CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

This annual management discussion and analysis supplements the financial statements and contains financial highlights but does not reproduce the Company's complete annual financial statements. It presents management's assessment of the Company's results for the period reported in the financial statements, as well as its financial position and any material changes to it.

The Company's annual and compounded returns expressed in this management discussion and analysis are net of expenses and income taxes while returns by activity or asset class 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 the Company's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. The Company 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 annual financial statements may be obtained free of charge, on request, by calling 514 281 2322 or (toll free) 1 866 866-7000, extension 2322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at capitalregional.com or SEDAR at www.sedar.com.

Interim financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31

The following charts present key financial data and are intended to assist in understanding the Company's financial results for the preceding five fiscal years. This information is derived from the Company's audited annual financial statements.

RATIOS AND SUPPLEMENTAL DATA

	2011	2010	2009	2008	2007
Revenue (in thousands of $)	46,894	44,970	39,900	39,520	32,015
Net income (net loss) (in thousands of $)	122,588	18,696	17,145	(29,347)	(22,243)
Net assets (in thousands of $)	1,220,427	1,019,846	905,921	812,606	732,529
Shares outstanding (in thousands)	110,776	102,908	93,142	85,159	74,097
Total operating expense ratio (%)	3.0	2.8	2.8	3,1	3.4
Portfolio turnover rate:					
> Investments impacting the Québec economy (%)	28	11	9	9	11
> Other investments (%)	110	112	84	83	33
Trading expense ratio[1] (%)	0.0	0.0	0.0	0.0	0.0
Number of shareholders	106,577	111,476	118,119	122,128	120,652
Issues of shares (in thousands of $)	153,955	180,982	129,443	126,440	101,763
Redemptions of shares (in thousands of $)	75,962	85,753	53,273	17,016	1,611
Number of partner companies and cooperatives/funds	205/10	230/8	222/6	207/6	189/6
Investments impacting the Québec economy at cost (in thousands of $)	498,984	473,331	475,785	412,828	396,136
Fair value of investments impacting the Québec economy (in thousands of $)	541,909	439,550	401,321	348,408	360,782
Funds committed but not disbursed (in thousands of $)	151,822	200,485	63,907	64,446	73,624

[1] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to the Company.

CHANGES IN NET ASSETS PER SHARE

	2011	2010	2009	2008	2007
	($)	($)	($)	($)	($)
Net assets per share, beginning of year	9.91	9.73	9.54	9.89	10.21
Increase (decrease) attributable to operations	1.15	0.19	0.19	(0.35)	(0.33)
Interest, dividends and negotiation fees	0.43	0.45	0.43	0.47	0.47
Operating expenses	(0.31)	(0.27)	(0.27)	(0.30)	(0.35)
Income taxes and capital tax	(0.07)	(0.07)	(0.06)	0.04	0.10
Realized gains (losses)	0.20	(0.36)	0.13	(0.20)	(0.24)
Unrealized gains (losses)	0.90	0.44	(0.04)	(0.36)	(0.31)
Difference attributable to share issues and redemptions	(0.04)	(0.01)	0.00	0.00	0.01
Net assets per share, end of year	11.02	9.91	9.73	9.54	9.89

OVERVIEW

The Company closed fiscal 2011 with net income of $122.6 million (net income of $18.7 million in 2010), representing a return of 11.6% (2.0% in 2010). Based on the number of shares outstanding, this brings net assets per share to $11.02 at year-end, compared with $9.91 at the end of fiscal 2010. For information purposes, taking into account their income tax credit of 50%, at the price of $11.02, shareholders who invested seven years earlier would obtain an annual after-tax return ranging from 9.8% to 11.3%.

The 11.6% return recorded for 2011 significantly exceeds the expected target based on established asset allocation. The Company benefited from a favourable set of factors that allowed the Investments impacting the Québec economy and Other investments activities to drive performance strongly. Assets allocated to Investments impacting the Québec economy are focused on the Company's mission of promoting the economic development of Québec cooperatives and regions. Assets are allocated across five asset classes and consist mainly of equities and debentures.

Investments impacting the Québec economy posted a return of 26.0% for 2011 compared with a return of 6.8% in 2010. This strong increase is due to solid performance in all asset classes, Venture Capital – Health in particular, which was largely boosted by the fair value adjustment of the Enobia Pharma investment following the offer to purchase received by the Company at the end of fiscal 2011. The transaction was finalized in early February 2012. As at December 31, 2011, the cost of Investments impacting the Québec economy disbursed totalled $499.0 million. In addition, funds committed but not disbursed reached $151.8 million, down $48.7 million compared with December 31, 2010. During the fiscal year, the Company undertook a commitment in the amount of $10 million in the new Fonds Relève Québec, a Québec government initiative. At the same time, investments of $142.4 million were made during the period, including $25.9 million in the Capital croissance PME S.E.C. fund created in 2010, in which the Company holds a 50% partnership interest.

Other investments represents the balance of funds not invested in partner companies. The portfolio, consisting primarily of bonds, money market instruments and preferred shares, was established to provide security for the Company's returns and ensure the necessary liquidity to fund share redemptions and investments. Other investments generated a return of 7.4% in 2011 compared with a return of 4.4% in 2010. The higher return in 2011 is due mainly to a solid current revenue base and the portfolio's overweight in government bonds.

On March 17, 2011, in tabling his budget, the Québec Minister of Finance announced that he was raising the Company's capitalization limit to $1.25 billion from $1 billion to allow it to continue growing and supporting the Québec economy. Capital subscriptions during the year reached $154.0 million while share redemptions totalled $76.0 million. Net assets amounted to $1,220.4 million, up 19.7% from December 31, 2010. The number of shareholders as at December 31, 2011 was 106,577.

ECONOMIC BACKGROUND

LOOKING BACK ON 2011

As a year, 2011 was rife with momentous change, opening against a backdrop of crisis in Arab lands. The price of oil rose in consequence, pushed by uncertainty over potential disruptions in certain major producing countries. The resulting increase in gas prices had an impact on economic growth worldwide. On March 11, Japan suffered an earthquake and tsunami, which damaged several nuclear power plants. Beyond pushing the country back into recession, production stoppages in the export industries disrupted the supply chain for many manufacturing plants in North America, primarily in the automotive sector.

In the United States, the debates over raising the debt ceiling ultimately in August resulted in a downgrade of U.S. debt by rating agency Standard & Poor's. At the same time, the release of disappointing economic indicators sent strong shockwaves through the financial markets. On their heels, the economic growth forecasts for the industrialized countries underwent sharp downward revisions. Europe's sovereign debt crisis made waves throughout 2011, and the situation continues to cause concern. In spite of all the initiatives begun during the year, investors remain sceptical about European leaders' ability to take things in hand, which has had the effect of increasing financing costs for several member states of the euro zone.

This series of events created heavy turbulence in financial markets in 2011. North American bond rates on the other hand reached their lowest levels in more than 50 years for several maturities. The Federal Reserve intensified efforts to revive the U.S. economy. Its initiatives, however, resulted in avoiding another recession rather than actually triggering growth, as persistent difficulties in the job and housing markets clearly demonstrate. Thanks to a solid financial system and an abundance of raw resources sought after the world over, Canada fared better, even though supply problems in certain industries caused real GDP to drop in the latter half of the year. The value of the loonie hurt exports, but was favourable to investment by companies.

In Québec, the year started out strongly, but the steam gradually went out of the economy as time went on. Consumer spending slowed as the weight of individuals' tax burden rose. Household confidence also slumped in late summer, and jobs ended the year on a sour note. The housing industry continued its soft landing while investment by businesses remained very strong. But exports continued to be the weak link in the economic chain, with real GDP advancing modestly in 2011 at less than 2%.

2012 OUTLOOK

The euro zone economy will not be able to withstand the sovereign debt crisis for much longer and the region is likely to sink into recession in 2012. As a result, world economic growth should hover around the 3.0% rate threshold that the International Monetary Fund qualifies as a global recession. Given the context, neither the Bank of Canada nor the U.S. Federal Reserve will raise their key rates in 2012. U.S. and Canadian bond rates will continue to feel downward pressure, but should manage to advance slowly as the year progresses. Stock markets will feel heavy turbulence and reflect high investor aversion to risk.

The structural problems of the United States will also continue to rein in world economic growth this year. U.S. residential real estate should remain depressed due to the major glut of houses on the market, low demand and relatively difficult credit conditions. The job market south of the border will likely be slow in getting back to normal and it will be a long time before the unemployment rate declines to acceptable levels for monetary and government authorities.

Not much in the way of change is expected for Canada's economy. Exports will bear the brunt of weakness in the global economy, particularly from the United States, and the lofty value of the loonie. The Canadian economy should show growth of around 2%, while the provinces that rely most on manufacturing output, like Québec, will not manage to match that performance. Performance will also come under pressure from efforts by government to turn their finances around, which will impact public spending and personal spending through various tax increases. Company investment, however, should feel the updraft of a relatively strong Canadian dollar while the real estate industry on the other hand faces something of a slowdown.

THE VENTURE CAPITAL MARKET IN QUÉBEC IN 2011

The Québec venture capital market posted significant growth in 2011, with new investments amounting to $549 million – 48% more than in 2010. At that level, investment volume has almost returned to the invested maximum prior to the slowdown in 2007.

Growth was also evident from the number of new investments made. In 2011, 256 companies were financed, or 45% more than the 175 or so that obtained funding in 2010. The average transaction amount remained stable compared with 2010 at $2.1 million, which is considerably lower than in previous years however, and particularly against the average of $2.7 million in 2009.

The Québec market grew more rapidly than the Canadian market, reaping over 36% of the $1.5 billion invested in Canada in 2011, as compared with 2010 when Québec accounted for 33% of Canadian investments of $1.1 billion. Québec also remained in the lead for number of companies receiving venture capital financing in 2011, with a 58% share of the Canadian total.

Investments in Québec break down across the technology and traditional sectors, with information technology dominating for the fourth consecutive year to receive $181 million, or 33% of invested dollars in 2011, and 48% more than in 2010. Clean technologies accounted for 18% of total investments at $97 million. A first in Québec, this level is two-and-a-half times greater than investments allocated to the sector in 2010. Life sciences enjoyed $104 million, a 20% increase over the 2010 investment of $87 million. Last, the traditional sector obtained $148 million ($116 million in 2010), representing 27% of the total (31% in 2010).

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

On the initiative of Desjardins Group, Capital régional et coopératif Desjardins was founded on July 1, 2001 following adoption of the *Act constituting Capital régional et coopératif Desjardins* by Québec's National Assembly on June 21, 2001. Desjardins Venture Capital Inc. manages the Company's activities.

COMPANY VISION, MISSION, OBJECTIVES AND STRATEGIES

VISION AND MISSION

In November 2011, the Board of Directors revised the Company's vision and mission statements, opting for a more compelling and inspiring approach. The new vision statement is:

> Making our economic future take root, here and now.
> That's… capital.

Going forward, the Company's mission will be to:

> Energize our entrepreneurship. Prioritize Québec ownership. Grow our collective wealth and make it last for generations to come. By crossing over our walkways to tomorrow, together we can contribute to the vitality of an entire economy.

In other words, Capital régional et coopératif Desjardins strives to value and nurture the best of Québec entrepreneurship as part of the collective wealth that is ours to have and to hold.

OBJECTIVES

To fulfil its mission, the Company pursues three main objectives:

- Offering financial packages and development strategies tailored to new business needs such as transfers or buyouts to keep jobs and retain business ownership in Québec;
- Growing its partner companies;
- Ensuring integrated management of financial assets to generate attractive shareholder return.

The Company expects to meet its investment objectives, in particular by maintaining a presence in all Québec regions via its manager's twenty-some business offices, and by supporting the growing need for business transfers.

STRATEGIES

Fulfilment of the Company's mission and vision is driven by the following five strategic goals:

- Ensure adequate capitalization to meet our business objectives;
- Promote the cooperative difference through employee-shareholder cooperatives during buyouts;
- Become a leader in business transfer financing;
- Renew the shareholder base;
- Achieve solid overall performance to fully realize the mission.

The Company's manager organizes its teams to optimize efficiency and management fee control. This administrative organization aims to appropriately fulfil our mandate of driving regional and cooperative development and Québec's economic development in general. As a result, the manager allocates its Investments impacting the Québec economy activities across four lines of business, mainly according to company size and asset class:

- **Development Capital** to consolidate regional activities such as the resource regions and cooperatives;
- **Company Buyouts and Major Investments** to cover major investments such as company buyouts and their related employee-shareholder cooperatives, and investments in information technologies;
- **Venture Capital – Health** to consolidate investments in life sciences;
- **Funds** for all investment activities carried out through funds.

Each business line represents one asset class except for Company Buyouts and Major Investments that, given its varied profile, is made up of two asset classes – Company Buyouts and Major Investments, and Technological Innovations. The Company has five asset classes in its Investments impacting the Québec economy portfolio.

In keeping with its strategic orientation of support for the cooperative movement, the Company's manager encourages the establishment of employee-shareholder cooperatives, an initiative that allows employees to become co-owners in their companies together with the existing management team and Capital régional et coopératif Desjardins. This gives employees the opportunity to participate in the economic development of their regions, and to enjoy a share of the resources of their respective environments.

The Company also has the mandate to maximize total shareholder returns while maintaining their capital value. Using a global approach to managing its financial assets, the Company manages its portfolio of Investments impacting the Québec economy jointly with its Other investments portfolio. This allows the Company to balance its overall investment portfolio and limit volatility in share value due to changing economic conditions over the entire holding period.

To do this, the Company's strategy for managing financial assets is based on the following principles:

- The Company takes an integrated and overall approach to managing its financial assets, which means that target asset allocation must include diversification to reduce the risks inherent in certain asset classes within the investment portfolios.
- The objective is to optimize the after tax risk/return ratio of the Company's financial assets in compliance with its role as an economic development agent to limit six-month fluctuations in the value of its shares and secure returns that will encourage shareholders to reinvest.
- A sufficient portion of the Company's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues of shares.
- A sufficient portion of the Company's financial assets must be invested in securities that generate current income to meet the Company's expenses.

Last, the Company must fulfil its mission within certain guidelines that include investing 60% of its average net assets in eligible Québec companies while 35% of those investments must be in Québec's resource regions or in eligible cooperatives. If these criteria were not met, the Company could be subject to penalties. As at December 31, 2011, no amount was owing by the Company under these criteria.

RISK MANAGEMENT

RISK GOVERNANCE

Consistent with its oversight and accountability responsibilities, the Board of Directors ensures that the main risks related to the Company's operations are identified and that management controls are in place. To assist it in fulfilling its mandate and responsibilities, it is supported by various committees that divide the monitoring and control of these risks among themselves, regularly report to it on their activities and make the appropriate recommendations. The manager is also represented on the committees by executives who attend all committee and board meetings and report on outsourced activities.

Since June 1, 2011, the Board of Directors has assumed governance of the two investment committees and the Portfolio Valuation Committee which formerly came under the responsibility of the manager.

Other than specific mandates given to them by the Board of Directors from time to time, the responsibilities of the committees are discussed on the following page.

Executive Committee

The majority of members of the Executive Committee are independent. In accordance with the General Bylaws of the Company, the Committee is authorized to exercise all of the Board's powers, except those statutory powers that must be exercised by the Board and any powers reserved exclusively to it. The Committee is responsible for governance and manages the annual review process of the effectiveness of the Board, its committees, and the directors. The Committee also has responsibility to interpret and apply the Purchase-by-Agreement policy and make recommendations to the Board in that regard. Furthermore, it holds quarterly discussions with the Company's manager concerning high-risk files and the corrective measures taken.

Audit Committee

The Audit Committee consists exclusively of independent members. Its general mandate is to assist the Board of Directors in its oversight and accountability roles with respect to the following elements: i) the quality, reliability and integrity of financial reporting and continuous disclosure; ii) the existence and effectiveness of the Manager's internal financial reporting controls; iii) the existence and effectiveness of the Company's compliance mechanisms relating to legal and statutory requirements that are likely to have a material effect on financial reporting; iv) the activities, performance, independence, appointment and recommendation of the independent auditor; and v) the Manager's internal audit activities.

Financial Asset Management Committee

The majority of members of the Financial Asset Management Committee are independent. The Committee's primary mandate is the coordination and matching of the Company's financial assets to optimize overall risk/return ratio. To do this, it ensures that the Company maintains all the policies, guidelines and appropriate procedures relating to financial assets and sees that they are reviewed and updated annually. The Committee monitors the Company's performance and ensures its compliance with the legislation and regulations relating to financial assets.

Ethics and Professional Conduct Committee

The Ethics and Professional Conduct Committee consists exclusively of independent members. Its general mandate is to report to the Board of Directors concerning all matters pertaining to the application of the Company's Code of Ethics and Professional Conduct that the Board has submitted to it. The Committee also ensures compliance with the Ethics and Professional Conduct guidelines and takes a prevention and advocacy role with respect to these guidelines towards the members of the Board of Directors and the Manager's resources. Primarily, the Committee assists the Board of Directors in its oversight role with regard to conflicts of interest, complaints and whistle blowing on conduct in violation of the guidelines and related-party transactions to the Company.

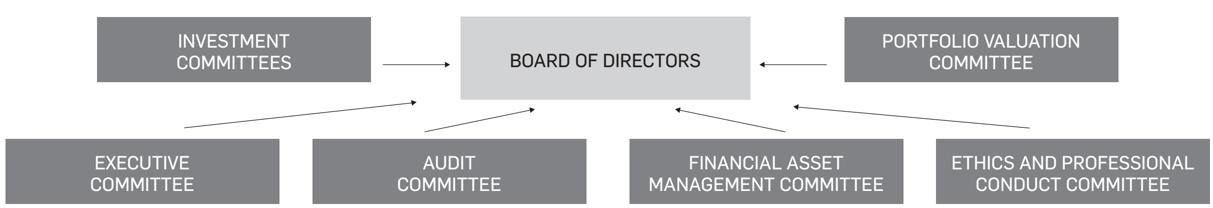
Investment Committees

The general mandate of the investment committees consists in evaluating and approving transactions related to investments impacting the Québec economy presented by the Company's manager through its lines of business. These transactions are authorized within parameters set by the Board of Directors according to the approved decision-making process. These committees are made up of two of the Company's directors and external members selected according to their experience and their knowledge of the sectors targeted under the various policies governing the investments impacting the Québec economy activities, and for their ability to detect risks related to a transaction, respectively.

Portfolio Valuation Committee

The mandate of the Portfolio Valuation Committee consists in reviewing all relevant information concerning valuation of the Company's Investments impacting the Québec economy portfolio in order to provide reasonable assurance that the valuation process complies with the regulations applicable to the Company. This Committee is also made up of two of the Company's directors and external members who collectively represent a range of expertise appropriate to their mandate.

The governance framework is as follows:



ATTENDANCE RECORD AND COMPENSATION

The following table presents the attendance record and compensation of the Company's directors for fiscal 2011. The majority of members of the Board of Directors are independent.

Name	Board of Directors	Executive Committee	Audit Committee	Financial Asset Management Committee	Ethics and Professional Conduct Committee	*Ad hoc* Committee	Compensation[1]
(Number of meetings and training sessions)	(9 meetings)	(7 meetings)	(7 meetings)	(4 meetings)	(9 meetings)	(8 meetings)	($)
Bourdages, Évangéliste	9/9	6/7			1/1	7/7	21,900
Deveaux, Marlène	9/9		7/7				21,300
Dorosz, Michael	9/9			4/4			19,600
Doyon, Maurice	9/9	7/7		4/4			22,200
Ferland, Francine	9/9		7/7		8/8		25,700
Fortin, Josée	9/9				7/8		27,800
Gauvreau, Pierre	7/9	7/7	2/2	4/4		7/8	23,000
Lachapelle, André	9/9	7/7		4/4		1/1	40,900
Lepage, Steeve [2]	9/9		4/4		1/1	7/7	22,900
Loranger, Jean-Claude	9/9			4/4			19,100
Morin, Bruno [3]	7/9	7/7	4/5	3/4		8/8	34,300
Plante, Jacques	9/9		7/7				27,800
Roy, Claudine	6/8				8/8		19,300
Total compensation							325,800

[1] Includes *ad hoc* committees, welcoming sessions or training sessions, if applicable.

[2] Steeve Lepage became a member of the Audit Committee on April 14, 2011, replacing Pierre Gauvreau.

[3] Until February 28, 2011, an annual lump sum of $10,000 was allocated to the General Manager and paid to Caisse centrale Desjardins. Since March 1, 2011, this $10,000 lump sum is paid to him directly, in addition to the compensation allocated for Directors and the fees for attending committee meetings where he serves as a resource person.

The following table presents the attendance record and compensation of the Company's directors and the external members of the Investment and Portfolio Valuation committees as of June 1, 2011. This compensation is the responsibility of the Manager, Desjardins Venture Capital, from the management fees paid by the Company.

Name	Regions and Cooperatives Investment Committee	Venture Capital and Buy Outs Investment Committee	Portfolio Valuation Committee	Compensation
(Number of meetings)	(12 meetings)	(5 meetings)	(1 meeting)	($)
Pierre Barnès		5/5		5,117
Marc Dallaire	9/12			6,517
Marlène Deveaux*	11/12			5,467
Marc-André Dionne		5/5		5,117
Viviane Dorval			1/1	2,167
Maurice Doyon, président*	11/12			8,959
Michel Duchesne	11/12			6,917
Josée Fortin*		5/5		3,367
Pierre Gauvreau*			1/1	3,167
Yves Lavoie	12/12			7,417
Gilles Metcalfe		5/5		5,117
Michel Martineau			1/1	2,167
Bruno Morin, président*		4/5		6,659
Guy Morin	8/12			6,017
Marcel Ostiguy		4/5		4,617
Jacques Plante*[1]			1/1	2,792
George Rossi			1/1	2,167
Michel Rouleau	12/12			7,417
Nancy Wilson	9/12			6,817
Total compensation				97,982

* Directors of Capital régional et coopératif Desjardins

[1] Jacques Plante joined the Portfolio Valuation Committee on June 1, 2011 and replaced Pierre Gauvreau as Committee Chair on October 1, 2011.

NOTE TO THE READER

The following sections regarding market risks, credit and counterparty risks and liquidity risks have been reviewed by the Company's auditor within the audit of the financial statements concerning which an auditors' report was issued on February 16, 2012.

MARKET RISKS

Market risks pertain to the Company'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 the Company's assets. The various market risks directly impacting the Company are listed below:

Interest rate risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio for which fair value is determined based on market conditions. Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares with a total fair value of $667.6 million ($539.6 million as at December 31, 2010).

Money market instruments with a fair value of $63.4 million ($85.9 million as at December 31, 2010) are not valued based on fluctuations in the interest rates due to their very short term maturity and the Company's intention to hold them to maturity.

Bonds with a fair value of $562.1 million ($428.9 million as at December 31, 2010) are directly affected by fluctuations in interest rates. A 1% increase in interest rates would have resulted in a decrease of $28.0 million in net income, or a 2.4% decrease in the Company's share price as at December 31, 2011 ($14.2 million for 1.5% as at December 31, 2010). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $29.7 million increase in net income, a 2.5% increase in share price ($14.9 million for 1.5% as at December 31, 2010). Given that the Company 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.

Preferred shares with a fair value of $42.1 million ($24.8 million as at December 31, 2010) may also be affected by interest rate fluctuations. However, unlike bonds, there is no perfect correlation between interest rate fluctuations and changes in the fair value of preferred shares. Also, the interest rate risk related to preferred shares is low given the amounts in question.

Cash bears interest at the average weighted rate of 0.67% (average weighted rate of 0.74% as at December 31, 2010). Accounts receivable and accounts payable do not bear interest.

Stock market risk

Stock market trends have a twofold impact on the Company. 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 December 31, 2011, the Investments impacting the Québec economy portfolio included four traded companies valued at $5.6 million, representing 0.5% of net assets (four companies valued at $5.8 million as at December 31, 2010, representing 0.6% of net assets). A 10% increase or decrease in the stock markets would have resulted in an increase or decrease in the Company's net income of $0.5 million respectively ($0.5 million as at December 31, 2010).

In accordance with the Company's global asset management approach, the overall impact of these interrelated risks is taken into account when determining overall asset allocation.

Currency risk

Changes in currency values have an impact on the business of a number of the Company'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. These assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of $157.3 million, or 12.9% of net assets as at December 31, 2011, compared with $70.5 million, or 6.9% of net assets as at December 31, 2010. This increase reflects the fair value adjustment arising from the offer to purchase the Company's investment in Enobia Pharma.

The Company aims to systematically hedge currency risk for investments valued in foreign currency. A $5 million line of credit was granted to the Company for its foreign exchange contract transactions. As at December 31, 2011, the Company held foreign exchange contracts under which it must deliver US$153.6 million at the rate of CAD/USD 1.0211 and AU$1.1 million (Australian dollar) at the rate of CAD/AUD 1.0251 on March 30, 2012.

This limits the Company's net exposure to foreign currencies to $0.1 million ($1.2 million as at December 31, 2010). Any fluctuation in the Canadian dollar will therefore not have a significant impact on the Company's results.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, the Company is exposed to credit and counterparty risks related to potential financial losses if a partner company fails to fulfill its commitments or experiences a deterioration of its financial position. By diversifying its investments by sector, company development stage and financial instrument type and by limiting the potential risk of each partner company, the Company has successfully limited portfolio volatility due to negative events.

The Company 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.

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. Companies with a ranking of 7 and above are reviewed on a monthly basis to spread them across ranks 7 to 12.

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

Ranked by risk, the breakdown of Investments impacting the Québec economy is as follows (fair value amounts):

		As at December 31, 2011		As at December 31, 2010	
Rank		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 à 6.5	Low to acceptable risk	434,950	80.3	375,494	85.4
7 à 9	At risk	96,713	17.8	43,397	9.9
10 à 12	High risk and insolvent	10,246	1.9	20,659	4.7

This increased weight attributed to the At risk category is largely due to the fair value adjustment of the Company's investment in Enobia Pharma following the offer to purchase received by the Company. In general, the portfolio's overall credit risk is similar to the previous year.

Other investments portfolio risks are managed by diversification across numerous issuers with a credit rating of BBB from Standard & Poor's or DBRS or better. Counterparty risks arising from cash and purchase/redemption transactions are limited to the immediate short term.

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):

	As at December 31, 2011		As at December 31, 2010	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy	39.1	17.4	27.7	12.0
Other investments*	50.7	27.8	65.4	34.7

* Government issuers accounted for 100.0% (65.7% as at December 31, 2010) of the Other investments portfolio's five largest issuers or counterparties.

The portfolio summary presented at the end of this management discussion and analysis also provides relevant information for assessing credit concentration risk.

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

LIQUIDITY RISKS

The Company must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, the Company would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 40% of assets under management once the Company's capitalization reaches maximum limits and the pace of redemptions has stabilized at the expected level, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, the Company can confirm that liquidity risks are adequately covered.

OPERATING RESULTS

COMPANY NET RESULTS AND RETURNS

The Company closed its fiscal year ended December 31, 2011 with net income of $122.6 million, or a return of 11.6%, compared with net income of $18.7 million (return of 2.0%) for the preceding year.

The Company's performance results primarily from Investments impacting the Québec economy and Other investments, which generated contributions of 11.3% and 4.2% respectively while expenses, net of administrative charges and income taxes had an impact of 3.9% on Company performance.

The Company's asset allocation strategy allows it to enjoy a more balanced overall portfolio profile, while actively carrying out its mission to contribute to the economic development of cooperatives and Québec's regions. This should limit the volatility of the Company's returns in periods of substantial market turbulence.

The 11.6% return recorded for 2011 significantly exceeds the expected target based on the selected asset allocation. As shown in the coming sections, the Company benefited from a favourable set of factors that saw each of the asset classes drive performance strongly.

Return by activity	2011				2010			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Investments impacting the Québec economy	492	43.8	26.0	11.3	421	44.1	6.8	3.0
Other investments and cash	630	56.2	7.4	4.2	534	55.9	4.4	2.4
	1 122	100.0	15.5	15.5	955	100.0	5.5	5.4
Expenses, net of administrative charges			(3.2)	(3.2)			(2.8)	(2.8)
Income taxes and capital tax			(0.7)	(0.7)			(0.7)	(0.7)
Company's return			11.6	11.6			2.0	2.0

Return by asset class in the Investments impacting the Québec economy portfolio.	2011				2010			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Development Capital	159	14.2	8.9	1.5	152	15.9	5.0	0.8
Company Buyouts and Major Investments	152	13.5	21.9	2.5	124	13.0	15.7	2.1
Technological Innovations	42	3.7	35.1	2.0	56	5.8	(5.3)	(0.3)
Venture Capital – Health	59	5.2	157.2	5.0	30	3.2	12.1	0.4
Funds	80	7.2	4.6	0.3	59	6.2	0.1	0.0
	492	43.8	26.0	11.3	421	44.1	6.8	3.0

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $142.4 million made during fiscal 2011, sale proceeds of $132.2 million and realized and unrealized net gains of $91.1 million brought the total fair value of the Company's investment portfolio, including foreign exchange contracts, to $542.2 million as at December 31, 2011 ($440.9 million as at December 31, 2010).

In addition to these direct investments, the Company also carried out its mission through Capital croissance PME S.E.C. (CCPME), whose main goal is to provide subordinated debt financing to small and medium enterprises in Québec. The Company and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest equal shares totalling $200 million over a period of three years starting July 1, 2010. The manager of this limited partnership is Desjardins Venture Capital Inc., the Company's manager. The fund is an additional tool that will allow the Company to achieve its mission of economic development across Québec, including the resource regions and cooperatives. As at December 31, 2011, the Company had disbursed $30.1 million of its total commitment of $100 million, allowing CCPME to assist the development of 64 businesses.

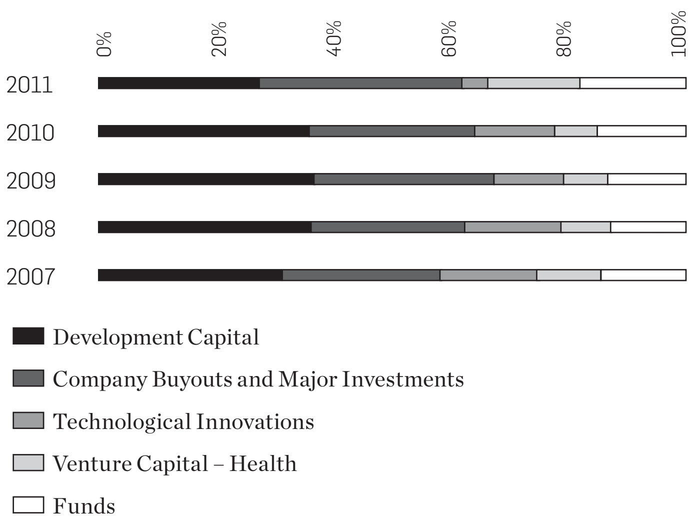
In addition to this, in tabling his budget on March 17, 2011, the Québec Minister of Finance announced the creation of the Fonds Relève Québec, which provides business transfer loans at favourable conditions to Québec business successors to finance a portion of their capital funding. The Québec government and two other partners share in financing the Fund. The Company will allocate the amount of $10 million. The fund commenced activities in November 2011.

Investment activities should also be measured taking into account funds committed but not disbursed, which amounted to $151.8 million as at December 31, 2011, compared with $200.5 million as at December 31, 2010. That amount included two major commitments totalling more than $41 million that were disbursed early in fiscal 2011.

Total commitments at cost as at December 31, 2011, amounted to $650.8 million in 215 companies, cooperatives and funds, of which $499.0 million was disbursed.

The acquisition on November 30, 2010 of certain investments from Desjardins Venture Capital L.P. gave rise to notes payable with a fair value of $14.3 million ($17.1 million as at December 31, 2010). Their fair value is adjusted according to changes in the fair value of these investments held by the Company, generating net gains of $1.3 million in 2011.

The Company's manager has allocated its Investments impacting the Québec economy activities across five asset classes. As part of its business development activities, the manager focuses from time to time on different economic sectors or lines of business to ensure portfolio balance. In order to generate both short- and long-term returns for the Company's shareholders, the range of financial instruments used may also vary. As at December 31 of the last five fiscal years, the fair value of the Investments impacting the Québec economy portfolio was allocated by asset class as follows:



During fiscal 2011, the Investments impacting the Québec economy portfolio generated a positive contribution of $119.5 million, a 26.0% return, compared with $28.9 million in 2010 (a return of 6.8%). All asset classes contributed to the higher results, in particular Venture Capital – Health, which generated a significant gain related, among others, to the fair value measurement of the investment in Enobia Pharma. The increase in fair value reflects the Company's commitment to sell its interest in the business. The transaction was subject to compliance with certain regulatory conditions. As all of these were met, the sale of Enobia Pharma was completed in February 2012 on the expected terms and conditions.

The Company Buyouts and Major Investments asset class, which posted a solid return of 21.9% due mainly to a notable improvement in the profitability of a number of companies in the portfolio, was also a significant driver of the Company's overall performance.

Additionally, in line with the asset allocation strategy the Company implemented targeting a reduction in the weight attributed to the Technological Innovations asset class, sales of several investments in that portfolio class generated proceeds from sales totalling $57.1 million in fiscal 2011. These sales resulted in significant gains, raising returns for the class to 35.1%.

Last, Development Capital also made a positive contribution to the Company's overall return in 2011 by maintaining a solid current revenue base and protecting the fair value of the investments. Furthermore, since the inception of the partnership between the Company and the CDPQ in 2010, certain of the new investments formerly disbursed directly by the Company and recorded in the Development capital asset class are now made through CCPME. This contributed to reducing the weight of the class in overall asset allocation in favour of the Funds asset class.

Contribution generated by Investments impacting the Québec economy
(in thousands of $)

	2011	2010
Revenue	27,052	27,680
Gains and losses	92,423	1,261
	119,475	28,941

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 Company 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.

Detail of gains and losses
(in thousands of $)

	2011	2010
Change in unrealized value	73,692	799
Net effect of sales and write-offs	18,731	462
Gains and losses	92,423	1,261

As a result of the December 31, 2011 review, 87 investments were remeasured to reflect an unrealized increase in value, net of changes in notes payable, of $78.5 million. The public companies held in the portfolio, of which the fair value based on market conditions totalled $5.6 million as at December 31, 2011, caused a decrease in value, net of notes payable, of $4.8 million during the year. For the same period, sales and write-offs of Investments impacting the Québec economy resulted in a realized gain of $14.8 million, net of notes payable, and an unrealized gain of $3.9 million, for a net upward impact on results of $18.7 million.

As the overall effect, the Company recorded in its results for the fiscal year a realized and unrealized gain of $92.4 million compared with a gain of $1.3 million in 2010.

As at December 31, 2011, the overall risk level of the Investments impacting the Québec economy portfolio remained satisfactory and similar to December 31, 2010 level.

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.

As at December 31, 2011, the Company's Other investments portfolio, including cash but excluding exchange contracts, totalled $682.5 million compared with $578.0 million as at December 31, 2010. These funds were invested mainly in the fixed-income securities market in highly liquid, low-credit risk instruments. As at December 31, 2011, 70% of portfolio bond securities were government-guaranteed. Other investments accounted for 56% of the portfolio's total net assets as at the end of fiscal 2011 (57% as at December 31, 2010). The Company anticipates that this ratio will gradually decrease in coming years to around 40% as capitalization reaches maximum limits and the pace of redemptions levels off as expected. In keeping with its core mission, this will allow an increase in funds allocated to Investments impacting the Québec economy.

As at December 31, 2011, the Company maintained a cash position equal to 11.4% of the Other investments portfolio (21.4% as at December 31, 2010) to cover liquidity needs arising from redemption requests by shareholders and Investments impacting the Québec economy it expects to make. This level of liquidity, which the Company maintains in keeping with its sound management practices, limits the portfolio's overall potential return.

To enhance total portfolio returns, the Company's manager is also authorized to take market positions using purchase/redemption transactions. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Financial Asset Management Committee and tracked daily by the portfolio manager. This activity generated a gain of $1.0 million for fiscal 2011 ($1.3 million in 2010). As at December 31, 2011, the Company had no market positions.

The orderly liquidation of the fund of hedge funds that began in 2008 following the swift collapse of stock prices ended with the sale of the remaining shares held as at November, 30, 2011 (a fair value of $0.3 million as at December 31, 2010). In light of the events in 2008, the Company's asset allocation strategy no longer includes this asset class.

Contribution generated by Other investments
(in thousands of $)

	2011	2010
Revenue	19,155	16,157
Gains and losses	25,334	6,771
	44,489	22,928

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

Other investments continues to provide the Company with a major source of operating revenue even though interest rates are low. Other investments contributed $44.5 million in 2011, compared with $22.9 million in 2010. Current revenue was up compared with the same period of 2010, due mainly to an increase in the average bond balance in spite of a slight decline in the bond portfolio's effective average interest rate.

Lastly, for fiscal 2011, the Company recorded a net gain of $25.3 million on its Other investments portfolio. On the one hand, the Bank of Canada has not increased its key rate since the end of the last fiscal year given the continuing uncertainty over global economic conditions and the intensifying sovereign debt crisis in Europe. On the other hand, typical returns on 5-year Canadian government bonds were highly volatile during fiscal 2011. These bonds posted a return of 1.27% as at December 31, 2011 (2.41% as at December 31, 2010). That being said, the gains recorded during fiscal 2011 are the result of the decline in effective bond return and the Company's overweight in long-term Canadian and Québec government bonds.

Over the last few years, the fair value of the bond portfolio benefited from repeated interest rate decreases. A potential rise in rates will have a negative impact on unrealized changes in value. The Company's asset management strategy is to match the average maturity of Other investments with the average maturity of expected cash outflows, thereby limiting the long-term effect of interest rates on results.

CAPITAL RAISING

The Company offers its shares exclusively through the Desjardins caisse network. As at December 31, 2011, this distribution network consisted of 395 Desjardins caisses and 897 service centres, for a total of 1,292 points of sale.

Subscription of shares of the Company entitles the shareholder to receive a non-refundable tax credit, which applies only to Québec tax, for an amount equal to 50% of all amounts subscribed, up to a maximum tax credit of $2,500 per capitalization period. The minimum holding period for shares of the Company is seven years to the day from the date of purchase before the shareholder would normally be eligible for a redemption. Note however that shareholders who request a redemption to withdraw some or all of their shares after the seven year holding period may not 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.

The Company may raise a maximum of $150 million per capitalization period until its share capital reaches the Company's capitalization limit for the first time by the end of a capitalization period. In his budget speech of March 17, 2011, the Minister of Finance announced that that limit was now increased to $1.25 billion from the previously set $1 billion. The increase allows the Company to continue to fulfill its economic development mission.

Beginning with the capitalization period following the period in which the limit is reached for the first time, the Company may raise, per capitalization period, the lesser of $150 million and the amount of the reduction in share capital attributable to the Company's redemptions or purchases by agreement during the preceding capitalization period. Each 12-month capitalization period begins on March 1 of each year. A special tax is payable by the Company if it fails to comply with these limits, and control mechanisms have been implemented by the Company to ensure compliance.

As at December 31, 2011, the Company's share capital amounted to $1,102.3 million for 110,775,643 outstanding shares.

Subscriptions totalled $154.0 million during fiscal 2011 compared with $181.0 million for fiscal 2010.

The 2011 issue that went on sale at the end of May was highly successful, with the $150 million maximum available amount per capitalization period entirely sold out by mid-September.

During fiscal 2011, redemptions and purchases by agreement totalled $76.0 million ($85.8 million in 2010). The Company believes that the current economic conditions and weak interest rates are behind the low volume of redemptions.

As at December 31, 2011, the balance of shares eligible for redemption totalled nearly $258 million. During fiscal 2012, additional shares with an approximate value of $106 million will also become eligible for redemption, bringing potential redemptions close to $364 million for fiscal 2012.

The shareholders' equity of the Company as at December 31, 2011 totalled $1,220.4 million broken down by issue as follows:

Issue	Issue price ($)	Balance* ($M)	Eligible for redemption
2001	10.00	35.4	2008
2002	10.00	103.8	2009
2003	10.12 and 10.24	51.2	2010
2004	10.25	67.4	2011
2005	10.25	106.4	2012
2006	10.37 and 10.21	87.1	2013
2007	10.21 and 9.92	106.8	2014
2008	9.89 9.83 and 9.54	156.5	2015
2009	9.54 9.62 and 9.73	171.0	2016
2010	9.73 and 9.80	168.4	2017
2011	9.91 and 10.02	166.4	2018
Shareholders' equity		1,220.4	

* Calculated at net asset value per share as at December 31, 2011.

During fiscal 2011, the Company gained 5,441 new shareholders which, also taking redemptions into account, brought the number of shareholders to 106,577 as at December 31, 2011, compared with 111,476 as at December 31, 2010. Despite this decline in the number of shareholders that allows the Company to optimize its costs, shareholders' equity has increased as the average investment per shareholder has risen, with current shareholders subscribing for new shares year after year. Note that up to 2007, each shareholder was limited to a subscription of $2,500 per year compared to the current limit of $5,000 per year.

The Company'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.

OPERATING EXPENSES

Expenses
(in thousands of $)

	2011	2010
Management fees	27,283	23,948
Other operating expenses	5,137	2,202
Shareholder services	1,774	1,725
Capital tax	-	511
	34,194	28,386

The annual management fees paid to manager Desjardins Venture Capital Inc. amount to 2.5% of the Company's annual average assets' net value, less any amounts payable related to Investments impacting the Québec economy and Other investments. Management fees for fiscal 2011 amounted to $27.3 million or 79.8% of total expenses, compared with $23.9 million or 84.4% of total expenses for the same period of 2010. This increase is related to growth in average assets, which totalled $1,120.1 million for fiscal 2011, compared with $955.6 million a year earlier. As in the past, the management fees incurred by the Company are adjusted to avoid double billing as regards the Company's holdings in certain investment funds.

For the fiscal year ending December 31, 2012, the Company and manager Desjardins Venture Capital have agreed to renew the management contract for one year at the same terms and conditions except for the rate which, given the growth of the Company's assets, will be reduced to 2.25%. The parties have agreed to review the terms and conditions of the contract prior to its next renewal.

The $2.9 million increase in Other operating expenses is due, among other things, to non-recurring fees related to the transaction involving the Company's investment in Enobia Pharma.

The Company 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 the Company began operations, Desjardins Trust has represented the largest component of the Company's shareholder service expenses. This contract was renewed at the same terms and conditions until June 30, 2012.

The Company has entrusted the Fédération des caisses Desjardins du Québec with the activities related to the distribution of the Company's shares across the Desjardins caisse network. Other than reimbursing certain direct expenses, no commissions or other forms of compensation are payable to any person by the Company for distribution of its shares. The contract is renewable from year to year at market conditions, unless written notice is given by one or the other of the parties three months in advance.

Shareholder services expenses for fiscal 2011 are similar to the same expenses in 2010.

Income taxes for fiscal 2011 amounted to $7.9 million, compared with $5.9 million for the same period in 2010. Revenue type has a significant impact since, unlike business income, capital gains are eligible for deductions and mechanisms allowing income tax refunds.

Moreover, the Company is no longer subject to capital tax, which was abolished on January 1, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from capital raising initiatives net of redemptions for fiscal 2011 totalled $78.0 million ($95.2 million in 2010). Operating activities generated liquidities of $19.4 million, up in comparison with $9.3 million in 2010. This variance is due mainly to increased income taxes payable included in changes in non-cash working capital items. The Company's investment activities resulted in cash outflows of $153.0 million in fiscal 2011, compared with $39.9 million in 2010. Cash outflows in Investments impacting the Québec economy amounted to $138.4 million for fiscal 2011, compared with $67.6 million for 2010. This increase was largely driven by the acquisition of four significant investments in 2011. In accordance with the Company's financial asset management strategy, a portion of the excess liquidities generated by operating and financing activities was allocated to the Other investments portfolio, which posted net investments of $137.0 million for fiscal 2011 compared with $16.0 million for the same period of 2010.

As at December 31, 2011, cash and cash equivalents totalled $32.5 million ($88.1 million as at December 31, 2010). This cash level is maintained to cover redemption requests that might occur at a different pace than the issue of new shares and due to the size of the anticipated outflows related to the Investments impacting the Québec economy portfolio. The cash level as at December 31, 2010 was exceptionally high due to significant investments planned for early in 2011.

The Company has an authorized line of credit of $10 million. In the event that liquidity needs exceeded expectations, this line of credit could be used on a temporary basis to cover the Company's obligations. This additional flexibility optimizes cash levels held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during the fiscal year ended December 31, 2011.

Given the management approach for Other investments of matching the average maturity of the Company's total assets with the average maturity of its expected cash outflows, the Company does not anticipate any shortfall in liquidities 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.

RECENT EVENTS

ACCOUNTING POLICIES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Background

In 2008, the Accounting Standards Board of Canada (AcSB) confirmed that as of January 1, 2011, the International Financial Reporting Standards (IFRS) would replace the Canadian generally accepted accounting principles (GAAP) currently in effect for certain companies, including public companies.

The International Accounting Standards Board (IASB), the organization responsible for IFRS, in the first half of 2010 began a review of the standards on consolidation and financial instruments that investment companies must apply. These reflections led, in August 2011, to the publication of an exposure draft, Investment Entities. The key proposed amendments affecting the Company are explained in the subsequent section *Main impacts of transition to IFRS*.

In January 2011, to allow investment companies to wait until these revised standards take effect before converting to IFRS, the AcSB approved mandatory deferral to January 1, 2013 of the IFRS adoption date for investment companies currently subject to Accounting Guideline AcG – 18 *Investment Companies*. Following the IASB's publication of the exposure draft, the AcSB decided in December 2011 to grant an additional year's deferral. Accordingly, the Company will adopt IFRS for its interim and annual financial statements relating to annual periods beginning on January 1, 2014. Until that time, the Company will continue to apply the current Canadian standards.

Work completed to date

The Company has drawn up a three-stage conversion plan: Step 1 – Analysis; Step 2 – Planning and Design; and Step 3 – Implementation. Throughout these stages, the Company benefits from the support and expertise of a specialized Desjardins Group team, as well as assistance from external firms.

The analysis stage began in 2009 and continued throughout the fiscal year ended December 31, 2010. This stage allowed the Company to identify those areas that would be most impacted by IFRS application. The Company is monitoring the work of the IASB with respect to changes in the standards on consolidation and financial instruments, and will continue, once the revised standards have been published, analyzing their impacts on its accounting, its financial reporting, its management and its information systems.

Main impacts of transition to IFRS

IFRS use a conceptual framework similar to GAAP, but contain certain differences. In particular, the standards on consolidation and financial instruments, if applied by the Company in their present form, could have significant impacts on the financial information the Company reports. Beyond these standards, the differences identified between Canadian GAAP and IFRS should not have significant impacts.

Under the accounting standards currently in force in Canada, specifically AcG – 18, the Company must recognize all investments held by it at fair value, and is not obliged to apply all of the rules concerning financial instruments.

There is no equivalent to AcG – 18 under current IFRS. Rather, the provisions of IAS 27, *Consolidated and Separate Financial Statements* apply. Under this standard, the Company could have the obligation to consolidate certain of its investments. The Company is of the opinion that the consolidation of certain investments is undesirable as it would render use of its financial statements more complex, significantly increase the costs of preparation of financial information and would not provide an accurate picture of its financial position. Furthermore, the issue and redemption prices of the Company's shares would not be calculated on the same basis used to prepare the financial statements.

In addition, under current IFRS, all requirements with respect to the recognition and disclosure of financial instruments must be applied. Therefore, the Company would have to list its financial instruments according to the different categories under IFRS and apply the corresponding recognition method. Their categorization would also result in increased disclosure in the financial statements, in particular as relates to the measurement of financial instruments.

The exposure draft circulated in August 2011 by the IASB establishes criteria under which a company would qualify as an investment entity. A qualifying investment entity be required to present at fair value all investments it holds, including in entities it controls. These proposals reflect the spirit of AcG – 18 currently in force in Canada.

Also, under the proposed standards, certain additional disclosures relating to investments held would be required. Within the framework of the usual consultation process following publication of the exposure draft, the Company, jointly with other partners in the Québec development capital fund industry, addressed certain comments to the IASB and the AcSB in this respect. In 2012, the Company will continue its detailed analysis of these proposals.

Quantification of impacts

The exposure draft, if approved without amendment, would have no impact on the Company's results and financial position.

Moreover, the Company's constituting act provides that the issue and redemption price of its shares shall be calculated based on adjusted IFRS, if need be, to reflect the fair value of investments and cancel the effects of consolidation. As a result, the transition to IFRS will have no substantial impact in that respect, regardless of the outcome of the discussions concerning the exposure draft currently underway.

RELATED PARTY TRANSACTIONS

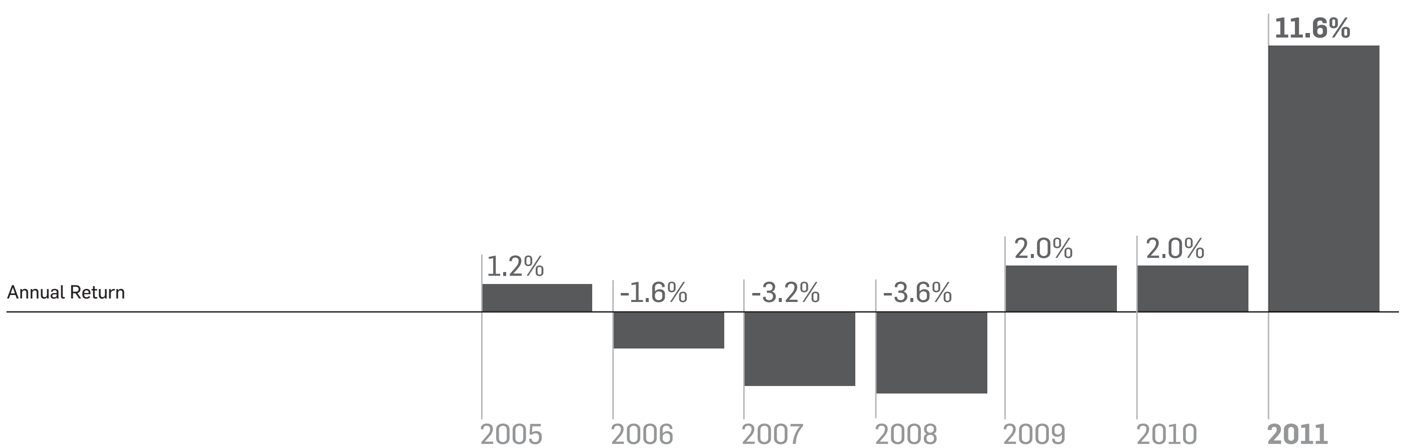
The Company enters into certain transactions with related companies in the normal course of business. These transactions are described in note 16 to the financial statements of the Company.

PAST PERFORMANCE

This section presents the Company'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 the Company's annual returns and illustrates the change in returns from one fiscal year to the next for the past seven fiscal years. Annual return is calculated by dividing income (loss) per share for the year by the share price at the beginning of the year.



COMPOUNDED RETURN OF THE SHARE AS AT DECEMBER 31, 2011

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

7 years	5 years	3 years	1 year
1.0%	1.5%	4.9%	11.2%

PORTFOLIO SUMMARY

MAIN ASSET CLASSES

As at December 31, 2011, the assets in the Investments impacting the Québec economy and Other investments portfolios were allocated as follows:

Asset classes	% of net assets
Investments impacting the Québec economy*	
Development Capital	12.2
Company Buyouts and Major Investments	15.5
Technological Innovations	2.0
Venture Capital – Health	7.0
Funds	7.7
Total – Investments impacting the Québec economy	44.4
Other investments	
Cash and money market instruments	6.4
Bonds	46.1
Preferred shares	3.4
Total – Other investments	55.9

* Including foreign exchange contracts

MAIN INVESTMENTS HELD

As at December 31, 2011, the issuers of the 25 main investments held by the Company were as follows:

Issuer	% of net assets
Investments impacting the Québec economy (12 issuers)*	27.2
Province of Québec	10.1
Canada Housing Trust	9.3
Toronto—Dominion Bank NHA (CMHC guaranteed)	3.5
CDP Financial	2.6
Financement Québec	2.3
Caisse centrale Desjardins	2.1
Hydro-Québec	1.8
Bank of Montreal	1.8
The Toronto-Dominion Bank	1.7
Canadian Imperial Bank of Commerce	1.7
Royal Bank	1.6
Bank of Nova Scotia	1.5
Canada Mortgage and Housing Corporation	1.4

* The 12 issuers who, collectively, represent 27.2% of the Company's net assets are:

- A & D Prévost inc.
- Avjet Holding Inc.
- Camoplast Solideal Inc.
- Capital croissance PME S.E.C.
- Regal Confections Inc.
- Knowlton Development Corporation Inc.
- Desjardins – Innovatech S.E.C.
- Enobia Pharma Inc.
- FIER Partners L.P.
- Groupe Graham International inc.
- TELECON Group
- La Coop fédérée

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

February 16, 2012

February 16, 2012

MANAGEMENT'S REPORT

The Company's financial statements together with the financial information contained in this annual 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 Company'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 discharges its responsibility for the financial statements principally through its Audit 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. In addition, the Committee meets with the Company's internal auditors. 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 February 16, 2012. These statements have been prepared in accordance with Canadian generally accepted accounting principles and audited by PricewaterhouseCoopers LLP.

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

(signed) Yves Calloc'h, CA

Chief Financial Officer