Management Discussion and Analysis

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

CRCD's interim 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 separate 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 (www.capitalregional.com) or SEDAR+ at www.sedarplus.com.

Annual financial information may be obtained in the same way.

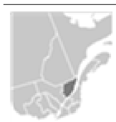
1.0 Highlights

1.1 Commitments throughout Québec

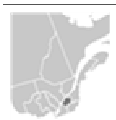
CRCD and its ecosystem[1] make a real contribution to the economic development of the regions. As at June 30, 2023, the funds committed per region were as follows:

ABITIBI-TÉMISCAMINGUE*
$33M → 43 companies
$0.6M → 1 cooperative

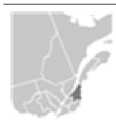
BAS-SAINT-LAURENT*
$69M → 40 companies
$0.2M → 1 cooperative



CAPITALE-NATIONALE
$199M → 82 companies
$9M → 6 cooperatives

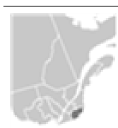


CENTRE-DU-QUÉBEC
$50M → 21 companies
$8M → 3 cooperatives



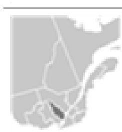
CHAUDIÈRE-APPALACHES
$273M → 72 companies
$1M → 3 cooperatives

CÔTE-NORD*
$6M → 8 companies



ESTRIE
$195M → 66 companies
$7M → 3 cooperatives

GASPÉSIE – ÎLES-DE-LA-MADELEINE*
$13M → 13 companies



LANAUDIÈRE
$42M → 22 companies
$5M → 2 cooperatives

LAURENTIANS
$36M → 15 companies

LAVAL
$106M → 17 companies

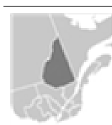
MAURICIE*
$27M → 14 companies
$0.4M → 1 cooperative

MONTÉRÉGIE
$305M → 77 companies
$39M → 1 cooperative

MONTRÉAL
$504M → 110 companies
$113M → 3 cooperatives

NORD-DU-QUÉBEC*
$7M → 19 companies

OUTAOUAIS
$11M → 14 companies



SAGUENAY–LAC-SAINT-JEAN*
$113M → 75 companies
$0.8M → 5 cooperatives

OUTSIDE QUÉBEC (ex Europe)
$16M → 5 companies

EUROPE
$29M → 11 companies

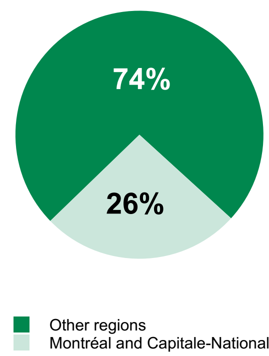
FUNDS
$83M → 17 funds

IN TOTAL

770
COMPANIES, COOPERATIVES AND FUNDS

$2,301M
BENEFITING SMEs

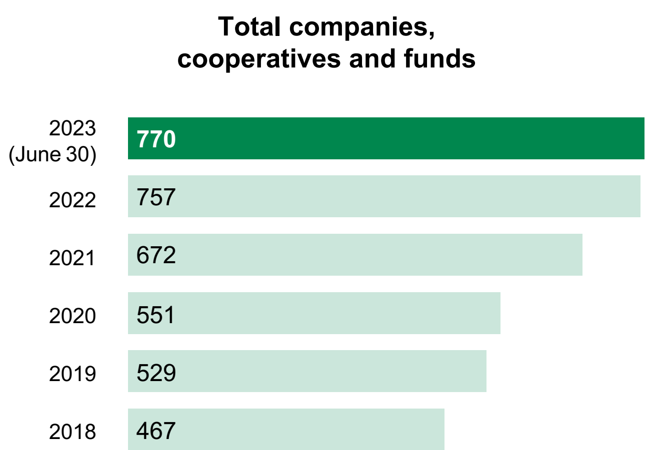
74%
OF COMPANIES AND COOPERATIVES ARE FROM REGIONS OTHER THAN MONTRÉAL AND CAPITALE-NATIONALE.

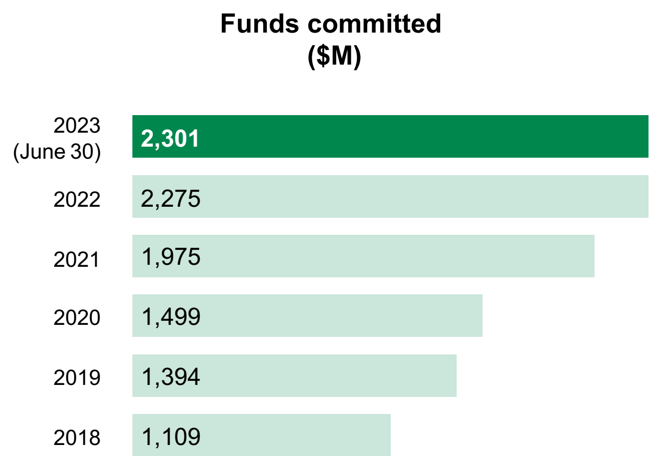


** Resource region*
[1] See the Entrepreneurial ecosystem section for a detailed description of the main features of the ecosystem.

1.2 CRCD and its ecosystem support companies and cooperatives

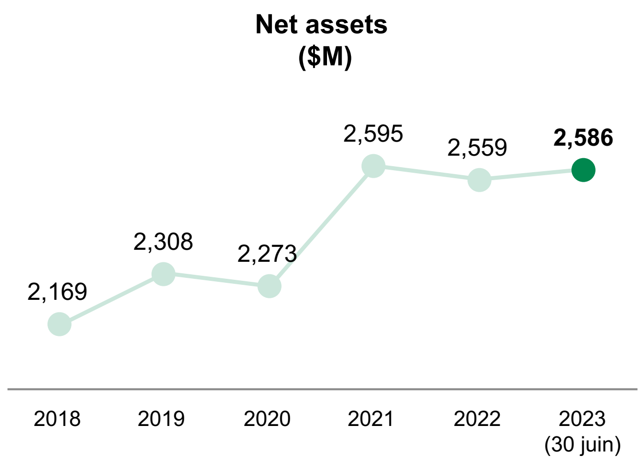
AS AT JUNE 30, 2023 AND DECEMBER 31

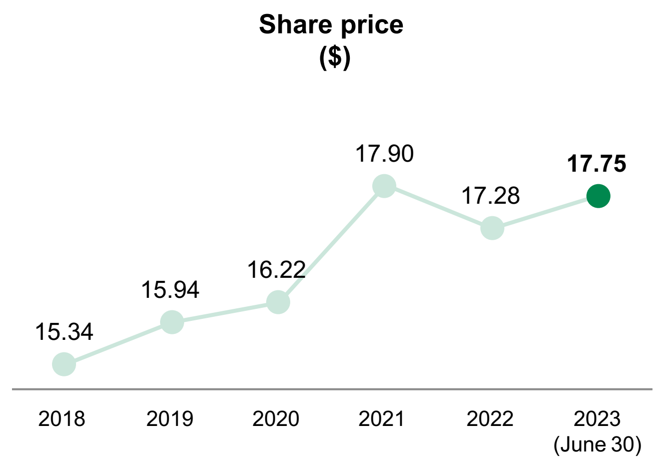


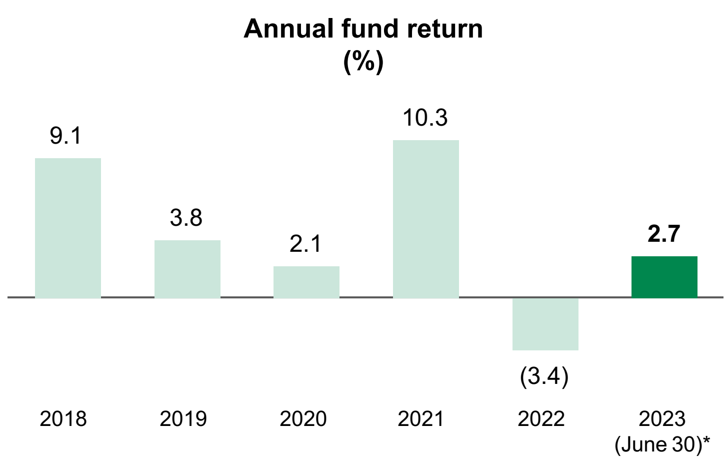


1.3 CRCD financial data

AS AT JUNE 30, 2023 AND DECEMBER 31







*Non-annualized return for the six-month period ended June 30, 2023

2.0 CRCD financial highlights

The following charts present key financial data and are intended to assist in understanding CRCD's financial results for the preceding five fiscal years and for the six-month period ended June 30, 2023. 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, 2023 (6 months)**	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Revenue	**34,363**	97,830	67,951	48,233	55,210	70,285
Gains (losses) on investments	**60,846**	(129,518)	212,275	38,471	63,703	138,632
Net earnings (loss)	**68,546**	(87,918)	234,476	46,429	81,302	174,894
Net assets	**2,585,642**	2,559,100	2,594,703	2,272,798	2,308,466	2,168,804
Common shares outstanding (number, in thousands)	**145,666**	148,099	144,959	140,110	144,849	141,391
Total operating expense ratio and common share issue expense ratio [1] (%)	**2.0**	2.0	1.8	1.8	1.6	1.6
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	**4**	8	15	13	10	17
– Other investments (%)	**24**	118	111	100	101	163
Trading expense ratio [2] (%)	**—**	—	—	—	—	—
Number of shareholders (number)	**112,309**	113,690	113,039	109,286	109,364	107,862
Issues of common shares – Class A "Issuance"	**(7)**	140,088	140,155	139,842	140,017	141,179
Exchanges of common shares – Class B "Exchange"	**49,885**	49,905	99,855	(92)	199,445	—
Common share issue expenses, net of related taxes	**—**	—	—	—	—	2,523
Redemption of common shares	**41,997**	87,773	52,726	221,939	81,657	90,088
Investments impacting the Québec economy at cost	**1,657,766**	1,658,473	1,440,623	1,108,055	1,014,864	838,258
Fair value of Investments impacting the Québec economy	**1,949,137**	1,938,022	1,796,083	1,298,331	1,249,967	1,080,069
Funds committed but not disbursed including guarantees and suretyships	**182,144**	222,262	199,130	238,226	237,009	192,169

[1] The ratio of total operating expenses and common share issue expenses is calculated by dividing total operating expenses 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 fiscal year or by average net assets for the fiscal 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, 2023 (6 months)**	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Net assets per common share, beginning of period / year	**17.28**	17.90	16.22	15.94	15.34	14.09
Increase (decrease) attributable to operations	**0.47**	(0.59)	1.67	0.34	0.58	1.28
Interest, dividends, distributions and negotiation fees	**0.23**	0.67	0.48	0.35	0.39	0.51
Operating expenses	**(0.17)**	(0.34)	(0.32)	(0.27)	(0.25)	(0.21)
Income taxes	**—**	(0.02)	—	(0.02)	(0.01)	(0.03)
Realized gains (losses)	**0.29**	(0.14)	0.34	0.56	0.25	0.79
Unrealized gains (losses)	**0.12**	(0.76)	1.17	(0.28)	0.20	0.22
Difference attributable to common share issues and redemptions	**—**	(0.03)	0.01	(0.06)	0.02	(0.03)
Net assets per common share, end of period / year	**17.75**	17.28	17.90	16.22	15.94	15.34

3.0 Overview

CRCD ended the first six months of 2023 with net earnings of $68.5 million (net loss of $95.8 million for the same period in 2022), representing a non-annualized return of 2.7% (negative non-annualized return of 3.7% as at June 30, 2022), resulting in an increase in net assets per share to $17.75 based on the number of shares outstanding as at June 30, 2023. 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 4.3% for the six-month period ended June 30, 2023, compared with a negative non-annualized return of 1.8% 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. Changes in interest rates also had a positive impact, with rates increasing significantly over the same period in 2022 and leading to lower returns for this portfolio.

As at June 30, 2023, the cost of Investments impacting the Québec economy totalled $1,657.8 million, of which $85.2 million was disbursed during the first six months of fiscal 2023. As at June 30, 2023, commitments made but not disbursed, including guarantees and suretyships granted to companies, cooperatives or funds, amounted to $182.1 million. New commitments for the first six months of 2023 amounted to $45.1 million.

The Other investments portfolio recorded a non-annualized return of 2.5%. for the first six months of 2023. Its performance can be attributed to the turnaround of stock markets as well as to bonds, which provided solid income while generating gains in a relatively stable interest rate environment. For the same period in 2023, the Other investments portfolio posted a negative non-annualized return of 4.9%.

While the issue of Class A ordinary Issuance shares for 2023 will begin in fall, share redemptions during the first six months totalled $42.0 million, same as for the corresponding period in 2022. As at June 30, 2023, the balance of shares eligible for redemption totalled $1,008.1 million, while net assets amounted to $2,585.6 and shareholders numbered 112,309. For more information, please see the Subscriptions section of this MD&A.

3.1 Our vision for Québec entrepreneurship

As in the last six-month period, an overall slowdown in investment activities was observed. Some sectors were more affected than others by the inflationary economic environment as well as labour and supply chain issues, which are however slowly improving. Meanwhile, some sectors had the wind in their sails even though for most organizations the period was more favourable to a tightening of controllable expenditures.

After a very active two-year period in terms of investment, the consultancy services offered to partner companies increased in the first-six months of 2023, in the areas of sound governance, succession planning and more sustainable business processes. This support translated into a significant number of reinvestments, in large part to support growth. The management team was also strengthened with the addition of due diligence resources specializing in human resources and governance to continue supporting portfolio companies. Business transfers remained essential for maintaining and developing the regions, making it necessary to encourage the next generation and business successions. These transactions required more time and effort since buyers were more cautious and sellers had to temper their expectations.

In addition to solidifying preferred relationships with partners, the investment teams were able to return to best practices in business development and on-site presence with the full resumption of business promotion activities. With economic uncertainty still looming, CRCD is there to help Québec entrepreneurs meet the challenges they face.

3.2 Growing businesses stronger

Building on nearly 50 years of expertise, Desjardins Capital, CRCD's manager, is one of the most active players in development and venture capital in Québec. Together, we are an indispensable business partner, supporting over 770 businesses, cooperatives and funds in various industries spanning all Québec regions. In addition to maintaining and stimulating the productivity of Québec SMEs, we are a major economic leader for ensuring the province's vitality.

We leverage our teams' expertise and skills in investment, external funds management, business performance and business expertise and in finance and institutional services. In addition to our activities in investment and promoting Québec SMEs and cooperatives, we offer trainings and products adapted and tailored to their needs. They can also benefit from our vast business network to support their growth and from our synergy with the whole Desjardins Group, including nearly thirty Desjardins Business centres.

Our closeness with our partner companies, our well-established, trust-based relationships and our deep knowledge of regional issues enable us to play the key role of catalyst in the entrepreneurial ecosystem to support the start up, development, transfer and succession of Québec businesses and flagships.

We work together with entrepreneurs to support them in integrating environmental, social and governance (ESG) criteria, by advocating education and awareness. We perform ESG diagnostics to determine their maturity and areas of support required and then provide recommendations and regularly evaluate their progress.

Inspired by industry best practices in sound governance, we also support entrepreneurs in setting up advisory committees and boards of directors. We offer them support and tools adapted to their realities. Moreover, we recruit and recommend experienced independent directors who can offer expertise related to their company's ambitions. These directors have access to numerous tools and are regularly trained and evaluated to meet the highest standards of collaboration. Our skills in governance and our support, based on agility, simplicity, strategic thinking and alignment with business needs, sets us apart in the market.

Our closeness with the Québec entrepreneurial ecosystem and our specialized support ensures that we are actively contributing to the lasting prosperity of people and communities by investing in the growth and sustainability of local businesses.

3.3 Economic conditions

2023 ECONOMIC ENVIRONMENT

Global economy

The global economy is running out of steam, particularly in terms of the production and trade in goods. The interest rate hikes appear to be gradually having the desired effect. Since March, the U.S. and European banking sectors have also been giving cause for some concern. Total inflation has eased in several countries due to lower energy prices and an easing of pressures on supply chains. It is also noteworthy that the PMIs (Purchasing Managers Index) for the manufacturing sectors of most of the major economies have now fallen below 50, the threshold between growth and contraction in economic activity. Led by Germany, the eurozone's real GDP declined for two consecutive quarters at the end of 2022 and the beginning of 2023. In the UK, the economy continues to skirt recession, with modest growth in real GDP. This being said, inflation in the UK is far from under control. Even Japan is experiencing an inflationary surge, but in contrast to other central banks, the Bank of Japan continues to wait out this new situation.

Economic activity in China appears to be slowing after rallying at the start of the year. Inflation in China has been very low compared to the other major economies.Economic growth should slow further in most countries and, under the weight of interest rate hikes, real GDP rates are expected to decline in late 2023 and early 2024. Global economic growth should improve next year, when inflation will have slowed enough to support real incomes and allow the major central banks to begin cutting their key rates. Following growth of 2.6% in 2023, global real GDP should rise 2.7% in 2024.

The world's main stock market indexes began 2023 on an upward trend, fuelled by falling inflation and a slower pace in rate hikes by central banks. The outlook for corporate earnings deteriorated slightly in response to high interest rates and moderating economic growth. The problems experienced by some U.S. and European banks in March also briefly raised gave cause for concern, but without dampening the momentum of the main indexes in any sustained way. Growing optimism among investors and a change in tone at several central banks also spurred a recovery in government bond yields in the second quarter. In the second half of 2023, however, the economic slowdown could weigh on stock market returns.

United States

For the U.S. economy, 2023 began on a positive, if modest, note. Real GDP continued growing in the second quarter with an annualized gain of 2.4% in the quarter. Close to two million jobs were created in the first half of the year, announcements of more layoffs in certain sectors and rising unemployment insurance claims. The housing market showed signs of stabilizing after significant declines in 2022. So far, the U.S. economy has proved somewhat resilient despite the rate hikes implemented by the Federal Reserve, the problems that emerged in the banking sector in March, and fears – now resolved – around the legislative limit on the federal government's debt.

Rising key interest rates and tighter credit conditions will have a greater impact on economic activity in the U.S. in the second half of 2023, and real GDP is expected to decline for a few quarters, starting in the fall. The situation should improve commencing in the spring of 2024. Real GDP in the U.S. is expected to rise 1.9% in 2023, followed by 0.8% growth in 2024.

Canada

Economic activity in Canada is still outpacing expectations. This prompted the Bank of Canada to end its winter pause and raise key interest rates at its June and July meetings. These increases brought the overnight rate to 5.00%, the highest level recorded since April 2001. The Canadian labour market remains strong, however, and consumption and investment are relatively robust in certain sectors. The Canadian economy, and the housing market in particular, are benefiting from rapid population growth as a result of increased immigration.

According to the Bank of Canada, the full effects of an interest rate hike are not felt for 18 to 24 months. In other words, the restrictive effects of rate hikes will gradually become stronger later in 2023. Under these conditions, the Canadian economy is expected to slip into a mild recession at the end of this year and early in 2024. If inflation continues to fall as forecast, the Bank of Canada could begin gradually reducing its key interest rates in the early months of 2024. After rising by 3.4% in 2022, Canadian real GDP could therefore grow by 1.7% in 2023. Another 0.3% gain is expected in 2024.

Québec

Québec's economy is already showing several signs of weakness. The province has slower population growth than that of the rest of the country, and the demographic impacts seen in Canada are much less present in Québec. The province’s real GDP and employment do not have the same momentum as nationally, and several other indicators are clearly weaker. Residential construction continues to plummet in Québec, and the revival of the resale market is proving to be limited. Moreover, business investment and international exports in Québec are in decline, whereas they are holding up fairly well at the national level. However, strong household spending has kept the economy afloat so far. The environment will be less favourable over the next few quarters. Rising interest rates will further erode household borrowing capacity, government financial support will be much more limited, and the labour market seem to have started a period of deterioration. Our scenario assumes a period of contraction in Québec's real GDP that will last until early 2024.

4.0 Management's discussion of financial performance

4.1 Operating results

CRCD’S NET RESULTS AND RETURNS

CRCD ended the first half of the year on June 30, 2023, with net earnings of $68.5 million, or a non-annualized return of 2.7%, compared with a net loss of $95.8 million (negative non-annualized return of 3.7%) for the same period in 2022. Based on the number of common shares outstanding, net assets per share increased to $17.75 as at the end of the six-month period, compared with $17.28 at the end of fiscal 2022. For illustrative purposes, at the current price of $17.75, shareholders who invested seven years ago, on August 18, 2016, would obtain an annual after-tax return of more than 10.7%, taking into account the 40% 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 4.3% and 2.5%, respectively. For the same period in 2022, Investments impacting the Québec economy and Other investments posted non-annualized negative returns of 1.8% and 4.9%, respectively. Expenses, net of administrative charges and income taxes had an impact of 1.2% on CRCD’s non-annualized return for the six-month period ending June 30, 2023, compared to a 1.0% impact for the same period one year earlier. Financial expenses relating to the use of the operating credit facility had a negligeable impact on CRCD's non-annualized return, for both the first six months of 2023 and the first six months of 2022. This line of credit was undrawn as at June 30, 2023 ($4.5 million as at December 31, 2022). Refer to the Liquidity and capital resources section for details on the credit facility used.

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

	2023			
	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]	**1,953**	**76.9**	**4.3**	**3.3**
Other investments and cash	**586**	**23.1**	**2.5**	**0.6**
Financial expenses			**—**	**—**
	2,539	**100.0**	**3.9**	**3.9**
Expenses, net of administrative charges			**(1.2)**	**(1.2)**
Income taxes			**—**	**—**
CRCD's return			**2.7**	**2.7**

	As at June 30, 2022			
	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]	1,866	72.3	(1.8)	(1.3)
Other investments and cash	715	27.7	(4.9)	(1.4)
Financial expenses			—	—
	2,581	100.0	(2.7)	(2.7)
Expenses, net of administrative charges			(1.1)	(1.1)
Income taxes			0.1	0.1
CRCD's return			(3.7)	(3.7)

[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 $92.9 million and disposals of $137.9 million (including non-cash items) were made for a negative net balance of $45.0 million. Combined with unrealized and realized net gains of $ 54.6 million, these net divestments brought the fair value of the Investments impacting the Québec economy portfolio, including foreign exchange contracts, to $1,949.1 million as at June 30, 2023 ($1,938.3 million as at December 31, 2022).

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, including guarantees and suretyships, which amounted to $182.1 million as at June 30, 2023, compared with $222.3 million as at December 31, 2022. Commitments already made but not disbursed of $172.4 million, representing 6.7% of net assets, could eventually be made from the Other investments portfolio and credit facilities and allocated to Investments impacting the Québec economy.

Total commitments at cost as at June 30, 2023, amounted to $1,839.9 million in 406 companies, cooperatives and funds, of which $1,657.8 million was disbursed. As at June 30, 2023, backed by its entrepreneurial ecosystem, CRCD supported growth in 770 companies, cooperatives and funds.

During the first six months of fiscal 2023, Investments impacting the Québec economy generated a contribution of $83.2 million, for a non-annualized return of 4.3%, compared with a negative contribution of $32.8 million for the same period in 2022 (a negative non-annualized return of 1.8%). The positive return for the first six-months ended June 30, 2023 was fuelled mainly by the solid overall performance of portfolio companies. Changes in interest rates also had a positive impact, with rates increasing significantly over the same period in 2022 and leading to lower returns for this portfolio.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)	**June 30, 2023**	June 30, 2022
Revenue	**28,650**	25,974
Gains and losses	**54,559**	(58,776)
Total	**83,208**	(32,802)

Revenue includes interest, dividends and negotiation fees related to Investments impacting the Québec economy. Negotiation fees, which amounted to $ 2.2 million for the six-month period ended June 30, 2023 ($2.6 million for the same period in 2022), are earned by the manager, Desjardins Capital, and a credit for that amount is applied against the management fees paid to Desjardins Capital 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 places significant importance on the amounts injected into its ecosystem funds (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 $11.9 million for the first six months of fiscal 2023 ($9.4 million for the same period in 2022), 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.

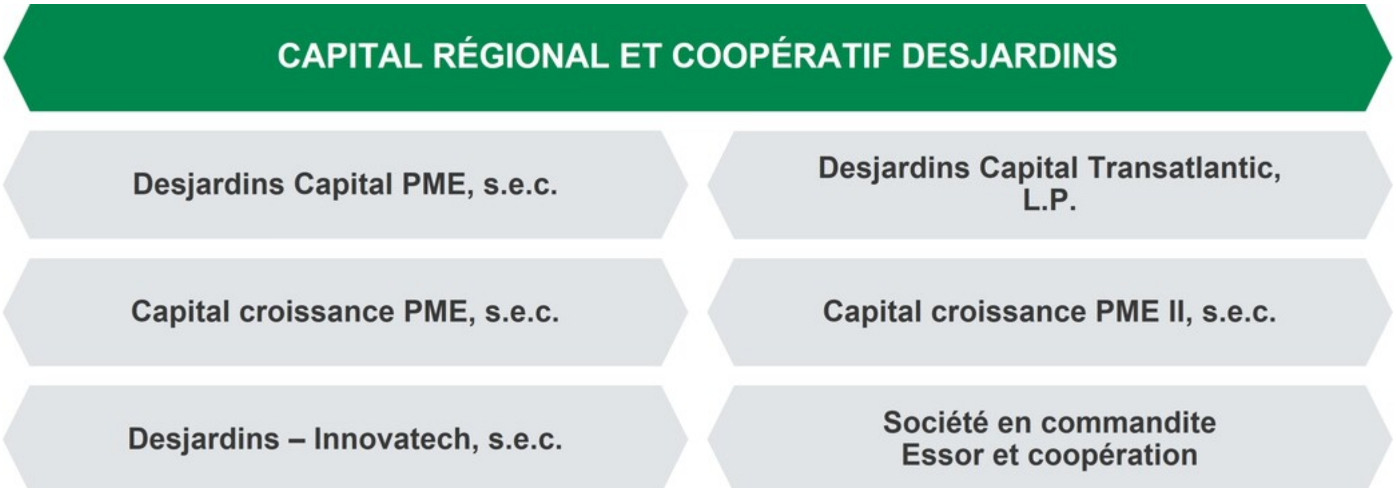
CRCD recorded a realized and unrealized gain of $54.6 million for the first six-month period in 2023 compared with a loss of $58.8 million for the same period in 2022. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2023, the overall risk level of the Investments impacting the Québec economy portfolio was relatively stable compared with its December 31, 2022 level, as discussed in the Credit and counterparty risk section.

ENTREPRENEURIAL ECOSYSTEM

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

MAIN FUNDS OF THE ENTREPRENEURIAL ECOSYSTEM



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

- The main goal of Desjardins Capital PME s.e.c. fund (DCPME), created on January 1, 2018, is to invest in Québec's small- and medium-sized businesses. This sustainable fund is an open-ended limited partnership, allowing the number of limited partners to vary. The limited partners' commitments are generally made on an annual basis. As at June 30, 2023, CRCD's interest in the DCPME fund was 39.5%, while the interests of the other three limited partners, the DIM Private Completion Strategy Fund (DIM), Desjardins Holding Financier (DHF), and Desjardins Québec Balanced Fund (DQBF), were 60,5%, collectively. As at June 30, 2023, CRCD has disbursed $185.6 million ($185.6 million as at December 31, 2022) allowing a total of 270 companies to benefit from $577.7 million committed by the DCPME fund.

- Jointly with France-based Groupe Siparex, on July 4, 2018, Desjardins Capital 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 $108 million to the two funds. DC Transatlantic's investment period, initially for a period of five years, was extended for one additional year ending July 9, 2024. CRCD has a 60.7% interest in DC Transatlantic. As at June 30, 2023, CRCD had disbursed $30.4 million ($25.4 million as at December 31, 2022) of its total commitment of $32.9 million (€22.8 million), allowing 16 companies to benefit from $41.3 million committed by the fund.

- The objective of the Société en commandite Essor et Coopération (Essor et Coopération), established on January 1, 2013, and whose investment period had ended, was to support the creation, growth and capitalization of cooperatives in Québec. CRCD and other partners, including three from the cooperative sector, had made commitments totalling $89,9 million. CRCD has a 94.6% interest in the Essor et Coopération fund. Since the fund's inception, CRCD has disbursed $54.6 million of its total commitment of $85 million. As at June 30, 2023, despite the close of the investment period, CRCD maintained a commitment of $16.3 million which will be used for reinvestment and to pay the fund's operating expenses until its winding-up. As at June 30, 2023, Essor et Coopération had made commitments totalling $36.8 million to support 25 cooperatives.

- CRCD is also the joint sponsor of the Desjardins-Innovatech S.E.C. fund (DI) with the Economic Development Fund. Initially. DI undertook 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 2023 for a total disbursement of $3.7 million. This note does not affect the units held by CRCD in this fund. DI continues to support companies, especially those that use technological innovations or that capitalize on new uses of technologies. As at June 30, 2023, DI had made commitments of $58.8 million to support a total of 41 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. 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, 2023, CRCD had disbursed $256.6 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 100 companies and funds benefited from $68.2 million committed by the CCPME funds as at June 30, 2023. Since their inception, the funds have committed $460.4 million to 376 companies.

In total, as at June 30, 2023, CRCD and its ecosystem supported the growth of 770 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of $2,301.2 million. Of that total, 29 cooperatives benefited from commitments of $183 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.

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

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

- Equity: investments comprising common shares and limited partnership units that may be combined with advances and/or mainly unsecured loans and preferred shares in companies other than those included under the Startup and technology innovation profile;

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

- Startup and technology innovation: investments in companies in pre-startup, startup or post-startup stages.

Return by investment profile

	2023			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	560	22.0	2.8	0.6
Equity	1,051	41.4	6.8	2.8
External funds	59	2.3	(10.7)	(0.2)
Startup and technology innovation	279	11.0	0.8	0.1
Investment profiles subtotal	1,949	76.7	4.3	3.3
Other asset items held by ecosystem funds	4	0.2	2.0	—
Ecosystem total	1,953	76.9	4.3	3.3

	As at June 30, 2022			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Debt	506	19.6	(1.6)	(0.3)
Equity	1,023	39.6	(2.0)	(0.7)
External funds	52	2.0	13.7	0.2
Startup and technology innovation	268	10.4	(4.7)	(0.5)
Investment profiles subtotal	1,849	71.6	(1.9)	(1.3)
Other asset items held by ecosystem funds	17	0.7	0.7	—
Ecosystem total	1,866	72.3	(1.8)	(1.3)

The 4.3% non-annualized return of the Investments impacting the Québec economy portfolio for the first six months of fiscal 2023 stemmed mainly from the Equity and Debt investment profiles, which overall, performed well during the period. For the Debt profile, the first six months of 2022 was negatively affected by the increase in the corporate bond rates whereas they remained stable in the first six months of 2023. For the Equity profile, the uptrend observed resulted from the solid overall performance of the companies making up the profile and the financing rounds anticipated in the short term, with new investors in certain portfolio companies generating unrealized capital gains as at June 30, 2023. The External funds profile saw a negative performance for the first six months of 2023 in relation to the same period the year earlier, owing mainly to depreciation in two interests in external funds due to venture capital market conditions. To a lesser extent, the Startup and technological innovations profile continues to experience a loss of investor appetite for this sector, making it difficult for sector companies to raise new financing.

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, Canadian equity funds, real estate funds, an infrastructure fund, a market neutral equity fund as well as various equity holdings and short sales. The latter are managed on a discretionary basis as part of a market-neutral equity strategy overlayed on the bond portfolio. The Other investments portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at June 30, 2023, CRCD's Other investments portfolio, including cash, but excluding foreign exchange contracts, totalled $591.8 million ($566.7 million as at December 31, 2022) and consisted of the following:

Other investments portfolio

	As at June 30, 2023		As at December 31, 2022	
	Fair value ($M)	**% of portfolio**	Fair value ($M)	% of portfolio
Cash and money market instruments	**16.7**	**2.8**	6.6	1.1
Bonds	**283.0**	**47.8**	274.1	48.4
Canadian equity funds	**55.7**	**9.4**	57.7	10.2
Real estate funds	**111.7**	**18.9**	126.9	22.4
Infrastructure funds	**50.3**	**8.5**	28.9	5.1
Market neutral equity funds	**74.4**	**12.6**	72.5	12.8
Market neutral equity strategy				
Listed securities	**19.0**	**3.2**	—	—
Obligations related to securities sold short	**(19.0)**	**(3.2)**	—	—
Portfolio total	**591.8**	**100.0**	566.7	100.0

As at June 30, 2023, 99.7% of portfolio bond securities were government guaranteed (99.7% as at December 31, 2022).

The Other investments portfolio accounted for 22.9% of total net assets at the end of the first six months of 2023 (22.1% as at December 31, 2022). This increase was mainly due to the increase in the amount disbursed to the Infrastructure Fund, which represented approximately 80% of the $60 million commitment to this fund. The increase in the fair value of the bond portfolio was offset by the divestment of $12 million from real estate funds as part of an asset allocation rebalancing in the first six months of 2023. In the first six months of 2023, a new market-neutral equity strategy was introduced to overlay the bond portfolio. This strategy, which aims to generate returns through capital appreciation, involves investing in long and short positions in order to neutralize market movements and thus limit the volatility of returns. CRCD aims to maintain an overall asset allocation of approximately 30% in fixed-income securities and market-neutral equity strategy funds. Changes are made to the Other investments portfolio from time to time to adjust to changes in the Investments impacting the Québec economy portfolio.

Contribution generated by Other investments

(in thousands of $)	**June 30, 2023**	June 30, 2022
Revenue	**7,896**	8,349
Gains and losses	**6,287**	(45,224)
Total	**14,183**	(36,875)

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.

The $0.5 million decrease in revenue for the first six months of 2023 compared with the same period in 2022 is explained by the distributions on the Canadian equity funds received earlier in 2022, offset by the first distributions received during the six months ended June 30, 2023 from the global real estate fund and by the increase in the effective interest rate on the bond portfolio.

Gains of $6.3 million in the first six months of 2023 stemmed mainly from the following financial assets:

- Bonds recorded a gain of $4.2 million, mainly due to the judicious positioning of provincial securities on the yield curve, thereby benefiting from a narrowing of credit spreads during the first six months.
- In the wake of resilient equity markets, Canadian equity funds benefited from their defensive approach with a gain of $4.0 million for the first six months.
- Real estate funds recorded a loss of $4.2 million, mainly due to the impact of revaluations of portfolio properties in all sectors.

The financial asset management strategy is designed to use the Other investments portfolio to provide a balanced overall profile and limit volatility in periods of substantial market turbulence or unfavourable events at partner companies. 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 had obtained the right to issue $140 million in Class A "Issuance" shares for the 2021 and 2022 issues and allocate a 30% tax credit rate for the purchase of such shares. 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 tax credit of $900.

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 was authorized, for the 2021 and 2022 issue periods, to exchange shares up to an annual maximum of $50 million. The program allowed CRCD shareholders who had 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 would also be required to hold for seven years, as consideration for a provincial tax credit of 10% of the amounts exchanged.

These exceptional capitalization measures came to an end on February 28, 2023. Thus, for the 2023 issue, CRCD is authorized to raise almost $59.8 million, an amount equivalent to the cost of redemptions made during the 2022 issue, with a provincial 30% tax credit. The share exchange program was not renewed in 2023.

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 2023 and for fiscal 2022, no special tax was paid.

As at June 30, 2023, CRCD had $1,955.8 million in share capital ($1,963.9 million as at December 31, 2022) for 145,665,734 common shares outstanding (148,098,572 as at December 31, 2022).

Considering that the subscription period for the 2023 issuance will begin in the fall, CRCD did not collect the amount related to the Class A Issuance shares in the first six months of 2023.

The exchange registration period for the 2022 taxation year took place in the fall of 2022 and acceptance of applications was completed and recorded in January 2023 for an authorized amount of $50 million.

During the first six months of 2023, common share redemptions totalled $42.0 million an amount equal to that of the same period in 2022.

As at June 30, 2023, the balance of shares eligible for redemption amounted to $1,008.1 million. During the last six months of 2023, additional shares valued at approximately $180,1 million will also become eligible for redemption bringing total potential redemptions to $1,188.2 million. However, this balance will be reduced by the amount of shares that will be redeemed in the last six months of fiscal 2023.

As at June 30, 2023, shareholders numbered 112,309 compared with 113,690 as at December 31, 2022.

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 $)	**June 30, 2023**	June 30, 2022
Management fees	**14,083**	14,006
Other operating expenses	**5,173**	5,620
Shareholder services	**6,292**	6,403
Total	**25,548**	26,029

CRCD has entrusted the management of its operations, including the management of its Investments impacting the Québec economy and Other investments portfolios, to Desjardins Capital, pursuant to the terms of a management agreement concluded between them. Under this agreement, CRCD pays Desjardins Capital management fees equivalent to a maximum rate of 1.75% 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. Desjardins Capital and CRCD have agreed that, for a given fiscal year, an adjustment could also be made to allow CRCD to benefit from economies of scale realized by Desjardins Capital in particular in relation to the growth in CRCD’s assets. Such a downward adjustment of $3.7 million was made for the six-month period ended June 30, 2023. The trading fees from the portfolio companies are earned by Desjardins Capital, and the management fees CRCD is required to pay are reduced by an equivalent amount. Management fees remained stable, in line with CRCD's average assets under management, which were comparable in the first six months of 2023 and the same period in 2022.

The $0.4 million decrease in operating expenses compared with the same period in 2022 was mainly due to lower costs related to the IT master plan.

Expenditures on shareholder services remained relatively stable compared with the same period in 2022. The main expense regarding 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.

The majority of the services provided to CRCD are provided by Desjardins Group entities, namely the management and operation of CRCD, management and distribution of shares, registrar services and custodial services. With the exception of the management agreement with Desjardins Capital, these agreements have been amended and recast with an agreement date of January 1, 2023. The impact of these renewals on expenses was not material.

For the first six months of fiscal 2023, an income tax expense of $0.4 million was recorded, compared with an income tax recovery of $3.1 million for the same period of 2022. 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. CRCD’s strategy is to optimize the after-tax return taking into account these rules.

LIQUIDITY AND CAPITAL RESOURCES

For the six-month period ended June 30, 2023, cash outflows from share issues net of redemptions amounted to $42.0 million (net cash outflows of $41.8 million for the same period in 2022). For the same six-month period, operating activities combined with fees for the development of intangible assets generated net cash inflows of $56.7 million (net cash outflows of $178.3 million for the same period in 2022). After including disbursements and proceeds from disposals from Investments impacting the Québec economy, CRCD reported net cash inflows of $60.0 million in the first six months (net cash outflow of $170.3 million for the same period in 2022). Other investments reported a net cash outflow of $4.0 million in the first six months ended June 30, 2023, net cash inflows of $6.6 million for the same period in 2022).

As at June 30, 2023, cash and cash equivalents totalled $16.2 million ($1.5 million as at December 31, 2022).

CRCD had an authorized line of credit of $300 million as at June 30, 2023. This line of credit was used during the first six months of 2023 to bridge the gap between cash inflows and outflows, especially for Investments impacting the Québec economy. This line of credit was undrawn as at June 30, 2023 ($4.5 million as at December 31, 2022). For the first six months of 2023, the average balance for the operating credit facility was $36.4 million ($115.9 million for the first six months of 2022). Although CRCD could have disposed of sufficient other investments to avoid using the credit facility, CRCD plans to draw on it, as needed, to maintain a sound allocation of its assets, and to avoid having to make disposals under potentially unfavourable 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 and taking into account the available credit facility, CRCD does not anticipate any shortfall in liquidity in the short or medium term and expects to be able to redeem eligible shares from those shareholders who make such a request.

4.2 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. Its affairs are managed by its manager, Desjardins Capital.

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 fulfill its mission within certain guidelines, which include investing 65% of its average net assets in eligible Québec companies as at December 31 of each year. In addition, 35% of eligible investments must be made in Québec’s resource regions or in eligible cooperatives. If these requirements are not met as at December 31 of each year, the authorized issue of capital for the capitalization period following the end of the fiscal year could be reduced. As at June 30, 2023, and December 31, 2022, all of those rules were met.

Finally, in its 2023-2024 budget, the Québec government announced a review of the intervention frameworks and investment requirements for tax-advantaged funds in order to change the eligibility rules, with effect from January 1, 2024. For more information, please see the Recent events section of this MD&A.

4.3 Governance

BOARD OF DIRECTORS

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

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.

4.4 Risk management

PRACTICES AND POLICIES

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 THE READER

The following sections regarding market risks, credit and counterparty risks, concentration risks and liquidity risks have been reviewed by CRCD's independent auditor as part of the audit of the separate financial statements concerning which an independent auditor's report was issued on August 17, 2023.

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 rates 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, real estate funds and infrastructure 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, 2023, was $859.0 million ($829.4 million as at December 31, 2022). 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 $1.1 million ($0.8 million as at December 31, 2022) are not valued based on changes in interest rates, given their short maturities.

Bonds with a fair value of $283.0 million ($274.1 million as at December 31, 2022) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a decrease of $32.8 million in net earnings, representing a 1.3% decrease in CRCD's share price as at June 30, 2023 ($32.6 million for 1.3% as at December 31, 2022). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $37.8 million increase in net earnings, representing a 1.5% increase in the share price ($37.6 million for 1.5% as at December 31, 2022). 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 and infrastructure funds with fair values of $111.7 million and $50.3 million, respectively, as at June 30, 2023 ($126.9 million and $28.9 million as at December 31, 2022) may also be affected by interest rate fluctuations. However, unlike bonds, there is no direct correlation between interest rate fluctuations and changes in the fair value of these classes of assets.

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 $449.9 million ($508.3 million as at December 31, 2022), are not sensitive to changes in interest rates. Conversely, the other loans and advances and preferred shares included in the portfolio, totalling a fair value of $412.9 million ($398.8 million as at December 31, 2022), 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 an $8.1 million decrease in net earnings, representing a 0.3% decrease in CRCD's share price ($8.7 million for 0.3% as at December 31, 2022). A 1% decrease in interest rates would have had the opposite effect, resulting in an $8.4 million increase in net earnings, representing a 0.3% increase in CRCD's share price ($9.0 million for 0.4% as at December 31, 2022).

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 and the obligations associated with securities sold short, the valuations of private portfolio companies may also be affected by changes in stock prices.

As at June 30, 2023, Canadian equity funds, valued at $55.7 million ($57.7 million as at December 31, 2022), 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 $5.6 million increase or decrease in net earnings, representing a 0.2% increase or decrease in CRCD's share price ($5.8 million for 0.2% as at December 31, 2022).

The market-neutral equity fund, valued at $74.4 million as at June 30, 2023 ($72.5 million as at December 31, 2022), does not have a significant exposure to stock market fluctuations as they minimize market risk. As such, any stock market fluctuations would not have a significant direct impact on CRCD's net earnings. The same applies for listed shares valued at $19.0 million as well as for the obligations related to securities sold short valued at $19.0 million as part of the market-neutral equity strategy implemented during the first six months of 2023.

The Investments impacting the Québec economy portfolio included listed equities in the amount of $18.2 million ($16.1 million as at December 31, 2022). For these listed equities, a 10% increase or decrease in their market prices would have resulted in a $1.8 million increase or decrease in net earnings, representing a 0.1% increase or decrease in CRCD's share price ($1.6 million for 0.1% as at December 31, 2022).

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 $118.5 million or 4.6% of net assets as at June 30, 2023, compared with $115.6 million or 4.5% of net assets as at December 31, 2022.

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, 2023, CRCD held a foreign exchange contract under which it will be required to deliver US$66.5 million (US$80.0 million as at December 31, 2022), at the rate of CAD/USD 1.3215 (CAD/USD 1.3586 as at December 31, 2022), as well as a foreign exchange contract under which it will be required to deliver €22.3 million (€18.7 million as at December 31, 2022) at the rate of CAD/EUR 1.4490 (CAD/EUR 1.4523 as at December 31, 2022) on December 29, 2023. As at June 30, 2023, CRCD had nil collateral on its foreign exchange contracts ($3.8 million as at December 31, 2022).

As at June 30, 2023, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to $1.7 million ($19.8 million as at December 31, 2022). Any fluctuation in the Canadian dollar will therefore not have a significant impact on CRCD's results.

For the Other investments portfolio, the net exposure of investments to foreign currencies amounted to $79.4 million ($62.6 million as at December 31, 2022). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all other foreign currencies would have resulted in a $7.9 million increase (decrease) in net earnings, representing a 0.3% increase (decrease) in CRCD's share price ($6.3 million for 0.3% as at December 31, 2022).

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.

To comply with eligibility requirements for Investments impacting the Québec economy, CRCD generally does not require collateral to limit the credit risk on its loans.

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 securities. The risk ratings below are generated and updated based on our portfolio companies' annual financial documents. There is therefore a lag between the current economic reality and the risk ratings.

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 every quarter to identify those that meet the criteria for a ranking of 10.

Risk ratings for Investments impacting the Québec economy in the form of funds are based on a number of criteria specific to this asset class. Most of these investments 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, ranked by risk (fair value amounts):

		As at June 30, 2023		As at December 31, 2022	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**1,759,133**	**90.2**	1,741,466	89.9
7 to 9	At risk	**178,673**	**9.2**	169,194	8.7
10	High risk and insolvent	**11,331**	**0.6**	27,362	1.4

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, 2023		As at December 31, 2022	
Rating		**(in thousands of $)**	**(in %)**	(in thousands of $)	(in %)
1 to 6.5	Low to acceptable risk	**153,874**	**84.5**	179,936	81.0
7 to 9	At risk	**22,037**	**12.1**	36,093	16.2
10	High risk and insolvent	**6,233**	**3.4**	6,233	2.8

For the bonds, which represented 49.1% of the fair value of the Other investments portfolio (48.8% as at December 31, 2022), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

	As at June 30, 2023	As at December 31, 2022
Rating (1)	**(in thousands of $)**	(in thousands of $)
AAA	**135,543**	131,891
AA	**134,694**	127,225
A	**12,733**	14,946

(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, 2023		As at December 31, 2022	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy [1]	**26.4**	**21.7**	28.0	23.7
Other investments [2]	**64.9**	**15.4**	65.5	14.4

[1] CRCD's interest in the ecosystem funds accounted for 45% (46% as at December 31, 2022) 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 49% and 51% respectively (46% and 54% as at December 31, 2022) 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, 2023, the Investments impacting the Québec economy portfolio represented 75.5% of net assets (76.3% as at December 31, 2022).

Note that in its 2023-2024 budget, the Quebec government announced a review of the intervention frameworks and investment requirements for tax-advantaged funds in order to change the eligibility rules, with effect from January 1, 2024. For more information, please see the Recent events section of this MD&A.

CRCD has adopted a *Global Financial Asset Management Policy* and investment guidelines to govern the holding of foreign securities within the Other investments portfolio. As at June 30, 2023, the Other investments portfolio included a portion of foreign securities resulting primarily from its interest in real estate and infrastructure funds and comprised 86.6% of Canadian securities (89.0% as at December 31, 2022). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2023, the Other investments portfolio represented 22.9% of net assets (22.1% as at December 31, 2022).

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, 2023, bond securities represented 10.9% of net assets (10.7% as at December 31, 2022).

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 target liquid investments that should represent approximately 25% 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, a credit facility has been put in place to provide greater cash management flexibility. To maintain some flexibility for CRCD's current operating financing requirements, this credit facility was used in the first six months of 2023 to bridge the gap between disbursements and disposals of Investments impacting the Québec economy.

Given the significant balance of redeemable shares of CRCD, new 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 has allowed greater availability of capital for Investments impacting the Québec economy by reducing cash requirements related to share redemptions. This initiative has been well received by shareholders as the authorized amounts have been fully subscribed. See the Subscription section for more information.

In the first six months of 2023, CRCD implemented a new market-neutral equity strategy consisting mostly of borrowing securities for short sales. The equities held as part of this strategy and the overlay on the bond portfolio limit the liquidity risk associated with borrowing these securities. As at June 30, 2023, the amount of collateral used amounted to $22.2 million.

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.

5.0 Recent events

The uncertain economy described in this MD&A could affect performance in CRCD’s next six-month periods. CRCD is continuing to actively monitor the situation and the impacts on its operations.

In the 2023-2024 budget tabled on March 21, 2023, the Québec government announced amendments to the Act that will take effect on January 1, 2024, simplifying the applicable investment requirements.

Among these changes, the calculation of the minimum requirement of 65% (average net asset value) will take into account an additional year to establish the average. This calculation will take into account three years rather than two by considering eligible investments at the beginning of the year and assets at the beginning of the second preceding fiscal year.

The Act will also be amended to increase from 35% to 50% the proportion of investments that must be made in eligible cooperatives or in entities located in the resource regions of Québec and to provide that the regions eligible for the calculation of this investment requirement specific to the fund will include all regions of Québec, with the exception of municipalities in the Montréal and Québec metropolitan communities.

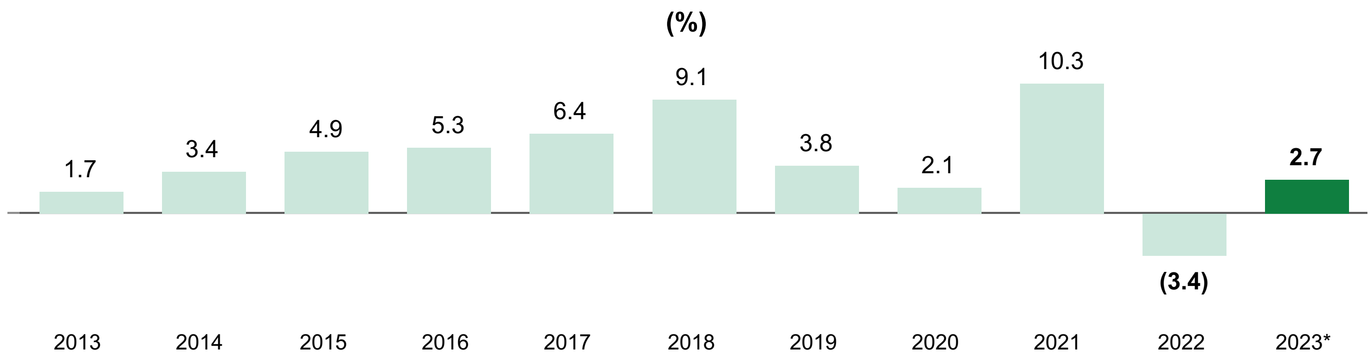
To ensure better governance of the investment requirements, the current eligible investment categories will be grouped into three new investment categories.

6.0 Past performance

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

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, 2023. 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, 2023.

6.2 Compounded return of the common share as at June 30, 2023

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
4.5%	4.6%	3.9%	5.6%	3.0%

7.0 Portfolio summary

7.1 Core investment profiles

As at June 30, 2023, 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	22.0
Equity	40.4
External funds	2.3
Startup and technology innovation	11.0
Other asset items held by ecosystem funds	(0.2)
Total - Investments impacting the Québec economy	**75.5**
OTHER INVESTMENTS	
Cash and money market instruments	0.6
Bonds	11.0
Canadian equity funds	2.2
Real estate funds	4.3
Infrastructure funds	1.9
Market neutral equity funds	2.9
Market neutral equity strategy	
Listed securities	0.7
Obligations related to securities sold short	(0.7)
Total - Other investments	**22.9**

* Including foreign exchange contracts

Net assets are made up of 98.4% investment profiles listed above, and 1.6% of other asset items.

7.2 Main investments held

As at June 30, 2023, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at June 30, 2023	% of net assets
Investments impacting the Québec economy – 19 issuers*	43.9
Government of Canada	4.8
Fiera Properties CORE Fund	3.1
CC&L market neutral funds	2.9
Province of Ontario	2.7
DGAM Global Private Infrastructure Fund	1.9
Invesco Global Direct Real Estate Feeder Fund	1.2

* The 19 issuers which collectively represent 43.9% of CRCD's net assets are:
9349-6347 Québec inc. (Habitations Trigone)
9388-7628 Québec inc.
Agropur Coopérative
Avjet Holding inc.
Capital croissance PME II s.e.c.
DC Immo 1ère S.E.C.
Desjardins – Innovatech S.E.C.
Desjardins Capital PME s.e.c.
Exo-s-inc.
Fonds Qscale s.e.c.
Technic-Eau Drillings Inc.
Fournier Group Holding inc.
Gestion Jérico inc.
Groupe Filgo inc.
Norbec Group Inc.
SJM Group Inc.
Groupe Solotech inc.
Investissement Groupe Champlain RPA, S.E.C
Sollio Groupe Coopératif

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

August 17, 2023

8.0 Management's report

August 17, 2023

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 separate 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 separate financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, the Desjardins Group Relations director 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 fulfills its responsibility for the separate 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 separate 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 separate financial statements.

The separate financial statements present the financial information available as at June 30, 2023. 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

Chief Financial Officer

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