Management discussion and analysis

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

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

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

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

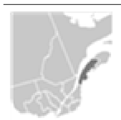
Annual financial information may be obtained in the same way.

1.0 Highlights

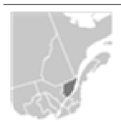
1.1 Commitments throughout Québec

CRCD and its ecosystem[(1)] make a real contribution to the economic development of the regions. As at June 30, 2021, the funds committed per region were as follows:

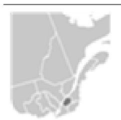
ABITIBI-TÉMISCAMINGUE*
$32M → 37 companies
$0.8M → 1 cooperative



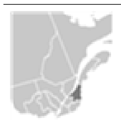
BAS-SAINT-LAURENT*
$36M → 36 companies
$0.2M → 1 cooperative



CAPITALE-NATIONALE
$189M → 62 companies
$7M → 4 cooperatives

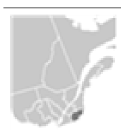


CENTRE-DU-QUÉBEC
$64M → 24 companies
$12M → 2 cooperatives



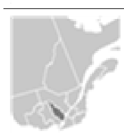
CHAUDIÈRE-APPALACHES
$152M → 50 companies
$2M → 4 cooperatives

CÔTE-NORD*
$4M → 7 companies

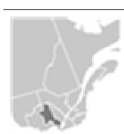


ESTRIE
$114M → 43 companies
$5M → 3 cooperatives

GASPÉSIE – ÎLES-DE-LA-MADELEINE*
$8M → 9 companies



LANAUDIÈRE
$22M → 12 companies
$0.3M → 1 cooperative



LAURENTIDES
$21M → 7 companies

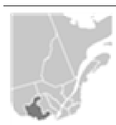
LAVAL
$53M → 13 companies

MAURICIE*
$22M → 12 companies
$0.6M → 1 cooperative

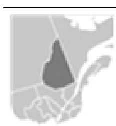
MONTÉRÉGIE
$242M → 61 companies
$0.7M → 3 cooperatives

MONTRÉAL
$365M → 96 companies
$100M → 3 cooperatives

NORD-DU-QUÉBEC*
$4M → 17 companies



OUTAOUAIS
$9M → 10 companies



SAGUENAY–LAC-SAINT-JEAN*
$72M → 62 companies
$2M → 5 cooperatives

OUTSIDE QUÉBEC (ex Europe)
$12M → 4 companies

EUROPE
$16M → 8 companies

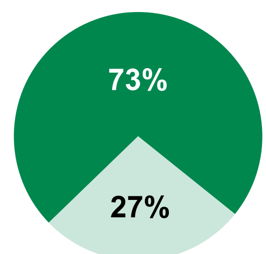
FUNDS
$56M → 16 funds

IN TOTAL

614
COMPANIES, COOPERATIVES AND FUNDS

$1,625M
BENEFITTING SMEs

73%
OF COMPANIES AND COOPERATIVES BASED IN QUÉBEC ARE FROM REGIONS OTHER THAN MONTRÉAL AND CAPITALE-NATIONALE.

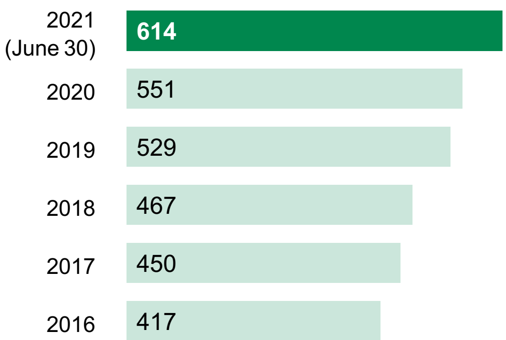


** Resource region*
[(1)] See the Entrepreneurial ecosystem section for a detailed description of the main features of the ecosystem.

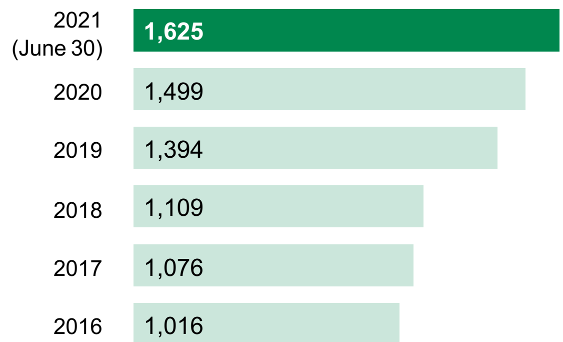
1.2 CRCD and its ecosystem support companies and cooperatives

AS AT JUNE 30, 2021 AND DECEMBER 31

Total companies, cooperatives and funds



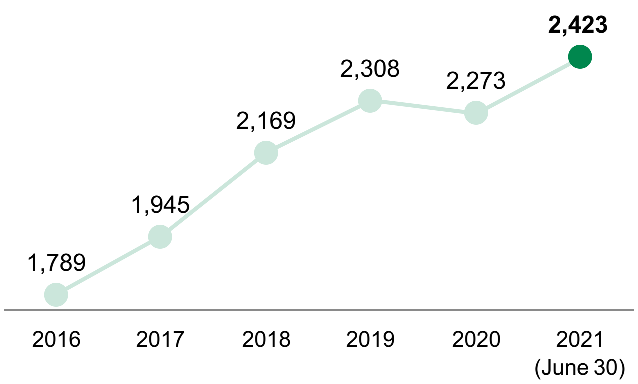
Funds committed ($M)



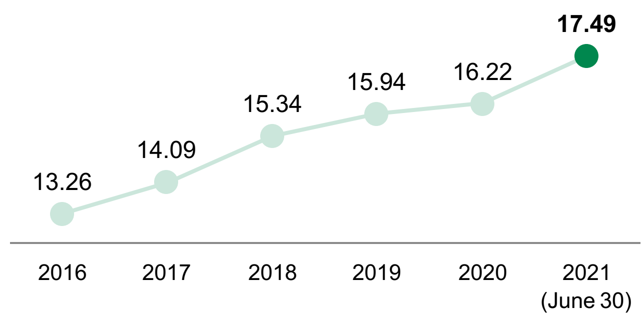
1.3 CRCD financial data

AS AT JUNE 30, 2021 AND DECEMBER 31

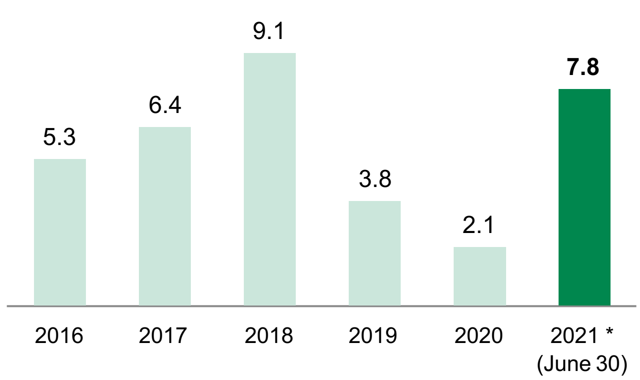
Net assets ($M)



Share price ($)



Annual fund return (%)



*Non-annualized return for the six-month period ended June 30, 2021.

2.0 CRCD financial highlights

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

2.1 Ratios and supplemental data

(in thousands of $, unless indicated otherwise)	June 30, 2021 (6 months)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Revenue	**31,232**	48,233	55,210	70,285	51,392	44,449
Gains on investments	**167,683**	38,471	63,703	138,632	96,541	78,869
Net earnings	**175,820**	46,429	81,302	174,894	112,757	85,957
Net assets	**2,423,275**	2,272,798	2,308,466	2,168,804	1,945,342	1,789,417
Common shares outstanding (number, in thousands)	**138,524**	140,110	144,849	141,391	138,080	134,944
Total operating expense ratio and common share issue expense ratio [1] (%)	**1.8**	1.8	1.6	1.6	1.9	2.2
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	**11**	13	10	17	16	11
– Other investments (%)	**52**	100	101	163	87	126
Trading expense ratio [2] (%)	**—**	—	—	—	—	—
Number of shareholders (number)	**108,399**	109,286	109,364	107,862	105,614	104,317
Issues of common shares – Class A "Issuance"	**411**	139,842	140,017	141,179	134,850	133,401
Exchanges of common shares – Class B "Exchange"	**99,862**	(92)	199,445	—	—	—
Common share issue expenses, net of related taxes	**—**	—	—	2,523	2,396	1,579
Redemptions of common shares	**25,754**	221,939	81,657	90,088	89,285	70,438
Investments impacting the Québec economy at cost	**1,119,640**	1,108,055	1,014,864	838,258	828,255	787,142
Fair value of investments impacting the Québec economy	**1,448,880**	1,298,331	1,249,967	1,080,069	1,033,951	921,518
Funds committed but not disbursed and guarantees and suretyships	**261,467**	238,226	237,009	192,169	183,606	189,121

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

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

2.2 Changes in net assets per common share

(in $)	June 30, 2021 (6 months)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Net assets per common share, beginning of period/year	**16.22**	15.94	15.34	14.09	13.26	12.61
Increase attributable to operations	**1.25**	0.34	0.58	1.28	0.84	0.66
Interest, dividends, distributions and negotiation fees	**0.22**	0.35	0.39	0.51	0.38	0.34
Operating expenses	**(0.16)**	(0.27)	(0.25)	(0.21)	(0.24)	(0.26)
Income taxes	**(0.01)**	(0.02)	(0.01)	(0.03)	(0.02)	(0.03)
Realized gains (losses)	**0.16**	0.56	0.25	0.79	0.06	0.18
Unrealized gains (losses)	**1.04**	(0.28)	0.20	0.22	0.66	0.43
Difference attributable to common share issues and redemptions	**0.02**	(0.06)	0.02	(0.03)	(0.01)	(0.01)
Net assets per common share, end of period/year	**17.49**	16.22	15.94	15.34	14.09	13.26

3.0 Recent events

CRCD and its manager Desjardins Capital Management Inc. (Desjardins Capital or DC), continue to closely monitor developments in the health crisis caused by the COVID-19 pandemic. This unprecedented crisis has raised much uncertainty, in particular with regard to the economic situation, both in Québec and abroad. While the economic recovery is well underway since the second half of 2020, certain sectors continue to feel the effects of the pandemic.

We continue to support our entire service offering. Like all of Desjardins Group, CRCD's top priority is the health and safety of our employees, shareholders, directors, partners and clients. Since the beginning of the pandemic, all employees of DC have been working remotely.

As reopening expands, we will continue to be there for our partner companies, supporting the growth of SMEs and cooperatives across all regions of Québec.

4.0 Overview

CRCD ended the first six months of 2021 with net earnings of $175.8 million (net loss of $115.6 million for the same period in 2020), representing a non-annualized return of 7.8% (negative non-annualized return of 5.2% as at June 30, 2020), resulting in an increase in net assets per share to $17.49 based on the number of shares outstanding as at June 30, 2021. CRCD aims to strike an appropriate long-term balance between shareholder return and its mission of Québec economic development. The financial asset management strategy adopted by CRCD several years ago is designed to provide a balanced overall profile and limit volatility in periods of substantial market turbulence or due to unfavourable events at partner companies.

Investments impacting the Québec economy posted a non-annualized return of 14.1% for the six-month period ended June 30, 2021, compared with a negative non-annualized return of 9.6% for the same period a year earlier. The positive return from the Investments impacting the Québec economy portfolio was fuelled mainly by the solid performance of portfolio companies. Overall, SMEs have seen business increase as they reopen, approaching near-normal following the slow-down brought on by the pandemic, although some in certain fields continue to lag.

As at June 30, 2021, the cost of Investments impacting the Québec economy totalled $1,119.6 million, of which $147.0 million was disbursed during the first six months of fiscal 2021. As at June 30, 2021, commitments made but not disbursed, including guarantees and suretyships granted to companies, cooperatives or funds, amounted to $261.5 million. New commitments for the year amounted to $170.2 million.

The Other investments portfolio recorded a non-annualized return of 1.8%. The return was due partly to a significant securities weighting in the bond market which, after substantial gains in 2020 felt the impact of interest rates rising again, and partly to strong performance by equity funds, driven by stock market advances. For the same period in 2020, non-annualized return on the Other investments portfolio was 2.2%.

During the first half of the year, issues of Class A "Issuance" common shares totalled $0.4 million, or the balance of the 2020 issue. The 2021 issue will begin in the fall. Share redemptions totalled $25.8 million, compared with $188.1 million for the same period in 2020. Note that the increase in 2020 was driven by the pandemic environment. Net assets amounted to $2,423.3 million and shareholders numbered 108,399 as at June 30, 2021. Furthermore, as at June 30, 2021, the balance of shares eligible for redemption amounted to $937.7 million. For more information, please see the Subscriptions section of this MD&A.

4.1 Growing businesses stronger

Be it through the support, networking or training provided to our partner companies or through enhancing our product offering and sharing our business network, we take action on many levels to grow Québec SMEs and cooperatives.

As a leading player on the Québec development capital scene, we contribute to the vitality of the Québec economy by financing growth companies across all Québec regions, and supporting jobs and business successions to build a strong Québec now and for future generations. Leveraging our solid business transfer expertise, we have completed hundreds of transactions, contributing to the continuity and sustainability of Québec's flagship companies. In addition, we support start-up or early-stage companies that use technological or industrial innovations and capitalize on new uses of existing technologies.

A real catalyst in the business development process of our existing and potential partners, we maintain close relationships with entrepreneurs throughout the province by creating numerous networking opportunities. These events bring together entrepreneurs, business partners and experts who have questions on topical matters such as growth challenges and business succession issues. The pandemic has prompted us to adapt our practices in this regard.

Our offering, which has been unique over the years, is once again proving itself in our ability to support our entrepreneurs in the current environment, particularly through networks that have enabled portfolio companies to help each other and also leverage opportunities arising from the pandemic landscape.

Furthermore, we provide our partner companies with tailored support for implementing and monitoring sound SME governance practices, which represents undeniable value added. Very active in this area, we provide personalized support to entrepreneurs to help set up advisory committees or boards of directors. We offer them advice tailored to their situation. In addition, we can call on a vast network of experienced directors whose role is to help entrepreneurs set up a governance forum to support business strategy and growth. Directors 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.

4.2 Economic conditions

2021 ECONOMIC ENVIRONMENT

Global economy

The course of the pandemic continues to have a strong impact on global economic growth. The second wave of COVID-19 has had major economic repercussions in several countries. Those hardest hit had to substantially tighten their health measures, and this had major impacts on economic activity in early 2021. The third wave of COVID-19 is also affecting certain regions of the world. This includes India, which has had to close large swaths of its economy. The changing nature of the pandemic is therefore making global economic recovery rather uneven. Some countries are approaching pre-crisis levels of economic activity, while others, such as China and the United States, have already surpassed theirs. However, several economies are still far from this threshold, and this is particularly true in Europe. The differences in economic growth are also due to the uneven success rates of national vaccination campaigns. In the eurozone, most countries are reopening, yet only very gradual progress is being made. Following a 6.7% drop in 2020, the eurozone's real GDP is expected to grow 4.6% in 2021 and 4.3% in 2022. Economic growth in China slowed in the first half of 2021. The country's real GDP is expected to grow more rapidly in the next few quarters, but there is still a sense that the Chinese economy has lost some of its momentum. Overall, global real GDP is expected to expand 6.0% in 2021, following an estimated 3.6% contraction in 2020. For the time being, the economic impact of the recent increase in COVID-19 cases related to the Delta variant is expected to be limited and temporary in highly vaccinated countries.

Despite some hesitations related to the third wave of COVID-19, stock market indices continued to surge in the second quarter. By the end of June, the S&P 500 and S&P/TSX were up approximately 15% since the beginning of the year. This strong performance was due to a rapid recovery in earnings as companies in the S&P 500 index reported record profits for the first quarter of 2021. Following a difficult first quarter, the bond market also performed well when long-term bond yields fell in the spring, particularly in the U.S., despite growing inflationary pressures. The U.S. Federal Reserve (the Fed) nevertheless adopted a much more optimistic tone at its June meeting, even signaling that strong outlooks for inflation and the labour market could justify moving more quickly to normalize monetary policy.

After last year's spectacular gains, particularly in the U.S., the major stock market indices may well enter a period of consolidation. However, the outlook for stock markets remains relatively favourable in the medium term, as economic growth is expected to be strong. Higher inflation, combined with a gradual tapering of bond purchases by central banks, particularly in Canada, suggest that bond yields will trend upward over the next few quarters. But the first hikes in key interest rates are not expected until late 2022.

United States

The U.S. economy is recovering from problems caused by the pandemic. After annualized quarterly growth of 6.3% in the first quarter of 2021, a 6.5% in U.S. real GDP in the second quarter put it back above its pre-pandemic level. The U.S. economy is benefiting in particular from the US$900 billion and US$1.9 trillion relief plans passed by the federal government. However, job creation is not as brisk as was hoped, as 5,702,000 fewer people are working compared to the peak reached in February 2020. For now at least, the unwillingness of former workers to re-enter the labour market appears to be a constraint, even though job openings abound. While real GDP has fully recovered, a similar recovery in the labour market may not be achieved until the fall of 2022. In addition to the labour shortage, many industries are also having difficulty procuring parts and raw materials, and are facing challenges shipping their merchandise. Costs are up, and increasingly this is filtering down into the prices paid by consumers. After a 3.5% decline in 2020, U.S. real GDP is expected to grow by 6.7% in 2021. The economy should grow 4.1% in 2022.

Canada

The Canadian economy performed relatively well despite the restrictions imposed in early 2021 to counter the second wave of COVID-19. From the fourth quarter of 2020 to the first quarter of 2021, real GDP grew 1.4%, for an annualized quarterly increase of 5.6%. Residential investment was particularly strong, rising 43.3%, on an annualized basis, from the previous quarter. In March, housing starts and existing home sales reached new all-time highs. The strong housing market is nevertheless expected to ease somewhat over the next few quarters, since several temporary factors that had disrupted supply and demand during the pandemic are expected to return to more normal levels. The third wave of COVID-19 will also have an impact on the Canadian economy in the second quarter. Several provinces, including Ontario, introduced new health measures in the spring to limit the pandemic's spread. The outlook for the Canadian economy is nevertheless very good. The low level of infections and the success of vaccination campaigns are encouraging the provinces to gradually lift their health restrictions. Under these conditions, Canadian real GDP should rebound in the third quarter and then continue to grow at a relatively fast pace. Despite larger quarterly fluctuations, the forecast for 2021 as a whole remains unchanged, with a 6.3% increase in real GDP and another 4.1% gain expected in 2022.

Québec

Despite closures among some types of businesses early in the year, the Québec economy continued to recover in the first quarter. Compared to the last quarter of 2020, real GDP grew at an annualized quarterly rate of 5.9%. The economy had even fully recovered by March 2021 on the strength of those industries minimally affected by the pandemic. Business investment surged early in the year, up 25.9% for machinery and equipment and 4.1% for non-residential structures. Residential investment grew 17.4% in the first quarter due to an exceptional start to the year for new construction. Home sales are in decline from the peak reached a few months earlier, and prices appear to be stabilizing. In addition, household spending declined in the first quarter, in part due to the closure of non-essential businesses from December 25, 2020 to February 7, 2021. The savings rate rose to 17.2% in the first quarter as a result of weak consumption and rising after-tax income. The outlook for the next few quarters is positive, especially for the service sector, which will finally benefit from the gradual reopening that began in the spring. Québec's successful vaccination campaign also bodes well for the future.

5.0 Management's discussion of financial performance

5.1 Operating results

CRCD'S NET RESULTS AND RETURNS

CRCD ended the first half of the year on June 30, 2021, with net earnings of $175.8 million, or a non-annualized return of 7.8%, compared with a net loss of $115.6 million (negative non-annualized return of 5.2%) for the same period in 2020. Based on the number of common shares outstanding, net assets per share increased to $17.49 as at the end of the six-month period, compared with $16.22 at the end of fiscal 2020. For illustrative purposes, at the current price of $17.49, shareholders who invested seven years ago, on August 12, 2014, would obtain an annual after-tax return of more than 12.6%, taking into account the 45% income tax credit as per the rate applicable at that time.

CRCD's results stem primarily from Investments impacting the Québec economy and Other investments, which generated non-annualized returns of 14.1% and 1.8%, respectively. For the same period in 2020, Investments impacting the Québec economy posted a negative non-annualized return of 9.6%. Non-annualized return on Other investments was 2.2%. Expenses, net of administrative charges and income taxes, had an impact of 1.2% on CRCD's non-annualized return.

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

Return by activity

	As at June 30, 2021			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Activities related to Investments impacting the Québec economy [(1)]	**1,390**	**60.2**	**14.1**	**8.1**
Other investments and cash	**920**	**39.8**	**1.8**	**0.9**
	2,310	**100.0**	**9.0**	**9.0**
Expenses, net of administrative charges			**(1.1)**	**(1.1)**
Income taxes			**(0.1)**	**(0.1)**
CRCD's return			**7.8**	**7.8**

	As at June 30, 2020			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Activities related to Investments impacting the Québec economy [(1)]	1,206	57.0	(9.6)	(5.3)
Other investments and cash	910	43.0	2.2	0.9
	2,116	100.0	(4.4)	(4.4)
Expenses, net of administrative charges			(0.9)	(0.9)
Income taxes			0.1	0.1
CRCD's return			(5.2)	(5.2)

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

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Investments of $157.6 million and disposals of $164.5 million were made for a negative net balance of $6.9 million. Combined with realized and unrealized net gains of $156.7 million, these net investments brought the fair value of the investment portfolio, including foreign exchange contracts, to $1,448.7 million as at June 30, 2021 ($1,298.9 million as at December 31, 2020). Of the $157.6 million invested during the first half of the year, $28.9 million was allocated to three companies and $33.4 million to the funds comprising the entrepreneurial ecosystem, as described below. During the six-month period, higher volume of disposals was mainly due to a significant disposal of an interest in a portfolio company.

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, including guarantees and suretyships, which amounted to $261.5 million as at June 30, 2021, compared with $238.2 million as at December 31, 2020. Total commitments at cost as at June 30, 2021, amounted to $1,381.1 million in 231 companies, cooperatives and funds, of which $1,119.6 million was disbursed. As at June 30, 2021, backed by its entrepreneurial ecosystem, CRCD supported growth in 614 companies, cooperatives and funds.

During the first six months of fiscal 2021, Investments impacting the Québec economy generated a contribution of $183.6 million, for a non-annualized return of 14.1%, compared with a negative contribution of $117.3 million for the same period in 2020 (a non-annualized return of 9.6%). The significant increase in performance between the two periods was fuelled by the economy’s rapid recovery from its pandemic low.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Revenue	**26,588**	13,847
Gains and losses	**157,008**	(131,129)
Total	**183,596**	(117,282)

Revenue includes interest, dividends and negotiation fees related to Investments impacting the Québec economy. Negotiation fees, which amounted to $1.6 million for the six months ended June 30, 2021 ($1.6 million for the same period in 2020), are earned by DC, the manager, and a credit for that amount is applied against the management fees paid to DC by CRCD. Negotiation fees are included in the contribution generated by the Investments impacting the Québec economy as they are included in the profitability analysis of the investments. The profile of the investments held by CRCD is changing and the amounts injected into its ecosystem funds continue to grow (see the following section for more details). Therefore, investments held by these ecosystem funds generate revenue in addition to the revenue generated by CRCD's direct investments. This revenue, of which CRCD's share amounted to $12.5 million for the first six months of fiscal 2021 ($7.9 million for the same period in 2020), 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 $157.0 million compared with a loss of $131.1 million for the same period in 2020. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2021, the overall risk level of the Investments impacting the Québec economy portfolio reflected the aggregate impacts of the pandemic compared with its December 31, 2020 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

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

Desjardins Capital PME s.e.c.	Desjardins Capital Transatlantic, L.P.
Capital croissance PME s.e.c.	Capital croissance PME II s.e.c.
Desjardins – Innovatech S.E.C.	Société en commandite Essor et Coopération

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

- The main goal of the Desjardins Capital PME s.e.c. fund (DCPME), created on January 1, 2018, is to invest in Québec's small- and medium-sized businesses, with an investment limit generally not exceeding $10 million. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments are made on an annual basis. On January 1, 2020, Desjardins Holding financier inc. (DHF) became a limited partner of the DCPME fund. As at June 30, 2021, CRCD's interest in the DCPME fund was 41.0%, while the interests of the other two limited partners, Desjardins Private Management (DPM) and DHF, were 46.9% and 12.1%, respectively. Since inception of the fund, CRCD has disbursed $127.8 million ($99.8 million as at December 31, 2020) allowing a total of 193 companies to benefit from $369.1 million committed by DCPME fund.

- Jointly with France-based Groupe Siparex, on July 4, 2018, DC created two funds: the Desjardins Capital Transatlantic, L.P. fund (DC Transatlantic) and the Siparex Transatlantique – Fonds professionnel de Capital Investissements fund. The purpose of these funds is to co-invest in SMEs in Québec and Europe to support them in their marketing or acquisition efforts on both sides of the Atlantic. CRCD and other investor partners such as Export Development Canada (EDC), Groupe Siparex and French public investment bank BPIFrance committed a total of €75 million, or approximately $110 million to the two funds. DC Transatlantic's five-year planned investment period closes on July 4, 2023. CRCD has a 60.7% interest in DC Transatlantic, which is managed by DC. As at June 30, 2021, CRCD had disbursed $16.8 million ($11.7 million as at December 31, 2020) of its total commitment of $33.5 million (€22.8 million), allowing 11 companies to benefit from $23.4 million committed by the fund.

- The objective of the Société en commandite Essor et Coopération (Essor et Coopération), established on January 1, 2013, is to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, have made commitments totalling $89.9 million. Essor et Coopération's investment period, scheduled to end on December 31, 2019, has been extended until December 31, 2021. CRCD has a 94.6% interest in the Essor et Coopération fund. Since the fund's inception, CRCD has disbursed $39.0 million of it's total commitment of $85 million. As at June 30, 2021, Essor et Coopération had made commitments totalling $25.5 million to support 24 cooperatives.

- CRCD is also the joint sponsor of the Desjardins-Innovatech S.E.C. fund (DI) with the Economic Development Fund. 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 $0.2 million was disbursed during the first six months of 2021 for a total disbursement of $3.1 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 the commercialization phase. As at June 30, 2021, DI had made commitments of $56.7 million to support a total of 52 companies and funds.

- The Capital croissance PME s.e.c. and Capital croissance PME II s.e.c. funds (collectively, the "CCPME" funds), created in 2010 and 2014, respectively, and whose investment periods have closed, had an investment policy similar to that of the DCPME fund, which is to make capital available to Québec companies, with an investment limit not exceeding $5 million. CRCD and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the funds, had agreed to invest, on a 50/50 basis, a total amount of $540 million. As at June 30, 2021, CRCD had disbursed $255.0 million of its total commitment of $270 million. Funds committed but not disbursed will be used for reinvestment and to pay the CCPME funds' operating expenses until their winding-up. A total of 165 companies and funds benefited from $135.5 million committed by the CCPME funds as at June 30, 2021. Since their inception, these funds have committed $460.1 million to 376 companies.

In total, as at June 30, 2021, CRCD and its ecosystem supported the growth of 614 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $1,625 million. Of that total, 28 cooperatives benefited from commitments of $131 million. In this way, CRCD and its ecosystem have helped to create and retain many thousands of jobs.

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.

- Debt: investments in the form of advances and/or mainly unsecured loans and/or preferred shares;
- Equity: investments comprising common shares and units of limited partnerships 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 in pre-startup, startup or post-startup stages.

Return by investment profile

	As at June 30, 2021			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	**404**	**17.5**	**3.3**	**0.6**
Equity	**787**	**34.1**	**21.0**	**6.5**
External funds	**43**	**1.9**	**10.3**	**0.2**
Venture capital	**137**	**5.9**	**17.3**	**0.8**
Investment profiles subtotal	**1,371**	**59.4**	**14.3**	**8.1**
Other asset items held by ecosystem funds	**19**	**0.8**	**(1.6)**	**—**
Ecosystem total	**1,390**	**60.2**	**14.1**	**8.1**

	As at June 30, 2020			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	411	19.4	0.6	0.1
Equity	640	30.2	(17.1)	(5.3)
External funds	49	2.3	0.4	—
Venture capital	90	4.3	(2.3)	(0.1)
Investment profiles subtotal	1,190	56.2	(9.7)	(5.3)
Other asset items held by ecosystem funds	16	0.8	2.9	—
Ecosystem total	1,206	57.0	(9.6)	(5.3)

The 14.1% non-annualized return of the Investments impacting the Québec economy portfolio for the first six months of fiscal 2021 stemmed primarily from the Equity investment profile, which recorded a non-annualized return of 21.0%. The return is mainly due to the significant appreciation of certain investments in 2021 combined with the generally solid performance of partner companies. The Debt profile posted a higher return compared with the same period in 2020, resulting mainly from decreased credit risk for several portfolio companies following the increases recorded in 2020 amidst the pandemic, which led to the reversal of discounts on their fair values. Note that during the first six months of fiscal 2020, certain large portfolio companies were more heavily impacted by the public health crisis.

OTHER INVESTMENTS

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

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

As at June 30, 2021, CRCD's Other investments portfolio, including cash, but excluding foreign exchange contracts, totalled $915.3 million ($924.2 million as at December 31, 2020) and consisted of the following:

Other investments portfolio

	As at June 30, 2021		As at December 31, 2020	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**134.2**	**14.7**	38.5	4.2
Bonds	**317.5**	**34.7**	526.8	57.0
Global equity funds	**135.1**	**14.6**	117.6	12.7
Canadian equity funds	**93.8**	**10.3**	66.6	7.2
Real estate funds	**120.4**	**13.2**	111.7	12.1
Market neutral equity funds	**114.3**	**12.5**	63.0	6.8
Portfolio total	**915.3**	**100.0**	924.2	100.0

As at June 30, 2021, 75% of portfolio bond securities were government guaranteed (75% as at December 31, 2020).

The Other investments portfolio represented 38% of total net assets at the end of the first six months of 2021 (41% as at December 31, 2020), a decrease mainly arising from net divestments made from the portfolio to meet requests for the redemption of shares during the six-month period and the portfolio's relatively less robust performance. Commitments already made but not disbursed of $261.5 million, including guarantees and suretyships, representing 11% of net assets, will eventually be covered from CRCD's Other investments portfolio and allocated to Investments impacting the Québec economy.

CRCD expects the Other investments portfolio over the long term to represent around 30% of total net assets. 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, 2021**	Six months ended June 30, 2020
Revenue	**6,183**	8,325
Gain and losses	**10,675**	12,578
Total	**16,858**	20,903

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

Current income declined $2.1 million for the first six months of 2021, compared with the same period in 2020, owing to the bond portfolio decrease during the six-month period and lower effective interest rates.

Gains of $10.7 million in the first six months of 2021 stemmed mainly from the following financial assets:

- The bond portfolio recorded a decrease in value of $21.0 million, as key rates rose 69 basis points, mainly during the first quarter of 2021, in response to a variety of crisis exit strategies, including accelerated vaccination and announcements that central bank accommodative policies would be tapered.

- Equity markets continued to advance during the first six months of the year, fuelled by a quickening economic recovery. The low volatility equity funds held by CRCD, while not benefiting fully from the recovery, nonetheless saw gains of $20.2 million. The less volatile real estate funds added value of $5.6 million and market neutral equity funds gained $5.9 million, performing well amidst the recovery.

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. Furthermore, CRCD seeks to match the average maturity of the bond portfolio with the average maturity of expected cash outflows, thereby limiting the long-term effect of changes in bond rates on CRCD's results.

SUBSCRIPTION

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

Under its constituting act, share issues are limited to an amount equal to the cost of the preceding issue period's redemptions, up to a maximum of $150 million, unless the Québec government grants CRCD exceptional measures altering the authorized capitalization amount. Each issue period lasts 12 months and runs from March 1 to the last day of February of the following year.

In March 2021, CRCD obtained the right to issue $140 million in Class A "Issuance" shares for the 2021 and 2022 issues (the same as for the 2020 issue) and allocate a 30% tax credit rate for the purchase of such shares (35% for the 2020 issue). To allow as many shareholders as possible to buy such shares, the maximum annual subscription amount allowable was capped at $3,000 per investor, for a current tax credit of $900 ($1,050 for the 2020 issue).

In the same announcement, the provincial government also extended CRCD's share exchange program, which offers a shareholder who defers the redemption of eligible shares for seven years the option to take advantage of a new tax credit. CRCD is authorized, for the 2021 and 2022 issue periods, to exchange shares up to an annual maximum of $50 million ($100 million for the 2020 issue). The program allows CRCD shareholders who have never redeemed shares to exchange their current eligible Class A "Issuance" shares, up to a value of $15,000 annually, for new Class B "Exchange" shares that they will also be required to hold for seven years, as consideration for a provincial tax credit of 10% of the amounts exchanged (the same as for the 2020 issue).

Accordingly, CRCD's share capital now comprises two classes of shares: Class A "Issuance" and Class B "Exchange". Class A shares are issued to raise capital, while Class B shares are designed to be exchanged for Class A shares.

The minimum holding period for CRCD shares, regardless of their class, before a shareholder would normally be eligible for a redemption is seven years to the day from the date of purchase or exchange. Note, however, that shareholders who withdraw some or all of their shares after the seven-year holding period may no longer claim a tax credit for any subscription or exchange for which the tax credit would apply in the current tax year or in any subsequent tax year. A special tax is payable by CRCD if it fails to comply with the authorized issuance or exchange amounts, and control mechanisms have been implemented by CRCD to ensure compliance. For the first six months of 2021 and for fiscal 2020, no special tax was paid.

As at June 30, 2021, CRCD had $1,737.0 million in share capital ($1,722.3 million as at December 31, 2020) for 138,524,123 common shares outstanding (140,110,229 as at December 31, 2020).

During the first six months of the year, CRCD raised $0.4 million through Class A "Issuance" shares, namely the balance of the 2020 issue sold in January 2021. The subscription period for the 2021 issue will begin in the fall.

The exchange registration period for the 2020 taxation year took place in the fall of 2020 and acceptance of applications was completed and recognized in January 2021. The authorized amount of $100 million for the 2020 exchange was fully sold. The same timeline is planned for the 2021 exchange: the registration period is scheduled for late 2021 while requests will be accepted in January 2022, up to a maximum authorized amount of $50 million.

During the first six months of 2021, common share redemptions totalled $25.8 million ($188.1 million in 2020). The high volume of redemptions in the first six months of 2020 was driven by the pandemic environment which generated considerable uncertainty in the markets and triggered an upswing in redemptions, mainly from March through May.

As at June 30, 2021, the balance of shares eligible for redemption amounted to $937.7 million. During the last six months of 2021, additional shares valued at approximately $91.1 million will also become eligible for redemption bringing total potential redemptions to $1,028.8. However, this balance will be reduced by the amount of shares that will be redeemed in the second half of 2021.

As at June 30, 2021, shareholders numbered 108,399 compared with 109,286 as at December 31, 2020.

CRCD's policy is to reinvest income from operations and proceeds from disposals 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, 2021**	Six months ended June 30, 2020
Management fees	**13,305**	11,646
Other operating expenses	**3,203**	2,519
Shareholder services	**5,497**	5,579
Total	**22,005**	19,744

CRCD has entrusted the management of its operations, including the management of its Investments impacting the Québec economy and Other investments portfolios, to DC, pursuant to the terms of a management agreement concluded between them. Under this agreement, CRCD pays DC management fees equivalent to a maximum rate of 1.75% (1.75% for the year ended December 31, 2020) of CRCD's annual average assets' value, after deduction of any amounts payable related to Investments impacting the Québec economy and Other investments. An adjustment is made to the management fees to avoid double billing relative to CRCD's interest in other investment funds, whether in the Investments impacting the Québec economy portfolio or in Other investments. 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 in particular with regard to the growth of CRCD's assets. The negotiation fees arising from portfolio companies are earned by DC, and their amount is deducted from the management fees payable by CRCD. The increase in management fees is consistent with the increase in CRCD's average value of assets under management as at June 30, 2021.

The $0.7 million increase in operating expenses compared with the same period in 2020 was mainly due to higher expenses in connection with the IT master plan related to asset growth.

There was no significant change in shareholder services between the two periods. The main expense under shareholder services is the compensation paid by CRCD to the caisses for all shareholder advisory services, determined annually based on CRCD's net assets and the degree to which share subscription and redemption transactions are automated.

Income taxes amounted to $1.1 million for the first six months of fiscal 2021, up from the same period in 2020 ($1.8 million income tax recovery for the first six months of 2020). The nature of the income has a significant impact on the income tax expense (recovery) since, unlike interest income, dividends are generally not taxable and capital gains are eligible for tax deductions and refund mechanisms.

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2021, cash outflows from share issues net of redemptions amounted to $25.3 million (net cash outflows of $187.8 million in 2020). The difference between the two periods was due mainly to the significantly higher volume of share redemptions during the first half of 2020, driven by the pandemic environment. Operating activities combined with fees for the development of an intangible asset generated net cash inflows of $111.4 million (net cash inflows of $72.9 million in 2020).

Cash outflows related to Investments impacting the Québec economy amounted to $147.0 million for the first six months of 2021 ($90.3 million in 2020). The Other investments portfolio generated net cash inflows of $110.2 million, compared with net cash inflows of $74.0 million for the same period in 2020.

As at June 30, 2021, cash and cash equivalents totalled $107.7 million (21.6 M$ as at December 31, 2020).The difference between the two periods was due to the cash required to make significant investments in the portfolio of Investments impacting the Québec economy in the days following the close of the latest six-month period.

CRCD has an authorized line of credit of $250 million as at June 30, 2021. The line of credit was undrawn during the latest half-year, unlike in fiscal 2020, when drawdowns were required to meet the higher-than-expected volume of share redemptions amidst the public health crisis. In the event that liquidity needs exceed expectations, this line of credit may 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.

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

5.2 CRCD's mission, vision, 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.

In the first half of fiscal 2021, CRCD decided to make changes to its financial asset management strategy. Based on the global financial asset management policy, that strategy is as follows:

- CRCD 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 CRCD's financial assets in compliance with its role as an economic development agent, while ensuring that the shares remain attractive to shareholders, taking into account the tax credit.

- A sufficient portion of CRCD's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues of its Class A "Issuance" shares and agreed upon commitments in the Investments impacting the Québec economy portfolio, while taking into account available credit facilities.

- A sufficient portion of CRCD's financial assets must be invested in securities that generate current income to meet its expenses.

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

Under its constituting act, CRCD is required to fulfil its mission within certain guidelines, which include investing 65% of its average net assets in eligible Québec companies at the close of the 2021 fiscal year. In addition, 35% of those eligible investments must be made in Québec's resource regions or in eligible cooperatives. If these requirements are not met, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at June 30, 2021, and December 31, 2020, all of those rules were met.

5.3 Governance

BOARD OF DIRECTORS

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

Note, however, that amendments to the governance of CRCD were made as provided for in *An Act respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016, 28 March 2017, 27 March 2018 and 21 March 2019* (SQ 2020 c 5), assented to by the National Assembly of Québec on March 17, 2020.

Accordingly, since the annual general assembly of March 26, 2021, the composition of the Board of Directors is as follows:

- Six members are appointed by the President of the Fédération des caisses Desjardins du Québec;
- Three members are elected at the annual general meeting of shareholders;
- Three members are appointed by the nine previously appointed members, including one considered to be representative of the eligible cooperatives and another of the other eligible entities described in its constituting act;
- One Desjardins Group Relations director appointed by the twelve directors.

5.4 Risk management

POLICIES AND PRACTICES

Sound risk management practices are critical to the success of CRCD. The risk management policy adopted by CRCD provides the capacity to anticipate and be proactive in mitigating the impact of risk events.

NOTE TO READER

The following sections regarding market risks, credit and counterparty risks, concentration risks and liquidity risks have been audited 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 12, 2021.

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, 2021, was $812.1 million ($975.7 million as at December 31, 2020). 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 $126.5 million ($31.5 million as at December 31, 2020) are not valued based on changes in interest rates, given their short maturities.

Bonds with a fair value of $317.5 million ($526.8 million as at December 31, 2020) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a decrease of $23.1 million in net earnings, representing a 1.0% decrease in CRCD's share price as at June 30, 2021 ($37.7 million for 1.7% as at December 31, 2020). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $25.2 million increase in net earnings, representing a 1.0% increase in the share price ($41.1 million for 1.9% as at December 31, 2020). CRCD's financial asset management strategy aims to diversify the portfolio securities, thereby limiting 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 $120.4 million ($111.7 million as at December 31, 2020) 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 $298.5 million ($243.8 million as at December 31, 2020), are not sensitive to changes in interest rate. Conversely, the other loans and advances and preferred shares included in the portfolio, totalling a fair value of $247.7 million ($305.7 million as at December 31, 2020), are sensitive to changes in interest rates. As a result, for those interest-rate-sensitive loans and advances and preferred shares, a 1% increase in interest rates would have resulted in a $4.9 million decrease in net earnings, representing a 0.2% decrease in CRCD's share price ($4.8 million for 0.2% as at December 31, 2020). A 1% decrease in interest rates would have had the opposite effect, resulting in a $5.1 million increase in net earnings, representing a 0.2% increase in CRCD's share price ($5.0 million for 0.2% as at December 31, 2020).

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 private portfolio companies may also be affected by changes in stock prices.

As at June 30, 2021, global and Canadian equity funds, valued at $228.9 million ($184.2 million as at December 31, 2020), 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 $22.9 million increase or decrease in net earnings, representing a 0.9% increase or decrease in CRCD's share price ($18.4 million for 0.8% as at December 31, 2020).

Market-neutral equity funds, valued at $114.3 million as at June 30, 2021 ($63.0 million as at December 31, 2020), are less exposed to stock market fluctuations as they minimize market risks. Furthermore, since these funds represent low exposure for the portfolio any stock market fluctuations would not have a significant direct impact on CRCD's net earnings.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $33.8 million ($19.4 million as at December 31, 2020). Accordingly, for these investments, a 10% increase or decrease in the quoted market prices of listed equities would have resulted in a $3.4 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD's share price.

Currency risk

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

Currency fluctuations impact the fair value of assets valued initially in a foreign currency and subsequently translated into Canadian dollars at the prevailing rate of exchange. In the portfolio of Investments impacting the Québec economy, assets whose values fluctuate due to changes in foreign exchange rates represented a fair value of $167.3 million or 6.9% of net assets as at June 30, 2021, compared with $102.9 million or 4.5% of net assets as at December 31, 2020.

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, 2021, CRCD held foreign exchange contracts under which it will be required to deliver US$105.9 million (US$69.6 million as at December 31, 2020), at the rate of CAD/USD 1.2373 (CAD/USD 1.2820 as at December 31, 2020), as well as foreign exchange contracts under which it will be required to deliver €11.6 million (€7.6 million as at December 31, 2020) at the rate of CAD/EUR 1.4741 (CAD/EUR 1.5667 as at December 31, 2020) on September 29, 2021. As at June 30, 2021, CRCD had nil collateral on its foreign exchange contracts (nil at December 31, 2020).

As at June 30, 2021, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to $18.9 million ($2.6 million as at December 31, 2020). A 10% decrease (increase) in value of the Canadian dollar relative to all of the other foreign currencies would have resulted in a $1.9 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, 2021, the exposure to foreign currencies exceeded CRCD's internal guidelines. As a result, a foreign exchange contract was entered into on July 8, 2021, to reduce net foreign currency exposure to $4.8 million.

For the Other investments portfolio, the net exposure of investments to foreign currencies amounted to $131.9 million ($111.5 million as at December 31, 2020). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all other foreign currencies would have resulted in a $13.2 million increase (decrease) in net earnings, representing a 0.5% increase (decrease) in CRCD's share price ($11.2 million for 0.5% as at December 31, 2020).

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 fulfill 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, including guarantees and suretyships. As at June 30, 2021, the 2020 impacts of the pandemic on Investments impacting the Québec economy and funds committed but not disbursed, including guarantees and suretyships, are reflected in the risk ratings. Given that the risk ratings are updated based on the annual financial statements received from our partner companies, the impacts were only partly reflected as at December 31, 2020, which largely explains the changes in portfolio breakdown by risk rating at the end of this six-month period.

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 CreditLens 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 movement in the Investments impacting the Québec economy portfolio, ranked by risk (fair value amounts):

		As at June 30, 2021		As at December 31, 2020	
Rating		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**1,255,423**	**86.6**	1,188,307	91.5
7 to 9	At risk	**150,905**	**10.4**	71,664	5.5
10	High risk and insolvent	**42,552**	**3.0**	38,360	3.0

Furthermore, CRCD is exposed to credit risk on financial instruments not recognized in assets, which are funds committed but not disbursed, including guarantees and suretyships, 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, including guarantees and suretyships, as at the reporting date:

		As at June 30, 2021		As at December 31, 2020	
Rating		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**182,601**	**69.8**	225,945	94.9
7 to 9	At risk	**72,633**	**27.8**	5,815	2.4
10	High risk and insolvent	**6,233**	**2.4**	6,466	2.7

For the bond portfolio, which represented 35.0% of the fair value of the Other investments portfolio (57.4% as at December 31, 2020), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at June 30, 2021	As at December 31, 2020
Rating [(1)]	(in thousands of $)	(in thousands of $)
AAA	**131,397**	184,694
AA	**105,528**	198,429
A	**49,627**	90,467
BBB	**30,921**	53,196

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

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

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

Counterparty risk is low for foreign exchange contracts given the amounts in question and that the contract counterparty is Fédération des caisses Desjardins du Québec.

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, including guarantees and suretyships):

	As at June 30, 2021		As at December 31, 2020	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy [(1)]	**29.9**	**21.1**	35.6	24.1
Other investments [(2)]	**38.5**	**14.4**	38.7	15.6

[(1)] CRCD's interest in the ecosystem funds accounted for 69% (67% as at December 31, 2020) of the five largest Investments impacting the Québec economy.
[(2)] Government issuers and issues guaranteed by government entities, as well as diversified investment funds, represented 41% and 59% (51% and 49% as at December 31, 2020) 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, 2021, the Investments impacting the Québec economy portfolio represented 60.5% of net assets (57.8% as at December 31, 2020).

CRCD has adopted a global financial asset management and investment guidelines policy to govern the holding of foreign securities within the Other investments portfolio. As at June 30, 2021, the Other investments portfolio includes a portion of foreign securities resulting primarily from its interest in global equity funds and comprises 85.6% of Canadian securities (89.5% as at December 31, 2020). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2021, the Other investments portfolio represented 37.8% of net assets (40.7% as at December 31, 2020).

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, 2021, bond securities represented 13.1% of net assets (23.2% as at December 31, 2020).

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. CRCD currently has an authorized line of credit of $250 million, and subject to the available credit, an increase to the limit could be negotiated as needed. The credit facilities remained undrawn for the first six months of 2021. The credit facilities were used over the course of fiscal 2020 in order to face a large increase in requests for share redemptions caused by the pandemic environment.

Given the significant balance of redeemable shares of CRCD, temporary measures were announced by the Québec government to allow eligible CRCD shareholders to commit their redeemable capital for an additional seven-year period. With an authorized annual amount of $50 million for the 2021 and 2022 issues, this initiative provides greater availability of capital for Investments impacting the Québec economy by reducing cash requirements related to share redemptions. See the Subscription section for more information.

Note that this initiative, originally provided for the 2018, 2019 and 2020 issues totalling $100 million annually, was well received by shareholders as the authorized amounts have been fully subscribed.

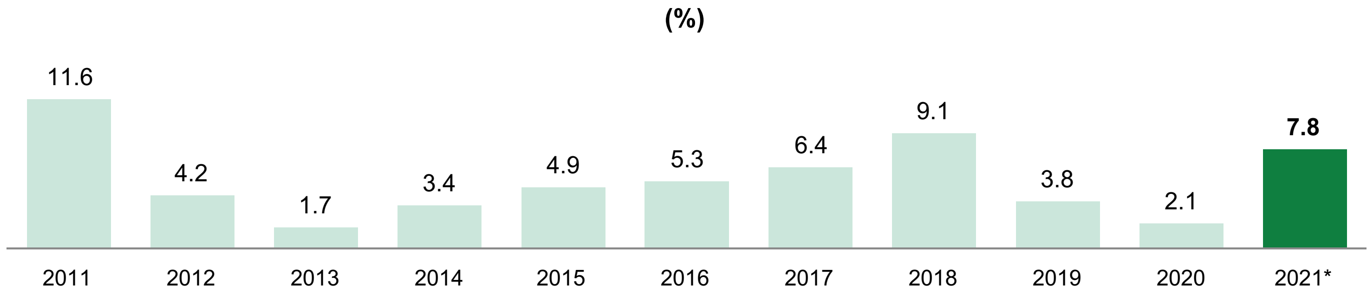
CRCD, through its balanced financial strategy, authorized line of credit, and integrated risk management, has the necessary sources of funding to cover its financial obligations and pursue its mission among Québec businesses.

6.0 Past performance

This section presents the 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.

6.1 Annual return

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, 2021. Annual return is calculated by dividing earnings (loss) per share for the period by the share price at the beginning of the period.



*Non-annualized return for the six-month period ended June 30, 2021.

6.2 Compounded return of the common share as at June 30, 2021

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

10 YEARS	7 YEARS	5 YEARS	3 YEARS	1 YEAR
5.7%	5.6%	6.2%	6.0%	16.1%

7.0 Portfolio summary

7.1 Core investment profiles

As at June 30, 2021, 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	15.2
Equity	36.1
External funds	1.8
Venture capital	6.6
Other asset items held by ecosystem funds	0.8
Total - Investments impacting the Québec economy	**60.5**
OTHER INVESTMENTS	
Cash and money market instruments	5.5
Bonds	13.1
Global equity funds	5.6
Canadian equity funds	3.9
Real estate funds	5.0
Market neutral equity funds	4.7
Total - Other investments	**37.8**

* Including foreign exchange contracts

Net assets are made up to 98.3% investment profiles and 1.7% other asset items.

7.2 Main investments held

As at June 30, 2021, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at June 30, 2021	% of net assets
Investments impacting the Québec economy – 14 issuers*	33.1
Desjardins IBrix Low Volatility Global Equity Fund (I-Class Units)	3.1
Province of Ontario	3.1
Government of Canada	2.9
DGIA Canadian Equity Market Neutral Fund	2.8
BentallGreenOak Prime Canadian Property Fund	2.6
Desjardins Global Dividend Fund	2.5
Fiera Properties CORE Fund	2.4
Canada Housing Trust	2.2
CC&L market neutral funds	1.9
Fidelity Canadian Low Volatility Equity Institutional Trust	1.9
BMO Low Volatility Equity ETF	1.9

* The 14 issuers which collectively represented 33.1% of CRCD's net assets are:
Avjet Holding inc.
Capital croissance PME II s.e.c.
Desjardins – Innovatech S.E.C.
Desjardins Capital PME s.e.c.
E-Solutions Furniture Group inc. (ex. Bestar)
Exo-s-inc.
Fournier Industries Group inc.
Gecko Alliance Group inc.
Groupe Filgo inc.
Groupe Solotech inc.
Liberty Spring inc.
Norbec Group inc.
Sollio Groupe Coopératif
Technic-Eau Drillings inc.

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

August 12, 2021

8.0 Management's report

August 12, 2021

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

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

Furthermore, the Desjardins Group Relations director and CRCD's 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 12, 2021. Prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, these statements have been audited by PricewaterhouseCoopers LLP.

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

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer