0.9**	200	0.1

For the bond portfolio, which represented 60.8% of the fair value of the Other investments portfolio (62.4% as at December 31, 2018), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at June 30, 2019	As at December 31, 2018
Rating(1)	(in thousands of $)	(in thousands of $)
AAA	**288,861**	295,820
AA	**175,569**	242,163
A	**79,593**	56,401
BBB	**58,565**	47,571

(1) Credit risk ratings are established by recognized credit agencies.

Consistent with the global financial asset management policy, money market instruments have a minimum credit rating of R-1 (low), thus limiting the credit risk associated with these financial instruments.

Counterparty risk is limited to the immediate short term and is associated with CRCD's counterparty when entering into cash transactions.

Counterparty risk is low for foreign exchange contracts given the amounts in question and that the contract counterparty is FCDQ.

CONCENTRATION RISKS

Concentration risks arise from the possibility that a significant portion of CRCD's Investments impacting the Québec economy portfolio or Other investments portfolio might become concentrated in a single entity, industry, region or financial product, which could render CRCD vulnerable to any financial difficulties experienced by such entity, industry, region or financial product.

Risk of concentration in an entity

Pursuant to its constituting act, policies and internal guidelines, the amount that CRCD may invest in any one entity or in a group of associates is limited to a percentage of its assets for both the Investments impacting the Québec economy and Other investments portfolios.

The concentration of the five largest Investments impacting the Québec economy and the five largest Other investments is as follows (percentages are based on fair asset value and funds committed but not disbursed):

	As at June 30, 2019		As at December 31, 2018	
	% of portfolio	% of Net assets	% of portfolio	% of Net assets
Investments impacting the Québec economy[1]	**32.6**	**19.2**	33.5	19.7
Other investments[2]	**49.7**	**22.3**	48.8	23.1

(1) CRCD's interest in the ecosystem funds accounted for 62% (63% as at December 31, 2018) of the five largest Investments impacting the Québec economy.
(2) Government issuers and issues guaranteed by government entities represented 57% (70% as at December 31, 2018) of the five largest issuers or counterparties in the Other investments portfolio.

Risk of concentration by region

In keeping with its mission of Québec economic development, the Investments impacting the Québec economy portfolio chiefly comprises businesses whose employees are, in the majority, residents of Québec. Furthermore, at least 35% of its investments must be made in companies located in the resource regions or in eligible cooperatives. Portfolio performance therefore depends heavily on economic conditions in Québec and the resource regions. As at June 30, 2019, the Investments impacting the Québec economy portfolio represented 53.3% of net assets (51.3% as at December 31, 2018).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the holding of foreign securities within the Other investments portfolio. As at June 30, 2019, the Other investments portfolio includes a portion of foreign securities resulting primarily from its interest in global equity funds and comprises 85.3% of Canadian securities (86.8% as at December 31, 2018). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2019, the Other investments portfolio represented 45.3% of net assets (48.0% as at December 31, 2018).

Risk of concentration in a financial product

The global financial asset management policy favours global integrated management of the Investments impacting the Québec economy and Other investments portfolios. The policy establishes limits by asset class and these limits are applied by the manager. As at June 30, 2019, bond securities represented 27.2% of net assets (29.6% as at December 31, 2018). The lower percentage allocated to this asset class stems from the increase in the weighting for Investments impacting the Québec economy and the addition of new asset classes in order to diversify and strike an overall portfolio balance between risk and return and meet CRCD's cash requirements.

The portfolio summary presented at the end of this MD&A also provides relevant information for assessing concentration risk.

LIQUIDITY RISKS

CRCD must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, CRCD would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 30% of assets under management, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, CRCD can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have been put in place to provide greater cash management flexibility. The credit facilities remained undrawn for the first six months of 2019 and fiscal 2018.

Given the anticipated increase in the balance of the redeemable shares of CRCD, in addition to the initiatives put in place to stimulate share redemptions, new temporary measures announced by the Québec government in March 2018 allow eligible CRCD shareholders to commit their redeemable capital for an additional seven-year period. With an authorized annual amount of $100 million until 2020, this initiative will ensure greater availability of capital for Investments impacting the Québec economy and reduce cash requirements related to share redemptions. See the Capital raising section for more information.

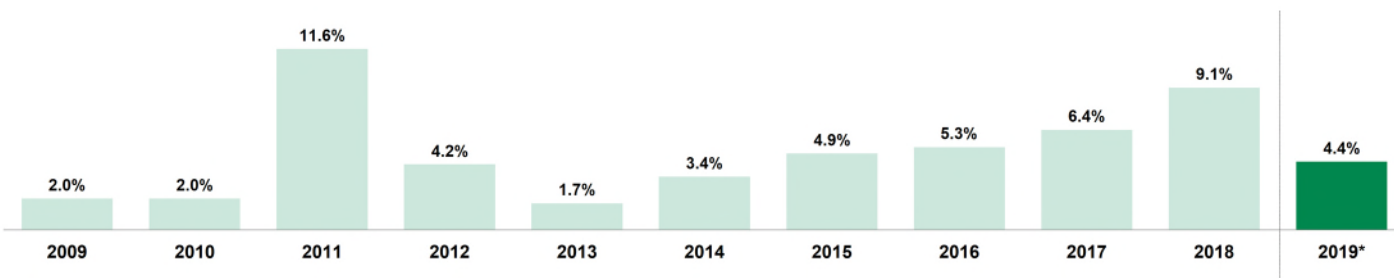
CRCD, through its balanced financial strategy and integrated risk management, has the necessary sources of funding to cover its financial obligations and pursue its mission among Québec businesses.

5.0 Past performance

This section presents CRCD's historical returns. These returns do not include the $50 administration fee paid by shareholders or the tax credit they enjoy as a result of their investment. Past performance is not necessarily indicative of future returns.

5.1 Annual returns

The following chart shows CRCD's annual returns and illustrates the change in returns from one period to the next for the past ten fiscal years and for the six-month period ended June 30, 2019. Annual return is calculated by dividing earnings (loss) per share for the period by the share price at the beginning of the period.



* Non-annualized return for the six-month period ended June 30, 2019.

5.2 Compounded return of the common share as at June 30, 2019

The compounded return is calculated based on the annualized change in the price of the share over each of the periods shown.

10 YEARS	7 YEARS	5 YEARS	3 YEARS	1 YEAR
5.2%	5.1%	6.1%	7.4%	9.2%

6.0 Portfolio summary

6.1 Core investment profiles

As at June 30, 2019, assets in CRCD's Investments impacting the Québec economy and Other investments portfolios were allocated, on a fair value basis, as follows:

Investment profile	% of net assets
INVESTMENTS IMPACTING THE QUÉBEC ECONOMY*	
Debt	16.7
Equity	29.9
External funds	2.0
Venture capital	3.8
Other asset items held by ecosystem funds	0.9
Total – Investments impacting the Québec economy	**53.3**
OTHER INVESTMENTS	
Cash and money market instruments	1.5
Bonds	27.2
Global equity funds	7.4
Canadian equity funds	3.3
Real estate funds	4.5
Market neutral equity funds	1.4
Total – Other investments	**45.3**

* Including foreign exchange contracts

Net assets are made up of 98.6% investment profiles and 1.4% other asset items.

6.2 Main investments held

As at June 30, 2019, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at June 30, 2019	% of net assets
Investments impacting the Québec economy – 14 issuers*	32.7
Government of Canada	6.4
Canada Housing Trust	6.2
Desjardins IBrix Low Volatility Global Equity Fund (I-Class Units)	3.7
Desjardins Global Dividend Fund (I-Class Units)	3.7
Bentall Kennedy Prime Canadian Property Fund	2.3
Fiera Properties CORE Fund	2.3
Province of Québec	1.9
Province of Manitoba	1.8
BMO Low Volatility Canadian Equity ETF	1.7
Fidelity Canadian Low Volatility Equity Institutional Trust	1.6
Province of Ontario	1.6

*** The 14 issuers which collectively represent 32.7% of CRCD's net assets are:**

Agropur Cooperative
Amisco Industries Ltd.
Avjet Holding Inc.
Capital croissance PME II s.e.c.
Desjardins-Innovatech S.E.C.
Desjardins Capital PME s.e.c.
Exo-s Inc.
Fournier Industries Group Inc.
Gecko Alliance Group Inc.
Groupe Solotech inc.
La Coop fédérée
Norbec Group Inc. (10080233 Canada Inc.)
Société en commandite Essor et Coopération
Télécon Inc.

This summary of CRCD's portfolio may change at any time due to transactions carried out by CRCD.

August 15, 2019

Management's report

August 15, 2019

CRCD's separate financial statements together with the financial information contained in this interim report are the responsibility of the Board of Directors, which delegates the preparation thereof to management.

In discharging its responsibility for the integrity and fairness of the financial statements, management has ensured that the manager maintains an internal control system to provide reasonable assurance that the financial information is reliable, that it provides an adequate basis for the preparation of the financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, the Desjardins Group Relations director and CRCD's General Manager and Chief Financial Officer have certified that the method used to determine the fair value of each of the Investments impacting the Québec economy complies with the requirements of the Autorité des marchés financiers and have confirmed the reasonableness of the aggregate fair value of the portfolio of Investments impacting the Québec economy.

The Board of Directors fulfils its responsibility for the financial statements principally through its Audit and Risk Management Committee. The Committee meets with the independent auditor appointed by the shareholders with and without management present to review the financial statements, discuss the audit and other related matters and make appropriate recommendations to the Board of Directors. The Committee also analyzes the management discussion and analysis to ensure that the information therein is consistent with the financial statements.

The financial statements present the financial information available as at August 15, 2019. Prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, these statements have been audited by PricewaterhouseCoopers LLP.

The Board of Directors has approved the separate financial statements, together with the information in the management discussion and analysis. The financial information presented elsewhere in this report is consistent with CRCD's separate financial statements.

(signed) Yves Calloc'h, CPA, CA
Chief Financial Officer