

## 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.

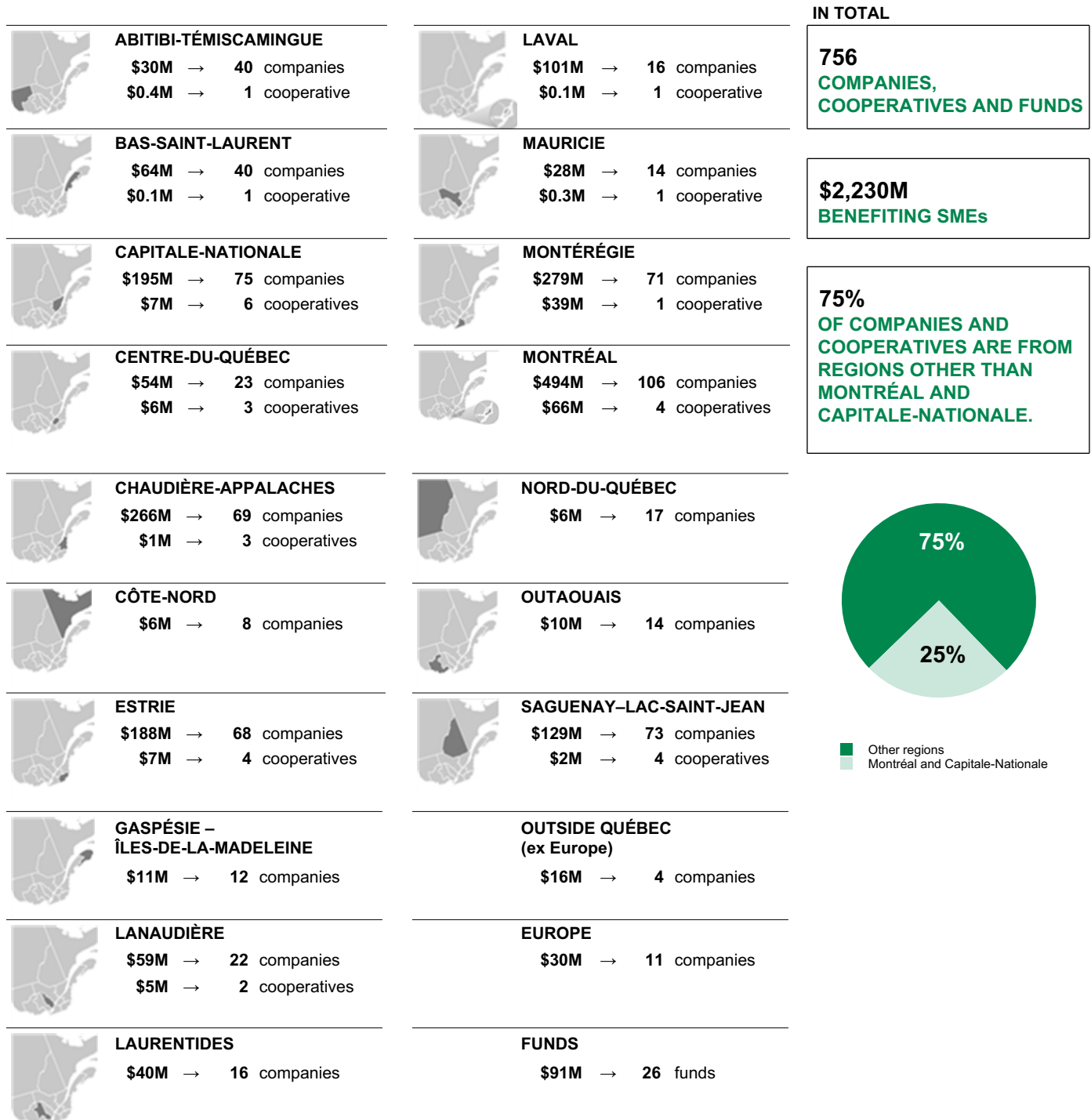
Copies of the separate interim financial statements may be obtained free of charge, on request, by calling 514-281-2322 or (toll free) 1-866-866-7000, extension 5552322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website ([www.capitalregional.com](http://www.capitalregional.com))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

Annual financial information may be obtained in the same way.

# 1.0 Highlights

## 1.1 Commitments throughout Québec

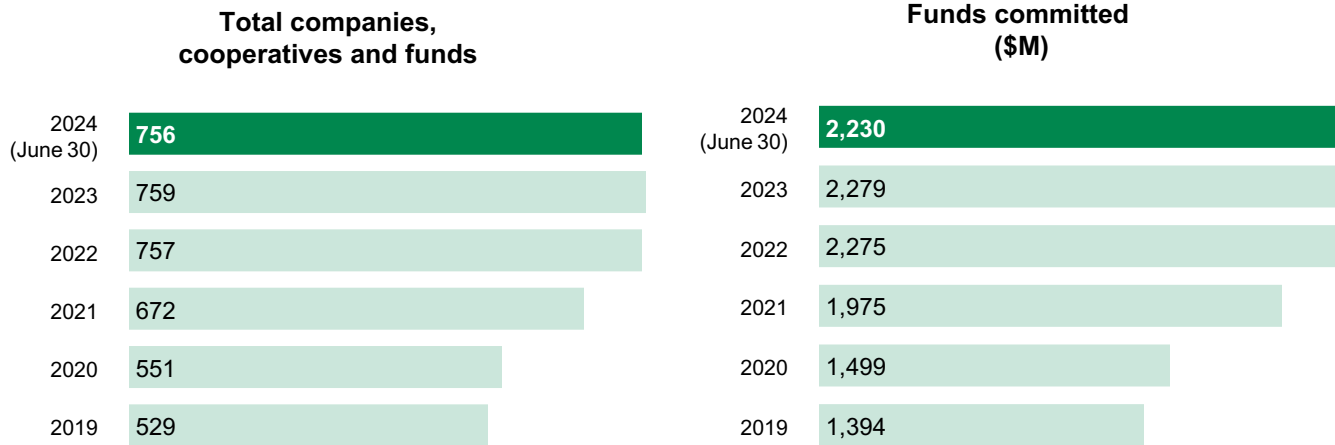
CRCD and its ecosystem<sup>(1)</sup> make a real contribution to the economic development of the regions. As at June 30, 2024, the funds committed per region were as follows:



<sup>(1)</sup> See the Entrepreneurial ecosystem section for a detailed description of the main features of the ecosystem.

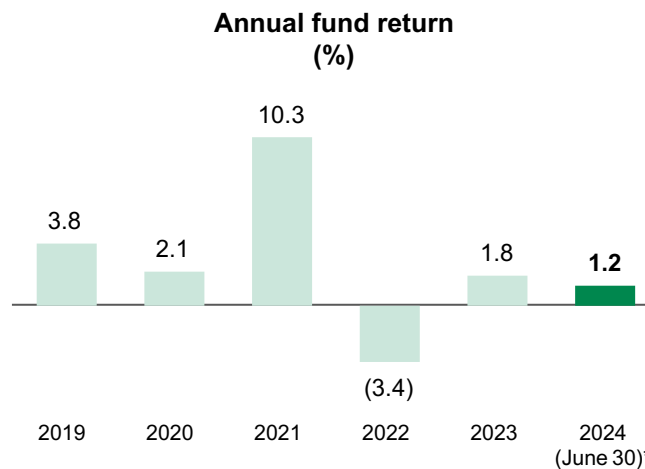
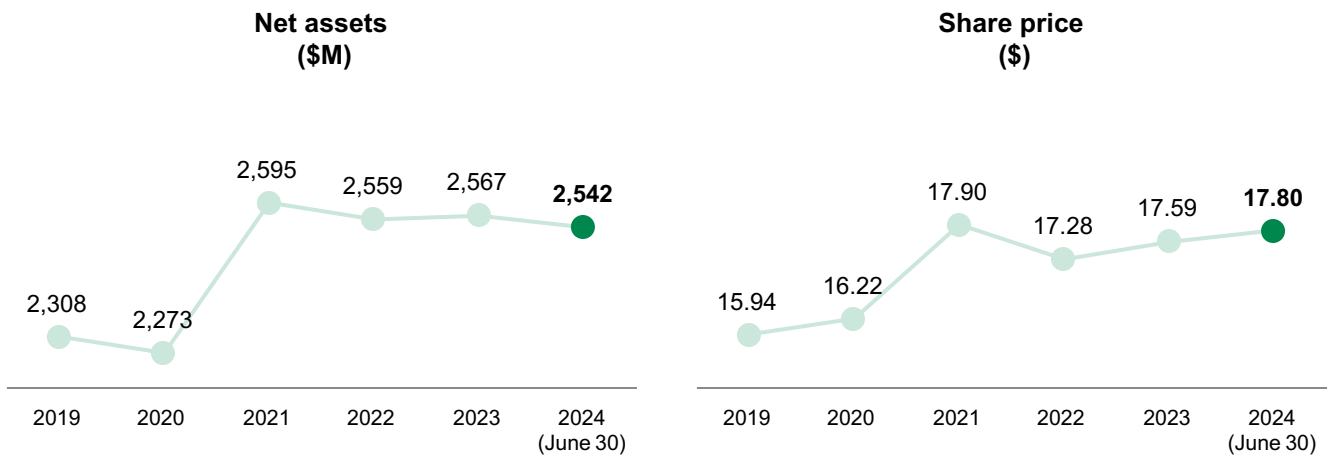
## 1.2 CRCD and its ecosystem support companies and cooperatives

AS AT JUNE 30, 2024 AND DECEMBER 31



## 1.3 CRCD financial data

AS AT JUNE 30, 2024 AND DECEMBER 31



\*Non-annualized return for the six-month period ended June 30, 2024

## 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, 2024. 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, 2024 (6 months)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Revenue	36,853	118,104	97,830	67,951	48,233	55,210
Gains (losses) on investments	19,188	(15,986)	(129,518)	212,275	38,471	63,703
Net earnings (loss)	30,256	44,627	(87,918)	234,476	46,429	81,302
Net assets	2,541,796	2,566,618	2,559,100	2,594,703	2,272,798	2,308,466
Common shares outstanding (number, in thousands)	142,809	145,933	148,099	144,959	140,110	144,849
Total operating expense ratio <sup>(1)</sup> (%)	2.0	2.0	2.0	1.8	1.8	1.6
Portfolio turnover rate:						
– Investments impacting the Québec economy (%)	3	8	8	15	13	10
– Other investments (%)	41	51	118	111	100	101
Trading expense ratio <sup>(2)</sup> (%)	—	—	—	—	—	—
Number of shareholders (number)	109,823	111,433	113,690	113,039	109,286	109,364
Issues of common shares – Class A “Issuance”	20	59,654	140,088	140,155	139,842	140,017
Exchanges of common shares – Class B “Exchange”	—	49,885	49,905	99,855	(92)	199,445
Redemption of common shares	55,098	96,763	87,773	52,726	221,939	81,657
Investments impacting the Québec economy at cost	1,634,553	1,659,283	1,658,473	1,440,623	1,108,055	1,014,864
Fair value of Investments impacting the Québec economy	1,840,288	1,842,169	1,938,022	1,796,083	1,298,331	1,249,967
Funds committed but not disbursed including guarantees and suretyships	146,557	175,937	222,262	199,130	238,226	237,009

<sup>(1)</sup> Total operating expense ratio is calculated by dividing total operating expenses as shown on the separate statements of comprehensive income 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*.

<sup>(2)</sup> 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, 2024 (6 months)	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
<b>Net assets per common share, beginning of period / year</b>	<b>17.59</b>	17.28	17.90	16.22	15.94	15.34
Increase (decrease) attributable to operations	0.23	0.31	(0.59)	1.67	0.34	0.58
Interest, dividends, distributions and negotiation fees	0.26	0.81	0.67	0.48	0.35	0.39
Operating expenses	(0.17)	(0.36)	(0.34)	(0.32)	(0.27)	(0.25)
Income taxes	—	(0.03)	(0.02)	—	(0.02)	(0.01)
Realized gains (losses)	(0.03)	0.53	(0.14)	0.34	0.56	0.25
Unrealized gains (losses)	0.17	(0.64)	(0.76)	1.17	(0.28)	0.20
<b>Difference attributable to common share issues and redemptions</b>	<b>(0.02)</b>	—	(0.03)	0.01	(0.06)	0.02
<b>Net assets per common share, end of period / year</b>	<b>17.80</b>	17.59	17.28	17.90	16.22	15.94

## 3.0 Overview

CRCD ended the first six months of 2024 with net earnings of \$30.3 million (net earnings of \$68.5 million for the same period in 2023), representing a non-annualized return of 1.2% (non-annualized return of 2.7% as at June 30, 2023), resulting in an increase in net assets per share to \$17.80 based on the number of shares outstanding as at June 30, 2024. 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 achieved a non-annualized return of 2.8% for the six-month period ended June 30, 2024, compared with a non-annualized return of 4.3% for the same period in 2023. Despite the recent recovery, the profit margins of certain portfolio companies continue to reflect the adverse impact of prior year economic conditions.

As at June 30, 2024, the cost of Investments impacting the Québec economy totalled \$1,634.6 million, of which \$62.4 million was disbursed during the first six months of fiscal 2024. As at June 30, 2024, commitments made but not disbursed, including guarantees and suretyships granted to companies, cooperatives or funds, amounted to \$146.6 million. New commitments for the first six months of 2024 amounted to \$33.0 million.

The Other investments portfolio recorded a non-annualized return of 1.1% for the first six months of 2024. Most asset classes in this portfolio contributed positively to performance. However, long-term bond rates increased during the first six months, negatively impacting their performance. For the same period in 2023, the Other investments portfolio posted a non-annualized return of 2.5%.

While the issue of Class A “Issuance” common shares for 2024 will begin in the fall, share redemptions during the first six months totalled \$55.1 million, compared with \$42.0 million for the corresponding period in 2023. As at June 30, 2024, the balance of shares eligible for redemption totalled \$1,086.9 million, while net assets amounted to \$2,541.8 and shareholders numbered 109,823. For more information, please see the Subscriptions section of this MD&A.

### 3.1 Our vision for Québec entrepreneurship

As in the last quarter of 2023, investing activities were subdued in the first quarter of 2024. However, in the second quarter, we observed a recovery to some extent and a resurgence of opportunities, mainly attributable to the increase in the capital gain inclusion rate, which sparked a spike in transactions ahead of its application on June 25, 2024. Lower key interest rates and declining inflation also motivated businesses to get their projects underway. Although the recovery is strengthening, we remain vigilant for warning signs of financial difficulties that may arise for our partner companies.

During the six-month period, we were active in divestment, capitalizing on the favourable market. Companies performing well in the market were very highly valued and in high demand. The high purchase value of these SMEs and strong competition for investments led to a scarcity of new investments. We are continuing to look out for favourable business opportunities while maintaining prudent management for the benefit of our shareholders. We continue to promote our portfolio companies by supporting them proactively, which allows us to act with greater proximity and quickly understand their needs

### 3.2 Growing businesses stronger

Building on 50 years of expertise, CRCD’s manager, Desjardins Capital, is ranked one of the most active investors in development and venture capital in Québec. Together, we are an indispensable business partner, supporting 756 companies, cooperatives and funds in various industries in all corners of Québec. In addition to maintaining and stimulating the productivity of Québec SMEs, we are a major socio-economic leader for ensuring the regions’ 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 SME governance trainings and products adapted 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 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 startup, 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 monitor their progress.

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act* came into effect on January 1, 2024. This new law requires entities to disclose in a detailed public report, as at May 31 of each year, the measures taken during the previous fiscal year to prevent and reduce the risk of forced labour or child labour being used by the entities or in their supply chain. To meet this requirement, we have shared this report in the Documentation section of [www.capitalregional.com](http://www.capitalregional.com). We have also worked with a number of our partner companies to ensure they fulfill their obligations in this regard.

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. Moreover, regarding diversity, equity and inclusion in the governance of our SMEs, we are proud to have achieved our targets for women's representation on committees and boards.

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

#### 2024 ECONOMIC ENVIRONMENT

##### Global economy

The global economy slowed at the end of 2023, but some indicators are showing a slight improvement so far. In Europe, real GDP indicators rose modestly in the first quarter and inflation continues to approach the European Central Bank's 2% target. The war in Gaza affected shipping in the Red Sea, which drove up maritime shipping costs at the start of the year, but the situation has since calmed down somewhat. In China, real GDP accelerated in the first quarter, but the problems in the property market have lingered, despite the government's support measures. Chinese inflation turned negative at the start of 2024, and price growth is still very weak.

Growth in most of the major economies overseas is expected to remain relatively weak in 2024. Inflation levels are falling almost everywhere, although the progress is generally slower in the cost of services as compared to the cost of goods, where the pace of inflation has slowed more sharply. This decline nevertheless allowed some central banks to begin lowering their key interest rates. This should generate slightly faster growth in the global economy in the second half of 2024. Following growth of 3.1% in 2023, global real GDP is expected to rise by 3.1% again in 2024 and 2025.

Global equity markets experienced high volatility over the summer following very strong gains early in the year. The first key rate cuts by several major central banks and clearer signals of an upcoming U.S. Federal Reserve cut were not enough to reassure investors as fears of a recession quickly picked up steam. At the outset of summer, index growth lifted numerous corporate valuations to very high levels, raising the risk of further corrections, particularly in the United States. Government bonds logged sharp interest-rate declines on heightened concerns about a U.S. recession. Although volatility has staged a strong comeback, attractive gains from the first half of the year may yet ensure positive returns for 2024. Sharply lower interest rates on government bonds will fuel bond market yields, but widening credit spreads on riskier securities may curb gains.

##### United States

Some U.S. economic indicators have weakened slightly since the start of 2024, with real GDP growing at an annualized rate of 1.3% in the first quarter. The U.S. labour market has remained relatively strong, with a total of more than 1,305,000 jobs created in the first six months of 2024. However, fewer job vacancies are a sign that the market is rebalancing. As a result, July ended with a gain of only 114,000 jobs. Progress continues to be made on bringing down U.S. inflation, but the pace is slower than elsewhere.

U.S. real GDP is expected to grow at a slightly faster pace over the next few quarters compared with last winter. Key interest rate cuts are due to begin in September. For the year a whole, real GDP should grow by 2.4%, followed by a 2.0% gain in 2025.

## Canada

Following a steep rise in interest rates, both in scale and speed, consumers and businesses are beginning to get some relief, as the Bank of Canada announced an initial key interest rate cut on June 5 and a second on July 24. Canadian monetary policy nevertheless remains very restrictive, and further cuts will gradually be needed to bring key rates back into a more neutral range. If inflation continues in the right direction, we expect two further cuts in Canadian key interest rates between now and the end of the year, followed by further reductions in 2025 and 2026.

Although interest rates are likely to fall again over the next few quarters, there will be headwinds to growth. These include a wave of mortgage renewals in 2025 and 2026 at significantly higher rates than when households contracted these loans during the pandemic. Higher debt servicing costs will mean a smaller share of household income for other expenditures. We therefore expect more subdued household consumption and residential investment than would otherwise be the case. In addition, the pace of population growth will slow, now that the federal government is limiting the number of newcomers to Canada. Ultimately, Canada's real GDP should grow by 1.0% in 2024 and 1.8% in 2025.

## Québec

Québec's economy has begun to recover. The first quarter of 2024 even saw a 3.6% annualized rebound in real GDP. The Québec economy's period of contraction from spring 2023 until the end of last year therefore appears to be over. The skies are finally clearing, and recent months have brought several signs of economic recovery. On the household side, sales of durable goods, which are more sensitive to changes in the economic environment and interest rates, are on the rise. Automobile purchases continue to rise, as the availability of many makes and models has improved. In addition, sales of furniture, household appliances and electronics have been picking up since the start of 2024, at the same time as the housing market has been improving. After hitting rock bottom, sales of existing properties and new construction have rallied in recent months. While there are positive signs in the Québec economy following a slump last year, the labour market continues to feel the pinch. After reaching a low of 3.9% in November 2022, the unemployment rate has been on a slow climb in recent months. It is now close to 5.7% and is expected to approach 6% by the end of 2024.

Businesses that have the financial capacity are competing in order to be better positioned to respond to any upturn in demand. The confidence level of SMEs has improved in recent months, although it remains low in relative terms. Investment intentions are slow to pick up because of global geopolitical uncertainty, borrowing difficulties caused by high interest rates, and low profitability levels in many businesses. The number of insolvencies continues to rise, and is now higher than before the pandemic. In short, many Québec households and businesses continue to experience financial difficulties, not least because of high interest rates and high inflation in recent years. However, the Québec economy is on the road to recovery, with real GDP growth expected to reach 0.7% in 2024 and 1.5% in 2025.

## 4.0 Management's discussion of financial performance

### 4.1 Operating results

#### CRCD'S NET RESULTS AND RETURNS

For the six-month period ended June 30, 2024, CRCD reported net earnings of \$30.3 million, or a non-annualized return of 1.2%, compared with net earnings of \$68.5 million (non-annualized return of 2.7%) for the same period in 2023. Based on the number of common shares outstanding, net assets per share increased to \$17.80 as at the end of the six-month period, compared with \$17.59 at the end of fiscal 2023. For illustrative purposes, at the current price of \$17.80, shareholders who invested seven years ago, on August 17, 2017, would obtain an annual after-tax return of more than 10.0%, 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 2.8% and 1.1%, respectively. For the same period in 2023, Investments impacting the Québec economy and Other investments posted non-annualized returns of 4.3% and 2.5%, respectively. Expenses, net of administrative charges and income taxes had an impact of 1.1% on CRCD's non-annualized return, compared to a 1.2% impact for the same period one year earlier. Financial expenses relating to the use of the operating credit facility had a negligible impact on CRCD's non-annualized return. This line of credit was undrawn as at June 30, 2024 and December 31, 2023. 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

	As at June 30, 2024			
	Average assets under management (\$M)	Weighting (%)	Non-annualized Return 6 months (%)	Non-annualized Contribution 6 months (%)
Activities related to Investments impacting the Québec economy <sup>(1)</sup>	1,847	73.6	2.8	2.0
Other investments and cash	663	26.4	1.1	0.3
Financial expenses			—	—
	2,510	100.0	2.3	2.3
Expenses, net of administrative charges			(1.1)	(1.1)
Income taxes			—	—
<b>CRCD's return</b>			<b>1.2</b>	<b>1.2</b>

	As at June 30, 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 <sup>(1)</sup>	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			—	—
<b>CRCD's return</b>			<b>2.7</b>	<b>2.7</b>

<sup>(1)</sup> 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 \$67.3 million and disposals of \$90.5 million (including non-cash items) were made for a negative net balance of \$23.2 million. Combined with unrealized and realized net gains of \$20.8 million, these net divestments brought the fair value of the Investments impacting the Québec economy portfolio, including foreign exchange contracts, to \$1,840.4 million as at June 30, 2024 (\$1,842.7 million as at December 31, 2023).

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, including guarantees and suretyships, which amounted to \$146.6 million as at June 30, 2024, compared with \$175.9 million as at December 31, 2023. Commitments already made but not disbursed of \$136.8 million, representing 5.4% of net assets, could eventually be made from the Other investments portfolio or the credit facility and allocated to Investments impacting the Québec economy.

Total commitments at cost as at June 30, 2024, amounted to \$1,781.1 million in 416 companies, cooperatives and funds, of which \$1,634.6 million was disbursed. As at June 30, 2024, backed by its entrepreneurial ecosystem, CRCD supported growth in 756 companies, cooperatives and funds.

During the first six months of fiscal 2024, Investments impacting the Québec economy generated a contribution of \$50.4 million, for a non-annualized return of 2.8%, compared with a contribution of \$83.2 million for the same period in 2023 (a non-annualized return of 4.3%). The Investments impacting the Québec economy portfolio is still feeling the repercussions of prior year economic conditions. The decrease in the profit margins of certain companies together with weak investor appetite for startup tech companies continued to adversely impact the portfolio's performance.

### Contribution generated by Investments impacting the Québec economy

(in thousands of \$)	June 30, 2024	June 30, 2023
Revenue	29,580	28,650
Gains and losses	20,847	54,559
<b>Total</b>	<b>50,427</b>	83,208

Revenue includes interest, dividends and negotiation fees related to Investments impacting the Québec economy. Negotiation fees, which amounted to \$1.5 million for the six-month period ended June 30, 2024 (\$2.2 million for the same period in 2023), 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 \$12.5 million for the first six months of fiscal 2024 (\$11.9 million for the same period in 2023), 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.

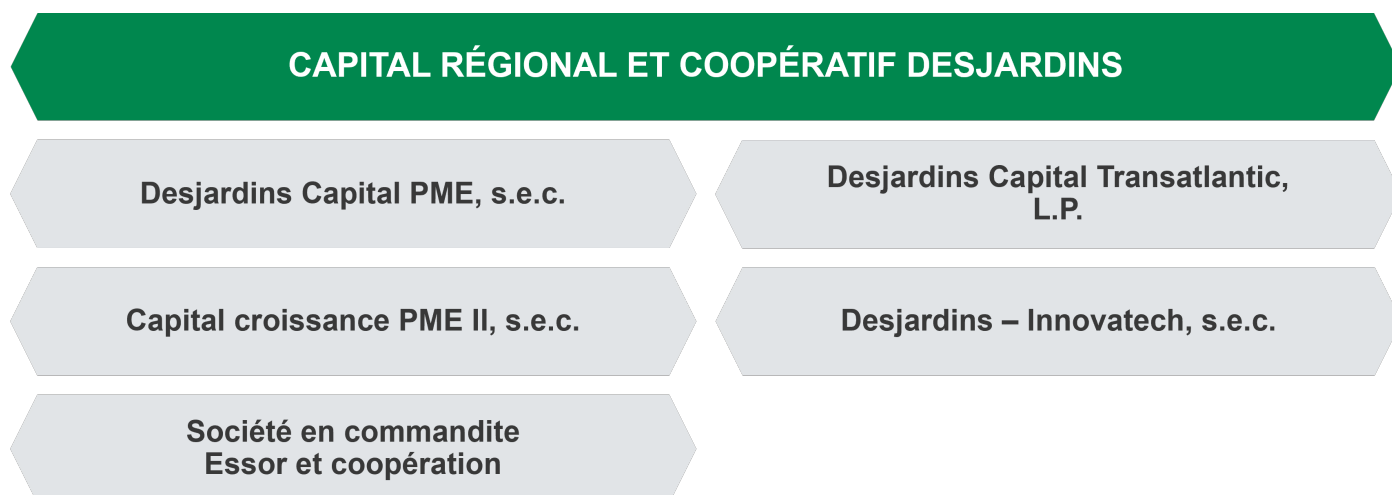
CRCD recorded in its results for the six-month period a realized and unrealized gain of \$20.8 million compared with a gain of \$54.6 million for the same period in 2023. For more information, please see Entrepreneurial ecosystem performance in the following section.

As at June 30, 2024, the overall risk level of the Investments impacting the Québec economy portfolio had deteriorated compared with its December 31, 2023 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, 2024, CRCD's interest in the DCPME fund was 37.7%, while the interests of the other three limited partners, namely the DIM Private Completion Strategy Fund, Desjardins Holding Financier inc. and Desjardins Québec Balanced Fund, were 62.3%, collectively. As at June 30, 2024, CRCD has disbursed \$198.4 million (\$198.4 million as at December 31, 2023) allowing a total of 268 companies to benefit from \$606.3 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 \$110 million to the two funds. DC Transatlantic's investment period closed on July 9, 2024. CRCD has a 60.7% interest in DC Transatlantic. As at June 30, 2024, CRCD had disbursed \$30.8 million (\$30.8 million as at December 31, 2023) of its total commitment of \$33.3 million (€22.8 million), allowing 16 companies to benefit from \$42.6 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 \$56.5 million of its total commitment of \$85 million. As at June 30, 2024, despite the close of the investment period, CRCD maintained a commitment of \$14.3 million which will be used for reinvestment and to pay the fund's operating expenses until its winding-up. As at June 30, 2024, Essor et Coopération had made commitments totalling \$33.2 million to support 23 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 \$0.1 million was disbursed during the first six months of 2024 for a total disbursement of \$3.8 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, 2024, DI had made commitments of \$49.3 million to support a total of 35 companies and funds.

- The Capital croissance PME II s.e.c. (CCPME II) fund, created in 2014, and whose investment period has 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, as sponsors of the fund, had originally agreed to invest, on a 50/50 basis, a total amount of \$320 million. During fiscal 2023, the original fund, Capital croissance PME s.e.c. (CCPME), transferred all its investments and the balance of its undisbursed committed funds to CCPME II and was subsequently wound up. As at June 30, 2024, CRCD had disbursed \$154.6 million of its total commitment of \$165 million to the CCPME II fund. Since its inception, the CCPME II fund has committed \$272.4 million to 240 companies. The funds committed but not disbursed will be used for reinvestment and to pay the operating expenses of CCPME II until its winding-up. A total of 75 companies and funds benefited from \$46.3 million committed by the CCPME II fund as at June 30, 2024.

In total, as at June 30, 2024, CRCD and its ecosystem supported the growth of 756 companies, cooperatives and funds in various industries spanning all Québec regions with commitments of \$2,229.7 million. Of that total, 31 cooperatives benefited from commitments of \$132.9 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 technological innovations: investments in companies specializing in the pre-startup, startup or post-startup stages.

### Return by investment profile

	As at June 30, 2024			
	Average assets	Weighting	Non-annualized	Non-annualized
	under management		Return	Contribution
	(\$M)	(%)	6 months	6 months
			(%)	(%)
Debt	540	21.5	3.0	0.7
Equity	969	38.6	4.5	1.7
External funds	62	2.5	(3.8)	(0.1)
Startups and technological innovations	266	10.6	(2.1)	(0.3)
<b>Investment profiles subtotal</b>	<b>1,837</b>	<b>73.2</b>	<b>2.8</b>	<b>2.0</b>
Other asset items held by ecosystem funds	10	0.4	1.0	—
<b>Ecosystem total</b>	<b>1,847</b>	<b>73.6</b>	<b>2.8</b>	<b>2.0</b>

As at June 30, 2024

	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)
Startups and technological innovations	279	11.0	0.8	0.1
<b>Investment profiles subtotal</b>	<b>1,949</b>	<b>76.7</b>	<b>4.3</b>	<b>3.3</b>
Other asset items held by ecosystem funds	4	0.2	2.0	—
<b>Ecosystem total</b>	<b>1,953</b>	<b>76.9</b>	<b>4.3</b>	<b>3.3</b>

The 2.8% non-annualized return of the Investments impacting the Québec economy portfolio for the first six months of fiscal 2024 stemmed mainly from the Equity and Debt investment profiles, some of whose companies continue to be affected by prior year economic conditions. Despite relatively stable corporate rates, the Debt profile benefited from sustained current income, which offset the unfavourable change in the credit risk of certain companies. To a lesser extent, the Startup and technology innovations and External funds profiles continued to experience reduced investor appetite for tech startups.

## 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 funds, a market neutral equity funds as well as various equity holdings and short sale positions. The latter are managed on a discretionary basis as part of a market-neutral equity strategy overlaid on the bond portfolio. The Other investments portfolio provides stable current revenue for CRCD and ensures sound diversification.

As at June 30, 2024, CRCD's Other investments portfolio, including cash, but excluding foreign exchange contracts, totalled \$649.2 million (\$677.4 million as at December 31, 2023) and consisted of the following:

### Other investments portfolio

	As at June 30, 2024		As at December 31, 2023	
	Fair value (\$M)	% of portfolio	Fair value (\$M)	% of portfolio
Cash and money market instruments	38.6	5.9	77.2	11.4
Bonds	297.0	45.7	293.4	43.3
Canadian equity funds	59.7	9.2	56.3	8.3
Real estate funds	106.4	16.4	106.2	15.7
Infrastructure funds	67.2	10.4	63.9	9.4
Market neutral equity funds	80.3	12.4	80.4	11.9
Market neutral equity strategy				
Listed securities	23.8	3.7	15.4	2.3
Obligations related to securities sold short	(23.8)	(3.7)	(15.4)	(2.3)
<b>Portfolio total</b>	<b>649.2</b>	<b>100.0</b>	<b>677.4</b>	<b>100.0</b>

As at June 30, 2024, 93.5% of portfolio bond securities were government guaranteed (99.4% as at December 31, 2023).

The Other investments portfolio accounted for 25.5% of total net assets at the end of the first six months of 2024 (26.4% as at December 31, 2023). 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, 2024	June 30, 2023
Revenue	8,746	7,896
Gains and losses	(1,659)	6,287
<b>Total</b>	<b>7,087</b>	<b>14,183</b>

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 \$0.9 million increase in revenue for the first six months of 2024 compared with the same period in 2023 resulted mainly from a higher effective interest rate on bonds in 2024, partially offset by lower distributions from real estate funds.

Losses of \$1.7 million in the first six months of 2024 stemmed mainly from the following financial assets:

- Bonds recorded a loss of \$15.5 million, mainly due to higher Canadian bond rates during the period.
- The Canadian equity funds, the market-neutral equity funds and the infrastructure funds generated gains of \$3.3 million, \$6.3 million and \$3.3 million, respectively, during the period.
- Real estate funds recorded a loss of \$0.2 million during the period, mainly due to higher financing costs impacting the sector's valuations. This loss was offset by distributions received of \$2.2 million recorded in revenue.
- Market-neutral equity strategy recorded a gain of \$1.1 million.

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.

## 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 to alter 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.

CRCD's share capital 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.

For the 2023 issue of Class A "Issuance" shares, CRCD issued an amount equivalent to the cost of redemptions of the 2022 issue, or \$59.7 million. In June 2024, CRCD obtained the right to issue \$125 million in Class A "Issuance" shares for the 2024 issue, which will begin in the fall. The tax credit rate for the purchase of such shares remains at 30%. To allow as many shareholders as possible to buy such shares, the maximum annual subscription amount allowable is capped at \$3,000 per investor, for a tax credit of \$900.

Note that the exchange program for Class B "Exchange" shares, which offers a shareholder who defers the redemption of eligible shares for seven years the option to take advantage of a new tax credit, ended on February 28, 2023.

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 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. No special tax was paid for fiscal 2024 or 2023.

As at June 30, 2024, CRCD had \$1,943.5 million in share capital (\$1,979.2 million as at December 31, 2023) for 142,808,887 common shares outstanding (145,932,757 as at December 31, 2023).

Considering that the subscription period for the 2024 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 2024.

In the first six months of fiscal 2024, redemptions of common shares totalled \$55.1 million compared with \$42.0 million for the same period in 2023.

As at June 30, 2024, the balance of shares eligible for redemption amounted to \$1,086.9 million. During the last six months of 2024, additional shares valued at \$169.4 million will also become eligible for redemption bringing total potential redemptions to \$1,256.3 million. However, this balance will be reduced by the amount of shares that will be redeemed in the second half of 2024.

As at June 30, 2024, shareholders numbered 109,823 compared with 111,433 as at December 31, 2023.

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, 2024	June 30, 2023
Management fees	14,740	14,083
Other operating expenses	5,112	5,173
Shareholder services	5,339	6,292
<b>Total</b>	<b>25,191</b>	<b>25,548</b>

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 \$2.5 million was made for the six-month period ended June 30, 2024. 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 increased by \$0.7 million compared with the same period in 2023, mainly due to lower negotiation fee revenue related to a decrease in investment volume during the current period. The value of CRCD's average assets under management remained stable

Expenses related to shareholder services decreased by \$1.0 million compared with the first six months of 2023, driven primarily by lower spending on the development of applications. The main expense regarding shareholder services is the compensation paid by CRCD to the Desjardins caisses for all shareholder advisory services, determined annually based on CRCD's net assets.

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 2024, an income tax expense of \$0.6 million was recorded, compared with an income tax expense of \$0.4 million for the same period of 2023. 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. Under the Taxation Act (Québec), CRCD is not taxed on its taxable capital gains since, in calculating its tax payable, CRCD receives a tax deduction equivalent to its capital gains tax for the year. 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, 2024, cash outflows from share issues net of redemptions amounted to \$55.1 million (net cash outflows of \$42.0 million for the same period in 2023). For the same six-month period, operating activities combined with investing activities generated net cash inflows of \$21.0 million (net cash inflows of \$56.7 million for the same period in 2023). After including disbursements and proceeds from disposals from Investments impacting the Québec economy, CRCD reported net cash inflows of \$31.4 million in the first six months of 2024 (net cash inflows of \$60.0 million for the same period in 2023). Other investments reported net cash outflows of \$4.6 million in the six-month period ended June 30, 2024 (net cash outflows of \$4.0 million for fiscal 2023).

As at June 30, 2024, cash and cash equivalents totalled \$28.1 million (\$62.2 million as at December 31, 2023).

CRCD had an authorized line of credit of \$300 million as at June 30, 2024. This line of credit was used during the first six months of 2024 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, 2024 and December 31, 2023. For the first six months of 2024, the average balance for the operating credit facility was \$4.4 million (\$36.4 million for the first six months of 2023). 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.

CRCD does not anticipate any shortfall in liquidity in the short or medium term and expects to be able to redeem eligible shares for those shareholders who make such a request.

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

On the initiative of Desjardins Group, CRCD was founded on the July 1, 2001 under the *Act constituting Capital régional et coopératif Desjardins* adopted by Québec's National Assembly. 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.

### 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 15, 2024.

### 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, 2024, was \$850.9 million (\$907.2 million as at December 31, 2023). 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 \$23.2 million (\$41.9 million as at December 31, 2023) are not valued based on changes in interest rates, given their short maturities.

Bonds with a fair value of \$297.0 million (\$293.4 million as at December 31, 2023) are directly affected by changes in interest rates. A 1% increase in interest rates would have resulted in a decrease of \$42.5 million in net earnings, representing a 1.7% decrease in CRCD's share price as at June 30, 2024 (\$41.7 million for 1.6% as at December 31, 2023). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a \$51.3 million increase in net earnings, representing a 2.0% increase in the share price (\$50.4 million for 2.0% as at December 31, 2023). CRCD's financial asset management strategy aims to diversify the portfolio securities, thereby limiting exposure to long-term bonds. Given that the duration of the bond portfolio is based on CRCD's tolerance of the impact of a rise in interest rates on its financial results, this limits the loss in such a situation.

Real estate funds and infrastructure funds with fair values of \$106.4 million and \$67.2 million, respectively, as at June 30, 2024 (\$106.2 million and \$63.9 million as at December 31, 2023) 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 \$416.2 million (\$410.3 million as at December 31, 2023), 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 \$357.1 million (\$401.8 million as at December 31, 2023), 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 \$6.8 million decrease in net earnings, representing a 0.3% decrease in CRCD's share price (\$7.5 million for 0.3% as at December 31, 2023). A 1% decrease in interest rates would have had the opposite effect, resulting in a \$7.1 million increase in net earnings, representing a 0.3% increase in CRCD's share price (\$7.8 million for 0.3% as at December 31, 2023).



## 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, 2024, Canadian equity funds, valued at \$59.7 million (\$56.3 million as at December 31, 2023), 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 \$6.0 million increase or decrease in net earnings, representing a 0.2% increase or decrease in CRCD's share price (\$5.6 million for 0.2% as at December 31, 2023).

The market-neutral equity strategy funds, valued at \$80.3 million at June 30, 2024 (\$80.4 million as at December 31, 2023), does not have a significant exposure to stock market fluctuations as it minimizes 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 \$23.8 million (\$15.4 million as at December 31, 2023) as well as for the obligations related to securities sold short valued at \$23.8 million (\$15.4 million as at December 31, 2023) as part of the market-neutral equity strategy.

The Investments impacting the Québec economy portfolio included listed equities in the amount of \$17.8 million (\$19.3 million as at December 31, 2023). 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 (\$1.9 million for 0.1% as at December 31, 2023).

## 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 \$109.1 million or 4.3% of net assets as at June 30, 2024, compared with \$107.0 million or 4.2% of net assets as at December 31, 2023.

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, 2024, CRCD held a foreign exchange contract under which it will be required to deliver US\$57.3 million (US\$58.1 million as at December 31, 2023), at the rate of CAD/USD 1.3640 (CAD/USD 1.3306 as at December 31, 2023), as well as a foreign exchange contract under which it will be required to deliver €20.4 million (€18.7 million as at December 31, 2023) at the rate of CAD/EUR 1.4731 (CAD/EUR 1.4719 as at December 31, 2023) on December 31, 2024. As at June 30, 2024 and December 31, 2023, CRCD had nil collateral on its foreign exchange contracts.

As at June 30, 2024, the net exposure of CRCD's Investments impacting the Québec economy portfolio and accounts receivable to foreign currencies was thus limited to \$0.8 million (\$2.8 million as at December 31, 2023). 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 \$75.2 million (\$76.9 million as at December 31, 2023). Accordingly, a 10% decrease (increase) in value of the Canadian dollar relative to all other foreign currencies would have resulted in a \$7.5 million increase (decrease) in net earnings, representing a 0.3% increase (decrease) in CRCD's share price (\$7.7 million for 0.3% as at December 31, 2023).

## **CREDIT AND COUNTERPARTY RISK**

In pursuing its Investments impacting the Québec economy activities, 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. As at June 30, 2024, the breakdown of risk ratings showed an increase in the proportion of Investments impacting the Québec economy ranked "High risk and insolvent". This increase is attributable to the negative impacts of the uncertain prior year economic context on Investments impacting the Québec economy, which are reflected in the risk ratings. Since there is a lag between the current economic reality and the risk ratings in the portfolio, these negative impacts were only partially reflected in prior periods, which largely explains the change in portfolio breakdown by risk rating.

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 Investments impacting the Québec economy, ranked by risk (fair value amounts):

Rating	As at June 30, 2024		As at December 31, 2023	
	(in thousands of \$)	(in %)	(in thousands of \$)	(in %)
1 to 6.5    Low to acceptable risk	1,580,504	85.9	1,611,513	87.5
7 to 9      At risk	170,184	9.2	168,308	9.1
10          High risk and insolvent	89,600	4.9	62,348	3.4

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:

Rating	As at June 30, 2024		As at December 31, 2023	
	(in thousands of \$)	(in %)	(in thousands of \$)	(in %)
1 to 6.5    Low to acceptable risk	125,372	85.5	141,464	80.4
7 to 9      At risk	12,827	8.8	21,685	12.3
10          High risk and insolvent	8,358	5.7	12,788	7.3

For the bonds, which represented 46.9% of the fair value of the Other investments portfolio (45.7% as at December 31, 2023), credit risk is managed by diversification across numerous issuers with credit ratings as follows:

Rating <sup>(1)</sup>	As at June 30, 2024	As at December 31, 2023
	(in thousands of \$)	(in thousands of \$)
AAA	83,698	126,474
AA	202,548	160,514
A	10,742	6,456

<sup>(1)</sup> 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 values of assets and funds committed but not disbursed, including guarantees and suretyships):

	As at June 30, 2024		As at December 31, 2023	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy <sup>(1)</sup>	29.8	23.3	29.1	22.8
Other investments <sup>(2)</sup>	57.7	15.4	64.3	16.9

<sup>(1)</sup> CRCD's interest in the ecosystem funds accounted for 49% (48% as at December 31, 2023) of the five largest Investments impacting the Québec economy.

<sup>(2)</sup> Government issuers and issues guaranteed by government entities, as well as diversified investment funds, represented 43% and 57%, respectively (49% and 51% as at December 31, 2023) 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. In addition, as at June 30, 2024, at least 50% of these investments must be made in eligible cooperatives or in companies located in the regions of Québec, outside the Communauté métropolitaine de Montréal and the Communauté métropolitaine de Québec. Portfolio performance therefore depends heavily on economic conditions in Québec. As at June 30, 2024, the Investments impacting the Québec economy portfolio represented 72.6% of net assets (72.1% as at December 31, 2023).

Note that 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.

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, 2024, the Other investments portfolio included a portion of foreign securities resulting primarily from its interest in real estate and infrastructure funds and comprised 88.4% of Canadian securities (88.7% as at December 31, 2023). Other investments portfolio performance therefore depends heavily on economic conditions in Canada. As at June 30, 2024, the Other investments portfolio represented 25.5% of net assets (26.4% as at December 31, 2023).

### 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, 2024, bond securities represented 11.7% of net assets (11.4% as at December 31, 2023).

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

## **LIQUIDITY RISK**

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 20% of assets under management, CRCD can confirm that liquidity risks are adequately covered. Furthermore, a credit facility has been put in place to provide greater leeway in cash management in order to maintain some flexibility for CRCD's current operating financing requirements. This credit facility was used in the first six months of 2024 to bridge the gap between disbursements and disposals of Investments impacting the Québec economy.

In 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, 2024, the amount of collateral drawn amounted to \$27.4 million (\$18.1 million as at December 31, 2023).

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

As part of the 2023-2024 budget, the Québec government announced amendments to the Act to simplify the applicable investment requirements. These changes came into effect on January 1, 2024, with the assent to the *Act to give effect to fiscal measures announced in the Budget Speech delivered on March 21, 2023 and to certain other measures*. Among these changes, the calculation of the minimum requirement of 65% (average net asset value) will now take into account an additional year to establish the average. This calculation takes 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 changes also aim 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 going forward 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 are now grouped into three new investment categories.

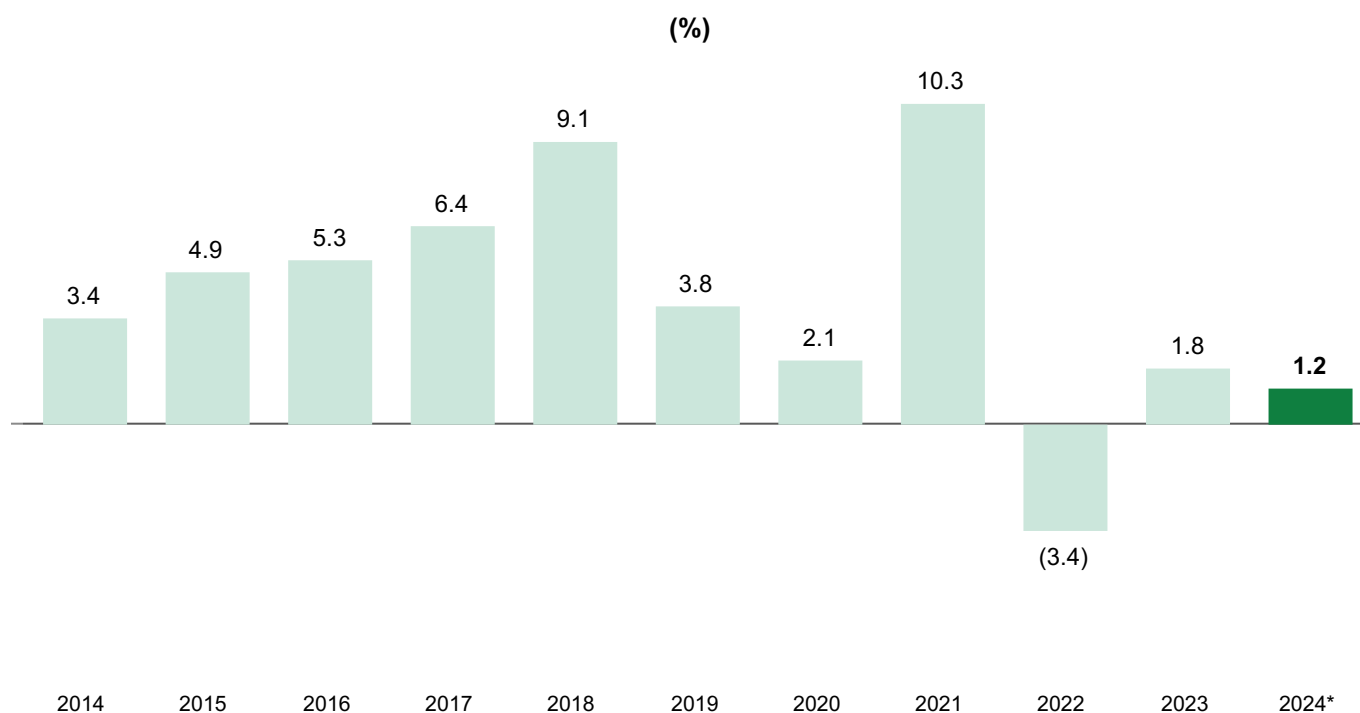
Additionally, in the Information Bulletin 2024-07, published on June 21, 2024, the Québec government announced an exceptional measure related to CRCD's capitalization limit to further support its mission. The maximum authorized amount for the capitalization period from March 1, 2024 to February 28, 2025 was set at \$125 million.

## 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, 2024. 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, 2024.

### 6.2 Compounded return of the common share as at June 30, 2024

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
4.1%	3.7%	2.1%	0.6%	0.3%

## 7.0 Portfolio summary

### 7.1 Core investment profiles

As at June 30, 2024, 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
<b>INVESTMENTS IMPACTING THE QUÉBEC ECONOMY *</b>	
Debt	20.1
Equity	38.9
External funds	2.5
Startup and technology innovation	10.5
Other asset items held by ecosystem funds	0.6
<b>Total - Investments impacting the Québec economy</b>	<b>72.6</b>
<b>OTHER INVESTMENTS</b>	
Cash and money market instruments	1.5
Bonds	11.7
Canadian equity funds	2.3
Real estate funds	4.2
Infrastructure funds	2.6
Market neutral equity funds	3.2
Market neutral equity strategy	
Listed securities	0.9
Obligations related to securities sold short	(0.9)
<b>Total - Other investments</b>	<b>25.5</b>

\* Including foreign exchange contracts

Net assets are made up of 98.1% of investment profiles listed above, and 1.9% of other asset items.

## 7.2 Main investments held

As at June 30, 2024, on a fair value basis, the issuers of the 25 main investments held by CRCD were as follows:

Issuers as at June 30, 2024	% of net assets
Investments impacting the Québec economy – 18 issuers*	42.1
Province of Ontario	3.7
CC&L market neutral funds	3.2
Fiera Properties CORE Fund	3.0
Government of Canada	2.9
DGAM Global Private Infrastructure Fund	2.6
Province of Quebec	2.5
Fidelity Canadian Low Volatility Equity Institutional Trust	1.2

### \* The 18 issuers which collectively represent 42.1% of CRCD's net assets are as follows:

9388-7628 Québec inc.  
 Agropur Coopérative  
 Avjet Holding inc.  
 Capital croissance PME II s.e.c.  
 DC Immo 1ère S.E.C.  
 Desjardins Capital PME s.e.c.  
 Exo-s-inc.  
 Fonds Qscale s.e.c.  
 Fournier Group Holding inc.  
 Gestion Jérico inc.  
 Groupe Canmec inc.  
 Groupe Filgo inc.  
 Groupe Solotech inc.  
 Investissement Groupe Champlain RPA, S.E.C  
 Norbec Group Inc.  
 SJM 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 15, 2024

## 8.0 Management's report

August 15, 2024

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 the 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 *Regulation respecting Development Capital Investment Fund Continuous Disclosure* 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, 2024. Prepared in accordance with *International Financial Reporting Standards* (IFRS) issued by the International Accounting Standards Board (IFRS Accounting Standards), 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) Frédéric Deschênes

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Chief Financial Officer