CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

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.

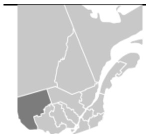
Copies of the interim financial statements may be obtained free of charge, on request, by calling 514-281-2322 or (toll free) 1-866-866-7000, extension 5552322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at www.capitalregional.com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

Annual financial information may be obtained in the same way.

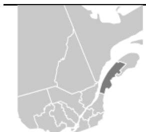
HIGHLIGHTS

COMMITMENTS THROUGHOUT QUÉBEC

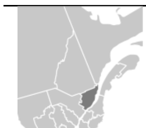
CRCD and its ecosystem[1] make a real contribution to the economic development of the regions. As at June 30, 2018, the funds committed were as follows:



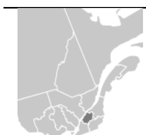
ABITIBI-TÉMISCAMINGUE*
$17M → **29** companies
$1M → **1** cooperative



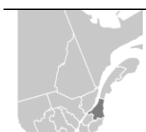
BAS-SAINT-LAURENT*
$14M → **20** companies
$0.2M → **1** cooperative



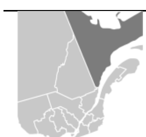
CAPITALE-NATIONALE
$103M → **37** companies
$2M → **1** cooperative



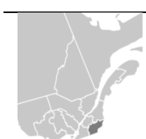
CENTRE-DU-QUÉBEC
$38M → **20** companies
$13M → **2** cooperatives



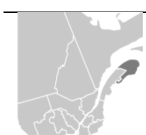
CHAUDIÈRE-APPALACHES
$96M → **31** companies
$3M → **2** cooperatives



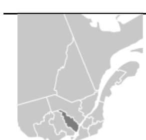
CÔTE-NORD*
$3M → **8** companies



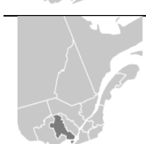
ESTRIE
$75M → **33** companies
$4M → **3** cooperatives



GASPÉSIE – ÎLES-DE-LA-MADELEINE*
$6M → **8** companies

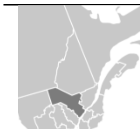


LANAUDIÈRE
$22M → **10** companies
$1M → **1** cooperative

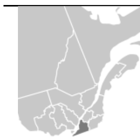


LAURENTIDES
$9M → **5** companies

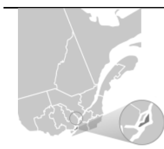
LAVAL
$12M → **9** companies



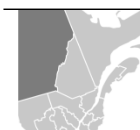
MAURICIE*
$12M → **10** companies
$1M → **1** cooperative



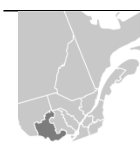
MONTÉRÉGIE
$170M → **55** companies
$83M → **3** cooperatives



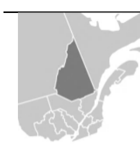
MONTRÉAL
$206M → **73** companies
$86M → **2** cooperatives



NORD-DU-QUÉBEC*
$3M → **16** companies



OUTAOUAIS
$3M → **2** companies



SAGUENAY – LAC-SAINT-JEAN*
$55M → **60** companies
$2M → **2** cooperatives

OUTSIDE QUÉBEC
$2M → **4** companies

FUNDS
$56M → **13** funds

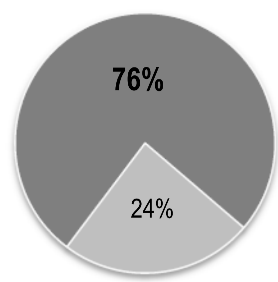
IN TOTAL

462
COMPANIES, COOPERATIVES AND FUNDS

$1,099M
BENEFITTING QUÉBEC SMES

67,000
JOBS CREATED OR MAINTAINED

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

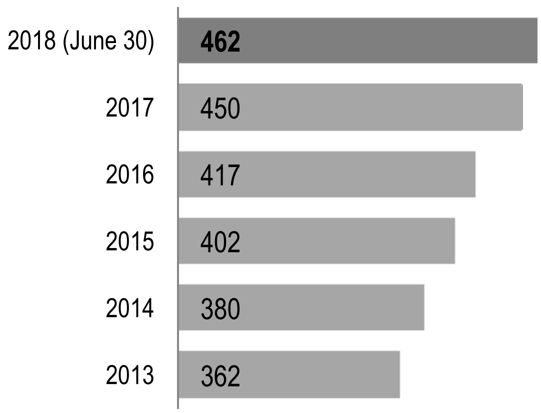


** Resource region*
[1] See the "Entrepreneurial ecosystem" section for a detailed description of the main funds of the ecosystem.

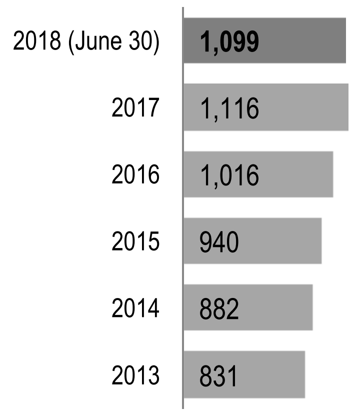
CRCD AND ITS ECOSYSTEM SUPPORT QUÉBEC COMPANIES AND COOPERATIVES

AS AT JUNE 30, 2018 AND DECEMBER 31

Total companies, cooperatives and fonds



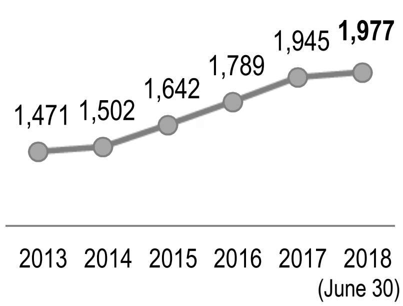
Funds committed ($M)



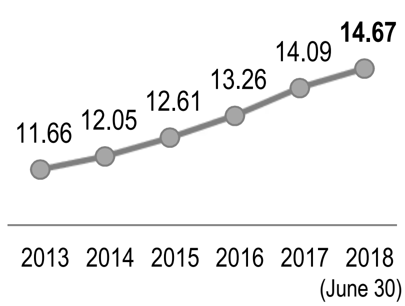
CRCD FINANCIAL DATA

AS AT JUNE 30, 2018 AND DECEMBER 31

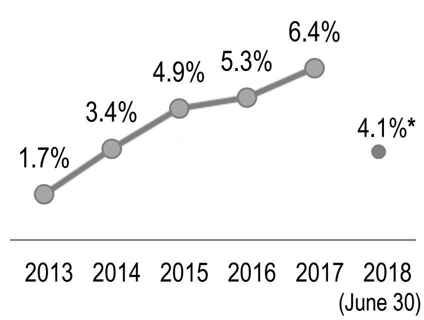
Net assets ($M)



Share price ($)



Fund returns (%)



* Non-annualized return for the six-month period ended June 30, 2018.

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, 2018. This information is derived from CRCD's audited separate annual financial statements.

RATIOS AND SUPPLEMENTAL DATA

(in thousands of $, unless indicated otherwise)	JUNE 30, 2018 (6 months)	DEC. 31, 2017	DEC. 31, 2016	DEC. 31, 2015	DEC. 31, 2014	DEC. 31, 2013
Revenue	**21,327**	**51,392**	44,449	45,269	44,422	51,982
Gains on investments	**74,304**	**96,541**	78,869	64,035	42,884	10,670
Net earnings	**77,940**	**112,757**	85,957	74,806	49,245	24,950
Net assets	**1,977,177**	**1,945,342**	1,789,417	1,642,076	1,502,462	1,470,576
Common shares outstanding (number, in thousands)	**134,794**	**138,080**	134,944	130,183	124,665	126,165
Total operating expense ratio[1] (%)	**1.8**	**1.7**	2.0	1.9	2.1	2.0
Total operating expense and common share issue expense ratio[1] (%)	**1.8**	**1.9**	2.2	2.0	2.2	2.2
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	**8**	**16**	11	19	19	16
– Other investments (%)	**60**	**87**	126	131	102	108
Trading expense ratio[2] (%)	**0.0**	**0.0**	0.0	0.0	0.0	0.0
Number of shareholders (number)	**103,304**	**105,614**	104,317	102,222	96,236	100,861
Issues of common shares	**1,595**	**134,850**	133,401	149,882	62,906	149,995
Common share issue expenses, net of related taxes	**27**	**2,396**	1,579	1,750	764	1,739
Redemption of common shares	**47,673**	**89,285**	70,438	83,324	79,501	59,075
Investments impacting the Québec economy at cost	**854,606**	**828,255**	787,142	738,596	675,355	671,547
Fair value of investments impacting the Québec economy	**1,114,887**	**1,033,951**	921,518	817,199	710,923	733,907
Funds committed but not disbursed	**133,700**	**183,606**	189,121	171,082	193,764	227,593

(1) Total operating expense ratio is calculated by dividing total expenses (before income taxes) as shown on the separate statements of comprehensive income 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*. The total operating expense and common share issue expense ratio is computed on the same basis but adding the common share issue expenses as shown on the separate statements of changes in net assets to total expenses.

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

CHANGES IN NET ASSETS PER COMMON SHARE

(in $)	JUNE 30, 2018	DEC. 31, 2017	DEC. 31, 2016	DEC. 31, 2015	DEC. 31, 2014	DEC. 31, 2013
Net assets per common share, beginning of period/year	**14.09**	**13.26**	**12.61**	**12.05**	**11.66**	**11.47**
Increase attributable to operations	**0.58**	**0.84**	**0.66**	**0.59**	**0.40**	**0.20**
Interest, dividends, distributions and negotiation fees	0.16	0.38	0.34	0.35	0.36	0.41
Operating expenses	(0.13)	(0.24)	(0.26)	(0.23)	(0.25)	(0.23)
Income taxes	-	(0.02)	(0.03)	(0.03)	(0.06)	(0.07)
Realized gains (losses)	0.05	0.06	0.18	0.29	0.52	0.03
Unrealized gains (losses)	0.50	0.66	0.43	0.21	(0.17)	0.06
Difference attributable to common share issues and redemptions	**-**	**(0.01)**	**(0.01)**	**(0.03)**	**(0.01)**	**(0.01)**
Net assets per common share, end of period/year	**14.67**	**14.09**	**13.26**	**12.61**	**12.05**	**11.66**

OVERVIEW

CRCD ended the first six months of 2018 with net earnings of $77.9 million ($68.7 million for the same period of 2017), representing a non-annualized return of 4.1% (3.9% as at June 30, 2017), resulting in an increase in net assets per share to $14.67 based on the number of shares outstanding as at June 30, 2018, compared with $14.09 as at the end of fiscal 2017. 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 and limits volatility in periods of substantial market turbulence. In fact, CRCD has generated favourable returns for over nine years.

Investments impacting the Québec economy posted a non-annualized return of 8.8% for the six-month period ended June 30, 2018, compared with a return of 7.3% for the same period a year earlier. As at June 30, 2018, the cost of Investments impacting the Québec economy totalled $854.6 million, of which $105.7 million was disbursed during the first six months of fiscal 2018. As at June 30, 2018, 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 $133.7 million. New commitments for the year amounted to $55.8 million. Other investments generated a non-annualized return of 0.9% for the first six months of 2018, compared with a non-annualized return of 2.5% for the same period of 2017.

During the six-month period, issues of common shares totalled $1.6 million, that is, the balance of the 2017 issue which was completed on February 9, 2018. The subscription period for the 2018 issue will begin in the fall. For more information, please see the Subscriptions section of this MD&A. Share redemptions totalled $47.7 million. Net assets amounted to $1,977.2 million. There were 103,304 shareholders as at June 30, 2018. As at June 30, 2018, the balance of shares eligible for redemption amounted to over $964 million.

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), formerly known as Desjardins Venture Capital Inc., 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.

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, DC contributes 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, DC supports start-up or early-stage companies that use technological or industrial innovations and capitalize on new uses of existing technologies.

DC is also supporting Québec SMEs in their expansion in Europe with the new Desjardins Capital Transatlantic, L.P. fund that was authorized during the first half of the year. With this new fund, a new area of expertise is available to Québec entrepreneurs, well beyond financial concerns, through support for international development with a team on the ground. A DC representative will be 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 its existing and potential partners, DC maintains 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. Regional meeting opportunities promote networking and forging business connections.

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, DC provides our partner companies with tailored support for implementing and monitoring sound SME governance practices, which represents undeniable value added. Very active in this area, DC has 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.

ECONOMIC CONDITIONS

ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2018

The global economy has continued to post strong gains, but growth rates appear to have stabilized somewhat over the last few months. Global trade has even slowed over recent months, perhaps as a result of protectionist measures taken by the U.S. government. In the eurozone, real GDP is expected to grow 2.3% in 2018 following a 2.5% increase in 2017. This is due to slower growth in the first quarter in many of the zone's member countries. Since the Brexit referendum, the United Kingdom has gone against trend, unable to profit from the improved global economic conditions as much as the other industrialized economies. China's real GDP grew from 6.7% in 2016 to 6.9% in 2017, representing the first improvement since 2010. As in 2017, the Chinese government will target 6.5% growth for 2018. It is less likely, however, that actual results surpass this figure, as the government does not seem as keen to stimulate the economy. In addition, the escalating series of trade restriction measures being taken by the U.S. and China is becoming a source of concern. Real global GDP is expected to increase from 3.7% in 2017 to 3.9% in 2018 and 2019. However, the protectionist threat in the U.S. weighs on these prognoses.

Investors paid considerable attention to international issues in the second quarter of 2018. The decision by the U.S. to impose new sanctions on Iran and Venezuela helped drive up oil prices to levels not seen in years, which amplified the upward pressure on inflation. A political crisis in Italy has brought new financial tensions to Europe, and the U.S. dollar's new strength has placed emerging countries at a significant disadvantage. Fears of a trade war also resurfaced following the U.S. administration's decision to impose tariffs on steel and aluminum from the European Union, Canada and Mexico. This has placed overseas stock markets at a disadvantage, but North American markets have performed well nonetheless, favoured by encouraging economic data and strong growth in corporate earnings. Following a negative first quarter, the S&P 500 and the S&P/TSX also rose slightly above their levels at the start of the year.

A favourable economic outlook and rising inflation suggest that the normalization of monetary policy will continue, despite the many uncertainties. The U.S. Federal Reserve (the Fed) announced more monetary tightening on June 13, 2018, and its leaders are signalling that the Fed will continue to raise rates by 0.25% per quarter in the second half of 2018. After having raised its key interest rates in January, the Canadian monetary authorities left rates unchanged at their three subsequent meetings. However, the tone of the press releases issued by the Bank of Canada (BoC) has improved. After clearly signalling an intent to raise its key interest rates soon, the Bank did as much at its July 11, 2018 meeting, with a 0.25% hike. Uncertainties nevertheless continue to plague the real estate sector and international trade, and this may convince the BoC to stay the course with very gradual increases to key interest rates over the next few quarters. This slower tightening of Canadian monetary policy should maintain a significant spread between Canadian and U.S. bond rates and keep the Canadian dollar under US$0.80. The many international uncertainties limited increases in long-term bond rates in the second quarter, but a clear increase can be expected in the second half of the year.

Real GDP in the U.S. grew 2.2% in 2017, a substantial improvement from the relatively low 1.6% increase recorded for 2016. Growth of only 2.2% was registered for the first quarter of 2018, which is disappointing given that there could have already been evidence of the stimulation provided by tax cuts. However, annualized growth of 4.1% was recorded for the second quarter of 2018. In addition to the potential impacts of tax reform, the economy has been stimulated by a sharp rise in federal government spending, posting 2.1% growth. However, it remains to be seen how the U.S. economy will respond to the Trump administration's protectionist measures. For now, real GDP is expected to grow 2.8% in the current year and another 2.5% in 2019. The labour market should continue to improve, with inflation rising at a slower pace.

In Canada, real GDP grew only 1.3% (annualized rate) in the first quarter of 2018, falling short of expectations. Domestic demand grew at the slowest rate since the end of 2016, up only 2.1%, in particular due to slightly slower growth in consumer spending in early 2018. The Canadian economy is nevertheless expected to have rallied in the second quarter and then grow by close to 2% in the second half of the year. Furthermore, consumer spending should pick up. Conditions in the labour market are good, and wages continue to gather momentum, with labour shortages now reported in certain sectors and regions. The disappearance of excess capacity should continue to encourage growth in non-residential investment over the next few quarters. However, the increases in business spending in non-residential construction as well as machinery and equipment could slow somewhat in future quarters. The uncertainties surrounding the renegotiation of the North American Free Trade Agreement (NAFTA) have increased noticeably, and this may throw cold water on the development projects of many businesses. For now, it is assumed that the free-trade agreement between Canada, the U.S. and Mexico will eventually be renewed. The protectionist measures implemented so far are sure to have negative impacts on certain sectors and regions, but, overall, the consequences for the Canadian economy in general should, ultimately, be limited.

The pace of growth in the Québec economy has continued to slow since the beginning of the year. Real GDP grew at an annualized rate of 1.8% in the first quarter of 2018, compared to 2.2% in the previous quarter. Spending by consumers and in the housing sector has slowed somewhat after a strong period. The high level of confidence among SMEs finally appears to be leading to investment, in particular as part of the digital shift begun in Québec. Hopefully the uncertainties surrounding trade relations with the U.S. will not keep businesses from maintaining their momentum. Foreign trade will nevertheless need to adjust to new tariffs affecting certain industries on both sides of the Canada-U.S. border, and this may affect production, employment and the investments of certain businesses. For now the economic environment is favourable, but significant risks cloud the outlook. Real GDP is expected to grow by 2.2% in 2018, slower than the 3.0% recorded for 2017.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

OPERATING RESULTS

CRCD'S NET RESULTS AND RETURNS

CRCD ended the first half of the year on June 30, 2018 with net earnings of $77.9 million, or a non-annualized return of 4.1%, compared with net earnings of $68.7 million (non-annualized return of 3.9% for the same period in 2017). Based on the number of common shares outstanding, net assets per share increased to $14.67 as of August 16, 2018, compared with $14.09 at the end of fiscal 2017. For illustrative purposes, at a price of $14.67, shareholders who invested seven years earlier would obtain an annual after-tax return of more than 13.8%, taking into account the 50% income tax credit as per the rate applicable on August 18, 2011.

CRCD's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated returns of 8.8% and 0.9%, respectively, while expenses, net of administrative charges and income taxes had an impact of 1.0% 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. This should limit the volatility of the CRCD's returns in periods of substantial market turbulence.

RETURN BY ACTIVITY	JUNE 30, 2018				JUNE 30, 2017			
	Average assets under management ($M)	**Weighting (%)**	**Return 6 months (%)**	**Contribution 6 months (%)**	Average assets under management (M$)	Weighting (%)	Return 6 months (%)	Contribution 6 months (%)
Activities related to Investments impacting the Québec economy[(1)]	**1,080**	**56.0**	**8.8**	**4.7**	971	54.8	7.3	3.8
Other investments and cash	**847**	**44.0**	**0.9**	**0.4**	802	45.2	2.5	1.2
	1,927	**100.0**	**5.1**	**5.1**	1,773	100.0	5.0	5.0
Expenses, net of administrative charges			**(1.0)**	**(1.0)**			(1.0)	(1.0)
Income taxes			**(0.0)**	**(0.0)**			(0.1)	(0.1)
CRCD's return			**4.1**	**4.1**			3.9	3.9

(1) Includes Investments impacting the Québec economy, amounts receivable on disposal of investments, notes payable and foreign exchange contracts.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $106.0 million and disposals of $100.2 million were made for a net balance of $5.8 million. Combined with realized and unrealized net gains of $75.4 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $1,116.4 million as at June 30, 2018 ($1,035.2 million as at December 31, 2017). Investments made in the first half of the year totalled $106.0 million, consisting primarily of investments in two companies for a total amount of $52.2 million and in the funds comprising the entrepreneurial ecosystem, as described below, amounting to $32.4 million.

In measuring the Investments impacting the Québec economy, funds committed but not disbursed are also to be taken into account, amounting to $133.7 million as at June 30, 2018, compared with $183.6 million as at December 31, 2017. Total commitments at cost as at June 30, 2018, amounted to $988.3 million in 97 companies, cooperatives and funds, of which $854.6 million was disbursed. As at June 30, 2018, backed by its entrepreneurial ecosystem, CRCD supported growth in 462 companies, cooperatives and funds.

In its Investments impacting the Québec economy portfolio, CRCD has a financial liability as at June 30, 2018 of $3.9 million ($3.2 million as at December 31, 2017), with the $0.7 million change resulting from the increase in value recognized on the underlying investments. During the six-month period, CRCD repaid in full the notes payable related to the acquisition of certain investments of Desjardins Venture Capital L.P. as at November 30, 2010, subsequent to an agreement between the parties ($20.2 million as at December 31, 2017).

During the first six months of fiscal 2018, Investments impacting the Québec economy generated a positive contribution of $89.3 million, for a return of 8.8%, compared with $66.4 million for the same period of 2017 (a return of 7.3%).

CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of $)	**SIX MONTHS ENDED JUNE 30, 2018**	SIX MONTHS ENDED JUNE 30, 2017
Revenue	**14,137**	18,570
Gains and losses	**75,180**	47,870
	89,317	66,440

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. The $4.4 million decrease in revenue between the two six-month periods stemmed primarily from lower dividends. Negotiation fees, which amounted to $1.6 million for the six months ended June 30, 2018 ($2.0 million for the same period of 2017), 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. This revenue, of which CRCD's share amounted to $7.1 million for the first six months of fiscal 2018 ($6.7 million for the same period of 2017), 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.

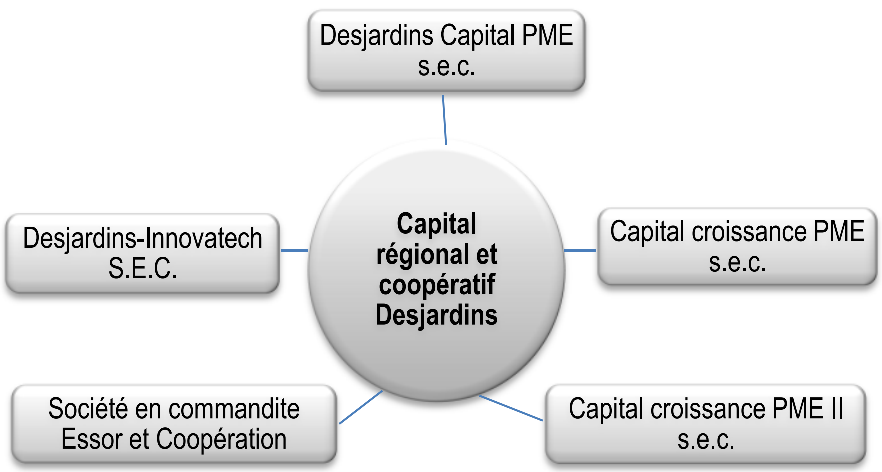
CRCD recorded in its results for the six-month period a realized and unrealized gain of $75.2 million compared with $47.9 million for the same period of 2017. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2018, the overall risk level of the Investments impacting the Québec economy portfolio was relatively stable compared with its December 31, 2017 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:

- Capital croissance PME s.e.c. (CCPME) was created on July 1, 2010 with the main goal of investing in Québec's small- and medium-sized businesses, primarily in the form of subordinated debt securities for amounts 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, 2018, CRCD had disbursed $245.3 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 278 companies and funds benefited from $253.4 million committed by the CCPME funds as at June 30, 2018. Since their inception, these funds have committed $455.1 million to 375 companies.
- On January 1, 2018, DC created the Desjardins Capital PME s.e.c. fund. (DCPME) in partnership with Desjardins Private Management. The investment policy of this new fund is similar to that of the CCPME funds, which is to make capital available to Québec companies, with an investment limit raised to $10 million per partner company. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments will be made on an annual basis. For fiscal 2018, the limited partners, consisting of CRCD and the DIM Private Completion Strategy Fund, committed to pay $100 million. As at June 30, 2018, CRCD had disbursed $22.0 million of its total commitment of $40.0 million and a total of 27 companies and funds benefited from $46.8 million committed by the DCPME fund.
- 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 $0.1 million was disbursed in the first six months of 2018 for a total disbursement of $1.1 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, 2018, DI had made commitments of $58.5 million to support a total of 65 companies and funds.

- 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 $31.6 million of its total commitment of $85 million. As at June 30, 2018, Essor et Coopération had made commitments totalling $30.0 million to support 16 cooperatives.

In total, as at June 30, 2018, CRCD and its ecosystem supported the growth of 462 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $1,099 million, while helping to create and retain over 67,000 jobs. Of that total, 19 cooperatives benefited from commitments of $196.2 million by CRCD and its ecosystem.

During the first half of the year, DC and France-based Groupe Siparex jointly authorized the creation of the new Desjardins Capital Transatlantic, L.P. fund. The fund will be mandated to co-invest in SMEs in Québec and France to support them in their marketing or acquisition efforts on both sides of the Atlantic. On July 4, 2018, CRCD and other investor partners such as Export Development Canada (EDC), Groupe Siparex and French public investment bank BPIFrance committed €75 million, or approximately $120 million, to the fund. CRCD will hold a 60.7% interest.

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;
- External funds: investments in funds outside CRCD's entrepreneurial ecosystem;
- Venture capital: investments in companies specializing in technological innovations or in pre-startup, startup or post-startup stages.

Entrepreneurial ecosystem performance

RETURN BY INVESTMENT PROFILE	**JUNE 30, 2018**				JUNE 30, 2017			
	Average assets under management (M$)	**Weighting (%)**	**Non-annualized return 6 months (%)**	**Non-annualized contribution 6 months (%)**	Average assets under management (M$)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	**311**	**16.1**	**2.3**	**0.4**	285	16.0	3.5	0.5
Equity	**672**	**34.9**	**12.0**	**4.0**	584	33.0	10.7	3.2
External funds	**37**	**1.9**	**6.8**	**0.1**	55	3.1	(16.4)	(0.6)
Venture capital	**48**	**2.5**	**9.5**	**0.2**	31	1.8	42.2	0.7
Investment profiles subtotal	**1,068**	**55.4**	**8.9**	**4.7**	955	53.9	7.5	3.8
Other asset items held by ecosystem funds	**12**	**0.6**	**(5.3)**	**(0.0)**	16	0.9	(1.3)	(0.0)
Ecosystem total	**1,080**	**56.0**	**8.8**	**4.7**	971	54.8	7.3	3.8

The entrepreneurial ecosystem's sound performance stems from the Equity investment profile, which posted a non-annualized return of 12.0%. This return was mainly driven by the higher profitability of several portfolio companies, but more specifically of one manufacturing company during the six-month period. Given the significant volume of assets allocated to this profile, it was the major contributor to the ecosystem's return of 8.8% for the first six months of 2018. The Debt investment profile posted a lower return compared with the same period in 2017, owing primarily to changes in value resulting from higher corporate bond rates in the first half of the year. Due to their volume, the External funds and Venture capital investment profiles have a limited impact on the portfolio's total return.

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 and real estate funds. This portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at June 30, 2018, CRCD's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $804.7 million ($758.9 million as at June 30, 2017) and consisted of the following:

Other investments portfolio	**AS AT JUNE 30, 2018**		AS AT JUNE 30, 2017	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**64.8**	**8.0**	45.4	6.0
Bonds	**396.8**	**49.3**	435.0	57.3
Global equity funds	**156.7**	**19.5**	110.9	14.6
Canadian equity funds	**93.9**	**11.7**	61.9	8.2
Real estate funds	**92.5**	**11.5**	84.9	11.2
Preferred shares	**-**	**-**	20.8	2.7
Portfolio total	**804.7**	**100.0**	758.9	100.0

As at June 30, 2018, 68% of portfolio bond securities were government-guaranteed (68% as at June 30, 2017).

Other investments accounted for 41% of the portfolio's total net assets as at the end of the first six months of 2018 (42% as at June 30, 2017). Commitments already made but not disbursed of $133.7 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, 2018**	SIX MONTHS ENDED JUNE 30, 2017
Revenue	**8,650**	8,737
Gains and losses	**(876)**	12,131
	7,774	20,868

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.

Other investments made a contribution of $7.8 million in the first six months of 2018, compared with a contribution of $20.9 million for the period a year earlier. Current revenue was relatively stable compared with the first half of 2017. For the first six months of 2018, CRCD recorded a $0.9 million decline in value of its Other investments portfolio.

The bond portfolio posted a $4.3 million decline in value, owing primarily to a 20-basis-point increase in the key interest rate since December 2017. The current rise in interest rates had a negative impact on unrealized changes in value during the past six-month period. 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.

CRCD's decision to invest in global and Canadian equity funds to reduce interest rate risk exposure was beneficial in the first half of the year. This strategy resulted in gains of $1.3 million for global equity funds and $0.7 million for Canadian equity funds. As portfolio equity funds are low volatility, CRCD did not fully benefit from the favourable economic environment as the energy and technology sectors, in which CRCD has limited investments, generated the majority of equity market gains during the first half of 2018.

The real estate funds generated a gain of $1.4 million, owing primarily to the revaluation of properties held as at June 30, 2018.

CAPITAL RAISING

CRCD offers its common shares for subscription through the Desjardins caisse network in Québec and, starting in the fall of 2018, through 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 shares for each of the 2018, 2019 and 2020 issues and set the tax credit rate for the purchase of shares at 35%.

In the same budget, new provisions were announced concerning the possibility of taking advantage of a new 10% provincial tax credit for a shareholder who defers the redemption of eligible shares for seven years. See the Recent events section for more information.

To allow as many shareholders as possible to buy CRCD shares under the $140 million 2018 issue, the maximum annual subscription amount allowable was capped at $3,000 per investor, for a tax credit of $1,050.

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 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 amounts, and control mechanisms have been implemented by CRCD to ensure compliance. For the first six months of 2018 and fiscal 2017, no special tax was paid.

As at June 30, 2018, CRCD had $1,469.4 million in share capital for 134,793,754 outstanding common shares.

During the six-month period, CRCD raised $1.6 million, that is, the balance of the 2017 issue which was completed on February 9, 2018. The subscription period for the 2018 issue will begin in the fall.

With respect to issue expenses, an agreement was entered into between CRCD and the Fédération des caisses Desjardins du Québec to compensate the caisses in an amount equal to up to 2.9% of the value of the shares sold.

During the first six months of 2018, share redemptions totalled $47.7 million ($48.1 million for the same period of 2017).

As at June 30, 2018, the balance of shares eligible for redemption amounted to over $964 million. During the last six months of 2018, additional shares valued at approximately $72 million will also become eligible for redemption bringing total potential redemptions to approximately $1,036 million for fiscal 2018. 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.

Subscriptions and mainly redemptions for the first six months of 2018 brought the number of shareholders to 103,304 as at June 30, 2018, compared with 105,614 as at December 31, 2017.

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, 2018**	SIX MONTHS ENDED JUNE 30, 2017
Management fees	**12,701**	10,986
Other operating expenses	**3,407**	2,659
Shareholder services	**1,257**	1,198
	17,365	14,843

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 and the agreement effective for the year ended December 31, 2017, management fees amount to a maximum rate of 1.95% 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. A downward adjustment of $6.6 million was made for the fiscal year ended December 31, 2017. The negotiation fees arising from portfolio companies are earned by DC, and their amount is deducted from the management fees payable by CRCD. The $1.7 million increase in management fees is consistent with the increase in average asset value recorded by CRCD.

The $0.7 million increase in other operating expenses resulted primarily from investments in information technology required to improve and simplify shareholder experience when subscribing for CRCD shares.

There was no significant change in shareholder services between the two periods.

CRCD has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since CRCD's inception, Desjardins Trust has represented the largest component of CRCD's shareholder service expenses. This agreement is effective from July 1, 2016 to December 31, 2020.

CRCD has appointed FCDQ to oversee the distribution of its shares through the Desjardins caisse network. CRCD has further agreed to pay project fees, as needed, to cover work required to upgrade the tools and applications supporting the CRCD share distribution processes. This agreement is effective from July 1, 2016 to December 31, 2020. The revised fee structure came into effect on January 1, 2017.

Income taxes for the first six months of fiscal 2018 amounted to $0.3 million, down from $1.9 million for the same period of 2017. The nature of the income has a significant impact on tax expense 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, 2018, cash outflows from redemptions net of issues amounted to $46.1 million (cash outflows of $46.7 million for the same period of 2017). Operating activities generated net cash inflows of $41.7 million ($51.4 million for the first half of 2017).

Cash outflows related to Investments impacting the Québec economy amounted to $105.7 million for the first six months of 2018 ($110.6 million for the first half of 2017). The Other investments portfolio recorded net sale proceeds of $76.5 million, compared with $104.7 million for the same period in 2017.

As at June 30, 2018, cash and cash equivalents totalled $25.0 million ($29.4 million as at December 31, 2017).

CRCD has an authorized line of credit of $50 million as at June 30, 2018. 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, 2018 and fiscal 2017.

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 repurchase shares issued at least seven years earlier from those shareholders who make such a request.

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.

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.

RISK MANAGEMENT

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 16, 2018.

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, 2018 was $742.8 million ($813.3 million as at December 31, 2017). 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 $54.8 million ($33.9 million as at December 31, 2017) 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 $396.8 million ($506.2 million as at December 31, 2017) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a $21.8 million decrease in net earnings, representing a 1.1% decrease in CRCD's share price as at June 30, 2018 ($28.0 million for 1.5% as at December 31, 2017). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $23.2 million increase in net earnings, representing a 1.2% increase in the share price ($29.8 million for 1.6% as at December 31, 2017). CRCD's financial asset management strategy aims to diversify the portfolio securities, resulting in reduced 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 $92.5 million ($88.8 million as at December 31, 2017) 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 $222.7 million ($212.1 million as at December 31, 2017), 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 $198.7 million ($184.3 million as at December 31, 2017), 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, 2018, global and Canadian equity funds, valued at $250.6 million ($248.1 million as at December 31, 2017), which were managed by external managers and 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 $25.1 million increase or decrease in net earnings, representing a 1.3% increase or decrease in CRCD's share price.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $0.4 million ($0.3 million as at December 31, 2017). As a result, for these investments, any stock market fluctuations would not have had a significant direct impact on CRCD's net earnings.

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 $163.7 million or 8.3% of net assets as at June 30, 2018, compared with $91.0 million or 4.7% of net assets at December 31, 2017.

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, 2018 CRCD held foreign exchange contracts under which it is required to deliver US$108.6 million (US$76.1 million as at December 31, 2017) at the rate of CAD/USD 1.3286 (CAD/USD 1.2747 as at December 31, 2017) on September 28, 2018.

As at June 30, 2018, CRCD's Investments impacting the Québec economy portfolio had net foreign currency exposure of $21.0 million ($4.7 million as at December 31, 2017). A 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a $2.1 million increase (decrease) in net earnings, representing a 0.1% change in CRCD's share price. Following the revaluation of assets carried out on June 30, 2018, CRCD was no longer in compliance with the guidelines of its systematic currency risk hedging policy relating to assets valued in foreign currencies. As a result, a foreign exchange contract was entered into on July 11, 2018 to reduce net foreign currency exposure to $0.3 million.

The Other investments portfolio had net foreign currency exposure of $141.4 million. A 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a $14.1 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, 2018		AS AT DECEMBER 31, 2017	
Rating		**(in thousands of $)**	**(as a %)**	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**1,080,206**	**96.9**	1,013,033	98.0
7 to 9	At risk	**25,911**	**2.3**	15,267	1.5
10	High risk and insolvent	**8,770**	**0.8**	5,651	0.5

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, 2018		AS AT DECEMBER 31, 2017	
Rating		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	132,854	99.4	183,606	100.0
7 to 9	At risk	846	0.6	-	-

For the bond portfolio, which represented 49.8% of the fair value of the Other investments portfolio (57.6% as at December 31, 2017), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	AS AT JUNE 30, 2018	AS AT DECEMBER 31, 2017
Rating	(in thousands of $)	(in thousands of $)
AAA	178,956	224,582
AA	121,554	186,001
A	56,514	47,175
BBB	38,522	45,585
BB	1,259	2,841

Credit risk ratings are established by recognized credit agencies.

Consistent with the global financial asset management policy, money market instruments have minimum credit ratings of A-2 or R-1 (low). Such high credit ratings limit 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, 2018		AS AT DECEMBER 31, 2017	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy(1)	36.1	22.8	35.5	22.2
Other investments(2)	41.7	16.8	46.8	21.1

(1) CRCD's interest in the ecosystem funds accounted for 45% (63% as at December 31, 2017) of the five largest Investments impacting the Québec economy.

(2) Government issuers and issues guaranteed by government entities represented 53% (62% as at December 31, 2017) 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, 2018, the Investments impacting the Québec economy portfolio represented 57.4% of net assets (52.8% as at December 31, 2017).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the Other investments portfolio activities which currently limit the option of holding foreign securities. As at June 30, 2018, the Other investments portfolio includes a portion of foreign securities resulting primarily from its interest in global equity funds and comprises 82.4% of Canadian securities (84.3% as at December 31, 2017). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2018, the Other investments portfolio represented 40.7% of net assets (45.8% as at December 31, 2017).

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, 2018, bond securities represented 20.1% of net assets (26.0% as at December 31, 2017). The lower percentage allocated to this asset class stems from the increase in the weighting for Investments impacting the Québec economy and aims to diversify the portfolio by adding new asset classes, strike an overall balance for the portfolio 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 2018 and fiscal 2017.

This work takes into account the expectation of a higher balance of redeemable shares of CRCD. In addition to the initiatives put in place to stimulate share redemptions, new measures announced by the Québec government in March 2018 will allow eligible CRCD shareholders to commit their redeemable capital for an additional seven-year period. With an authorized annual amount of $100 million, this initiative will ensure greater availability of capital for Investments impacting the Québec economy and reduce cash requirements related to share redemptions. See the Recent events 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.

RECENT EVENTS

Following the 2016-2017 budget speech, the Québec government announced changes to CRCD's governance pertaining to the composition of its Board of Directors and the concept of independence. The proposed legislative amendments must be adopted by the National Assembly and will be implemented gradually.

Following the announcements made in the March 27, 2018 Québec Budget Speech, the Québec government granted CRCD shareholders an annual amount of $100 million for three years to allow them to defer the right to repurchase their eligible shares for seven years, that is, shares held for at least seven years, in consideration for a 10% tax credit. Shareholders will be able to exchange their current shares, up to a value of $15,000 annually, for a new class of shares that will also have a mandatory seven-year holding period. These new provisions should be in place in the fall of 2018 subject to the completion of certain government measures.

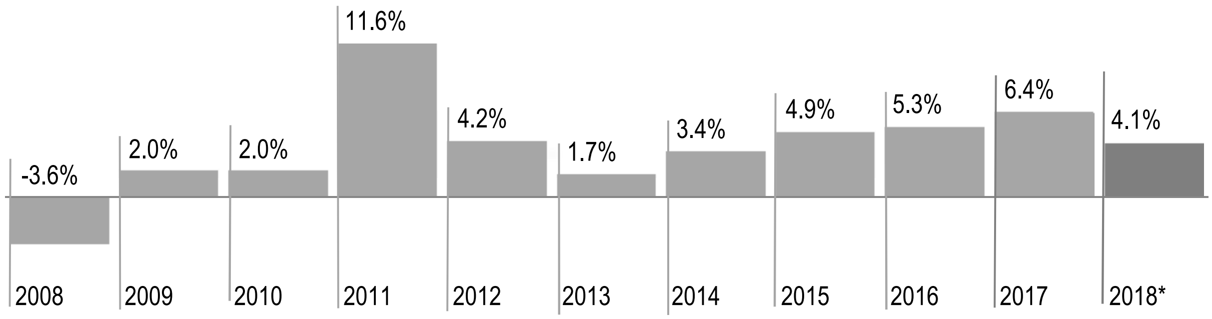
PAST PERFORMANCE

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.

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, 2018. Annual return is calculated by dividing earnings (loss) per share for the period by the share price at the beginning of the period.

Annual return



* Non-annualized return for the six-month period ended June 30, 2018.

COMPOUNDED RETURN OF THE COMMON SHARE AS AT JUNE 30, 2018

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
4.1%	5.6%	5.0%	6.3%	6.4%

PORTFOLIO SUMMARY

CORE INVESTMENT PROFILES

As at June 30, 2018, 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	16.2
Equity	35.3
External funds	1.7
Venture capital	3.1
Other asset items held by ecosystem funds	1.1
Total – Investments impacting the Québec economy	**57.4**
Other investments	
Cash and money market instruments	3.3
Bonds	20.0
Global equity funds	7.9
Canadian equity funds	4.8
Real estate funds	4.7
Total – Other investments	**40.7**

* Including foreign exchange contracts

Net assets are made up of 98.1% investment profiles and 1.9% other assets.

MAIN INVESTMENTS HELD

As at June 30, 2018, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers	% of net assets
Investments impacting the Québec economy (14 issuers)*	35.9
Desjardins IBrix Low Volatility Global Equity Fund	4.1
Desjardins Global Dividend Fund	3.8
LNH Merrill Lynch Canada	3.4
Province of Québec	2.8
Government of Canada	2.6
BMO Low Volatility Canadian Equity ETF	2.4
Bentall Kennedy Prime Canadian Property Fund	2.4
Fidelity Canadian Low Volatility Equity Institutional Trust	2.3
Fiera Properties CORE Fund	2.3
Province of Ontario	2.2
Canada Housing Trust	2.0

* The 14 issuers which collectively represent 35.9% of CRCD's net assets are:

- Agropur Cooperative
- Amisco Industries Ltd.
- Avjet Holding Inc.
- Camso Inc.
- Capital croissance PME II s.e.c.
- Congebec Logistic Inc.
- Desjardins-Innovatech S.E.C
- Exo-s Inc.
- Fournier Industries Group Inc.
- Gecko Alliance Group Inc.
- Groupe Filgo inc.
- La Coop fédérée
- 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 16, 2018

MANAGEMENT'S REPORT

August 16, 2018

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, 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 16, 2018. These statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and 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