FitchRatings

Non-Bank Financial Institutions
Investment Managers
Canada

Caisse de dépôt et placement du Québec

Key Rating Drivers

Strong Collateral Coverage: The ratings of Caisse de dépôt et placement du Québec (CDPQ) reflect its exceptionally strong asset overcollateralization and liquidity levels, creditor priority of debtholders to pensioners, captive nature of inflows, experienced management team, solid long-term investment track record, strong corporate governance, and a supportive operating environment and regulatory framework.

Rating Offsets: Offsetting factors include the competitive investment environment which may make it more challenging to identify attractive investment opportunities particularly at scale, the mandate to support economic development in Québec, which could yield outsized exposure to the province, the multi-contributor structure, which could increase investment and operational complexities, and the utilization of short-term wholesale funding.

Returns Held Up Despite Pandemic: CDPQ generated a 7.7% return in 2020, which outperformed peers with the same reporting period and is largely in line with long-term performance, despite the impact of the coronavirus pandemic on economic growth and market volatility. This compares with an average annual return of 8.6% over a 10-year period, which was 40 bps above index returns.

Captive Capital Flows: Captive inflows are highly predictable over time, which allows CDPQ to extend its investment horizon while maintaining appropriate liquidity levels. Net contributions averaged 0.2% of beginning net assets from 2017–2020.

Low Leverage: Fitch Ratings focuses on gross debt, excluding repos and securities sold short, to net assets (i.e. equity) as its primary leverage ratio for pension funds, given the focus on asset overcollateralization. Based on this measure, leverage was exceptionally low at 0.06x, at cost, at Dec. 31, 2020, which was flat year over year. Favorably, leverage is constrained by the board limitation of debt-to-adjusted net assets of 0.10x.

Ample Liquidity: Liquidity is viewed as exceptionally strong given CDPQ's steady inflows, cash on hand, liquid investments, and investment income from its broad mandate. At Dec. 31, 2020, CDPQ had CAD50 bil. of liquidity, consisting largely of government and provincial bonds, which was 2.3x outstanding corporate debt, at fair value. CDPQ also had $4.8 bil. of available capacity under its committed revolving credit facility as of the same date.

Rating Sensitivities

Weakened Credit Profile: Negative rating action could result from a material increase in leverage, a material change in risk appetite, weak investment performance, an increase in investment concentrations and/or an actual or reasonably expected change in the rule of law which has the effect of calling into question credit priority.

Sovereign Sensitivity: The ratings are also sensitive to changes in the credit risk profile of Canada, to the extent that any such changes resulted in a reduction in Canada's Country Ceiling to a level below CDPQ's IDR. On June 18, 2021, Canada's IDR was affirmed at 'AA+' and its Country Ceiling was affirmed at 'AAA'.

Fitch does not believe CDPQ's ratings are directly constrained by the province of Québec's rating, based on the agency's belief that the province does not have the ability to directly impose controls over the pension manager or otherwise limit contributions to the fund, access the assets of the fund or direct the fund to make outsized policy-oriented investments.

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Short-Term Foreign-Currency IDR	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

Related Research

Fitch Affirms Caisse de depot et placement du Quebec's Ratings at 'AAA/F1+'; Outlook Stable (July 2021)

Alternative Investment Managers Benefit from Secular Tailwinds (April 2021)

Fitch Affirms Canada's 'AA+' Ratings; Outlook Stable (June 2021)

Fitch Affirms Province of Quebec's IDR at 'AA-'; Outlook Stable (June 2021)

Fitch Ratings 2021 Outlook: Global Investment Managers (November 2020)

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Issuer Ratings

Rating Level	Long-Term IDR	Short-Term IDR	Outlook
Caisse de dépôt et placement du Québec	AAA	F1+	Stable
CDP Financial Inc.	AAA	F1+	Stable

Source: Fitch Ratings.

The ratings assigned to CDP Financial Inc. are equalized with those of its parent to reflect the full guaranty provided to CDP Financial Inc. by CDPQ.

Debt Rating Classes

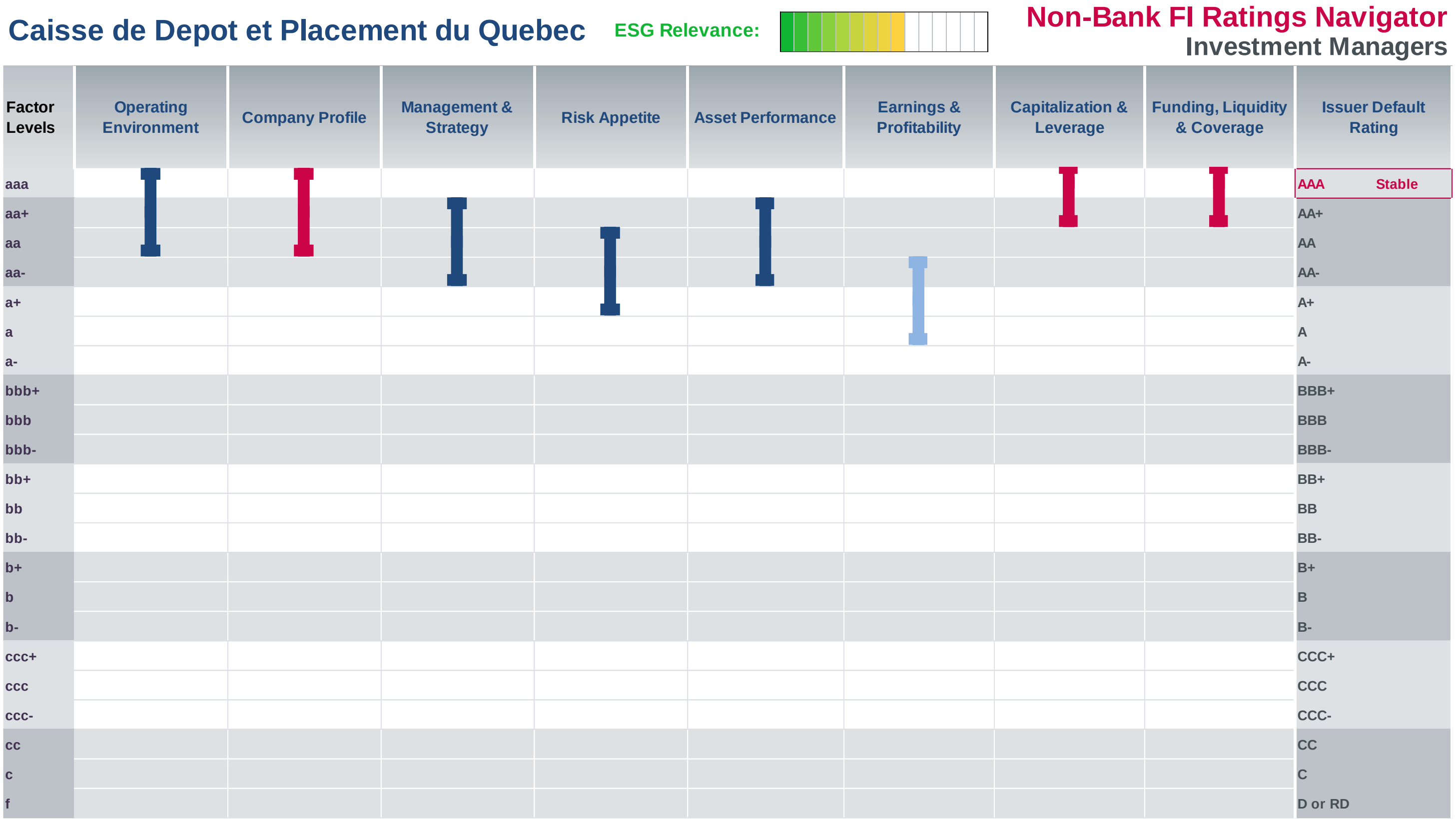
Rating Level	Commercial Paper	Unsecured Debt
CDP Financial Inc.	F1+	AAA

Source: Fitch Ratings.

The short-term Issuer Default Ratings (IDRs) and commercial paper (CP) rating of 'F1+' reflect the strongest intrinsic capacity for timely repayment of financial commitments and maintain the correspondence between short-term and long-term IDRs, as the 'F1+' IDR corresponds to a long-term IDR of 'AAA' under Fitch's criteria.

The unsecured debt rating is equalized with the long-term IDR, reflecting CDPQ's fully unsecured funding profile.

Ratings Navigator



Key Latest Developments

Management Changes

CDPQ recently announced several management changes, including the departure of Macky Tall, a 16-year CDPQ veteran who left the firm after being appointed Head of Real Assets and PE in April 2020. Mr. Tall also served as president and CEO of CDPQ Infra and had previously been appointed chairman of Ivanhoe Cambridge. Effective Jan. 1, 2021, Jean-Marc Arbaud was appointed president and CEO of CDPQ Infra, after serving as managing director, CDPQ Infra since September 2018. Martin Laguerre was appointed EVP and Head of PE and Capital Solutions, the latter being a new investment business unit targeting specialty finance products. Mr. Laguerre has 20 years of experience in PE and finance, serving as managing director, Capital Solutions since 2019. Michel Lalande, EVP, Legal Affairs and Secretariat at CDPQ, was appointed board chairman of Ivanhoe Cambridge.

Separately, Marc-André Blanchard was appointed EVP and Head of CDPQ Global and Vincent Delisle was appointed EVP and Head of Liquid Markets.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative

⇳ Evolving ▫ Stable

Navigator Peer Comparison

Peer Group Summary	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Performance	Earnings & Profitability	Capitalisation & Leverage	Funding, Liquidity & Coverage	Issuer Default Rating	Outlook/ Watch	Rating Action
Caisse de depot et placement du Quebec	aa+	aa+	aa	aa-	aa	a+	aaa	aaa	AAA	Stable	8-Jul-21
OMERS Administation Corporation	aa+	aa+	aa	aa-	aa	a+	aa+	aaa	AAA	Stable	8-Jul-21
Public Sector Pension Investment Board	aa+	aa+	aa	aa-	aa	a+	aaa	aaa	AAA	Stable	7-Jul-21

Company Summary and Key Qualitative Assessment Factors

Ratings Influenced by Country Ceiling of Canada

According to the Act Respecting the Caisse de dépot et placement du Québec (Caisse Act), CDPQ is a mandatary of the Provence of Québec but operates independently. Fitch does not believe the province of Québec has the ability to directly impose controls over the fund or otherwise limit contributions to the fund, access the assets of the fund, or direct the fund to make outsized policy-oriented investments. As a result, CDPQ's ratings are not directly linked to those of the province of Québec. However, CDPQ's ratings are influenced by the Country Ceiling of Canada, to the extent Fitch believed Canada was likely to impose controls over the fund.

On June 18, 2021, Fitch affirmed Canada's Long-Term foreign and local currency Issuer Default Ratings (IDRs) to 'AA+' and affirmed the Country Ceiling at 'AAA'/Stable. Fitch believes there is some degree of cushion in this rating sensitivity given that Canada's Rating Outlook is Stable combined with the limited likelihood that a one to two notch downgrade of Canada's sovereign rating would result in a reduction in its Country Ceiling below 'AAA'.

Strong Corporate Governance Framework

Fitch believes CDPQ's corporate governance is very strong. The board of directors, whose members are appointed by the government of Québec, can be comprised of up to 15 members and two-thirds must be independent. Members are appointed for a five-year term renewable for a maximum of 10 years, with the exception of the chairman, president and CEO positions, which can serve longer terms. The chairman position must by law be independent of the president and CEO.

Second Largest Pension Asset Manager in Canada

CDPQ is Canada's second largest defined benefit pension plan, with CAD365.5 billion in net assets as of Dec. 31, 2020. CDPQ was initially established to manage the funds of the Québec Pension Plan (QPP), but today manages investments for 42 depositors with the objective of achieving optimal returns on capital within the framework of depositors' individual investment policies, while at the same time contributing to Québec's economic development. CDPQ's eight largest depositors represented 96% of net assets at YE20.

Diverse Investment Portfolio

CDPQ has 10 specialized investment portfolios across fixed income, equities, real assets and other investment categories. CDPQ's benchmark portfolio corresponds to the weighted average of the asset allocation decisions made by each depositor when their investment policies are established. Asset allocation decisions are made in the context of upper and lower limits to allow CDPQ to manage overall asset allocation at its discretion to optimize portfolio returns.

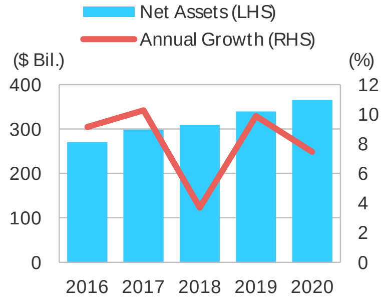
Mandate to Contribute to Québec's Economic Development

CDPQ, as part of its mandate under the Caisse Act, has a requirement to contribute to Québec's economic development. While Fitch believes the mandate could yield outsized exposure to the province, the agency recognizes that local market knowledge may provide CDPQ with a competitive advantage when it comes to investing in the province. In early 2020, to seize opportunities and support Québec companies, CDPQ announced it would deploy a $4 bil. envelope to support Quebec companies during the pandemic and position them for the post-crisis recovery, approximately two-thirds of which has been deployed. CDPQ had CAD68 bil. of total investments in Québec at YE20, including CAD50 bil. in the private sector.

Market Risk Well Managed

CDPQ's level of market risk in its portfolio increased in 2020, due to the effects of the pandemic and the related market downturn, an increase in the weighting of PE, additional risk-taking within the equity markets portfolio during the year to take advantage of attractive opportunities and a generally less defensive positioning in the asset allocation portfolio. CDPQ produces an absolute risk ratio, which is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio. This metric was 1.03 at YE20 compared to 0.99 a year earlier.

Net Asset Growth



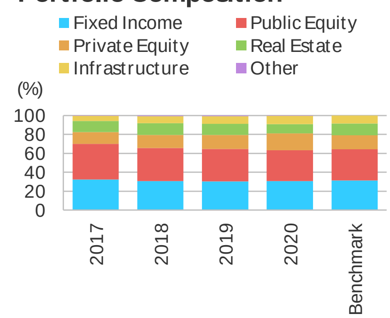
Source: Fitch Ratings, CDPQ.

Largest Depositors

(As of Dec. 31, 2020) Depositor	% of Net Assets
Retirement Plans Sinking Fund (Ministry of Finance)	27.2
Retraite Quebec (Quebec Pension Plan Fund)	24.0
Government and Public Employees Retirement Plan	22.5
Supplemental Pension Plan for Employees of the Quebec Construction Industry	7.6
Commission Des Normes, De L'Equite, De La Sante, Et De La Securite De Travail	5.1
Societe de L'Assurance Automobile du Quebec	3.7
Generations Fund	3.3
Pension Plan of Management Personnel	2.8
Total	96.2

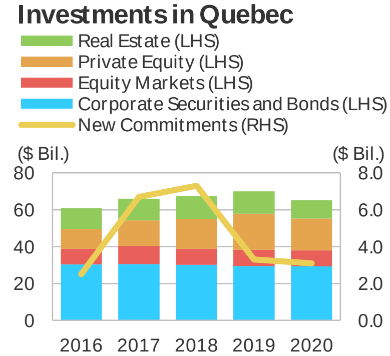
Source: Fitch Ratings, CDPQ.

Portfolio Composition



Source: Fitch Ratings, CDPQ.

Investments in Quebec



Source: Fitch Ratings, CDPQ.

Key Financial Metrics — Latest Developments

Captive Flows Provide Predictability

The predictability of CDPQ's cash inflows and outflows favorably influences Fitch's assessment of its asset performance. The plan has member captivity and depositors can adjust contributions to ensure adequate plan funding. Net contributions turned positive in 2020 after planned withdrawals by the Generations Fund in 2019 and 2018. Net contributions averaged 0.2% of beginning net assets from 2017–2020, which are in line with Fitch's quantitative benchmark range for 'bbb' category investment managers. The benchmark implied score is adjusted up to 'aa' given the captive nature of flows, the predictability of inflows and outflows over an extended period of time and solid long-term investment performance.

Long-Term Investment Returns Exceed Benchmarks

CDPQ achieved a net investment return of 7.7% in 2020, which underperformed benchmark returns by 1.5%. However, over a 10-year period, annualized returns were 8.6%, exceeding index returns by 40 bps. With the exception of real assets, all asset classes have exceeded index returns over the past 10 years. The expected rates of returns for each depositor vary depending on depositor's plan demographics, risk appetite and asset allocation. Returns for the eight main depositors varied from 6.5% to 9.0% in 2020 and 7.0% to 8.3% annualized over the past five years.

Low Leverage Target

CDPQ's board has limited the amount of debt that CDPQ may issue to 10% (0.10x) of its net assets attributable to depositors. CDPQ's leverage is measured on a fair value basis and is calculated as (CP + Term Notes) divided by (Net Assets + CP + Term Notes). On this basis, leverage was 0.06x at YE20, which was flat year over year. Fitch's baseline measure of leverage for CDPQ is gross debt (excluding repos and shorts)/net assets, at cost. On this basis, leverage was also 0.06x at YE20 and YE19, which is considered low. Fitch believes leverage may tick-up modestly over time, but it is expected to remain well within board limits.

Strong Funding Market Access

CDPQ has demonstrated strong access to the funding markets across a variety of geographies, including Canada, the U.S. and Europe. At YE20, CDPQ had CAD6.0 bil. of CP outstanding and CAD16.1 bil. of unsecured term notes, at fair value. During 2020, CDPQ launched a euro CP program and, in May 2021, the fund launched its inaugural green bond issuance, with USD1 billion of 1.0%, five-year senior unsecured notes. Fitch expects CDPQ will continue to opportunistically access the medium-term note market.

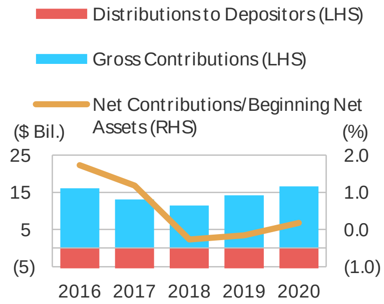
Exceptionally Strong Liquidity Profile

Liquidity is viewed as exceptionally strong given predictable and reliable contributions, cash on hand, liquid investments and investment income from CDPQ's broad investment mandate. When managing liquidity, CDPQ establishes a minimum threshold sufficient to meet its potential commitments as well as those of its depositors; rebalance the overall portfolio; and maintain the desired flexibility in the event of a crisis, including to take advantage of attractive investment opportunities.

During 2020, CDPQ maintained an adequate level of liquidity to meet its financial commitments, with additional liquidity available to seize market opportunities. At YE20, CDPQ had $50 bil. of liquidity (consisting of cash and liquid government securities; up from $46 billion at YE19) and $4.8 bil. of available capacity under its committed revolving credit facility. Although the facility doesn't cover 100% of the CP outstanding, Fitch views CDPQ's very strong liquidity as a mitigating factor.

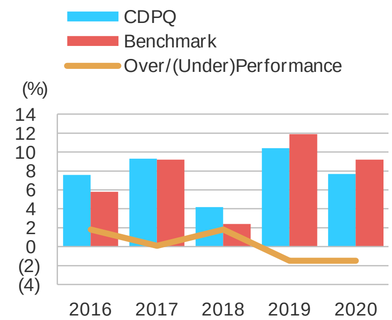
This liquidity reserve covered gross debt outstanding (CP and term notes) by 2.3x (at fair value) at YE20. If repos and securities sold short were added to gross debt, the liquidity reserve coverage ratio would be 1.3x. Given the priority of claim for creditors over pensioners, Fitch also considers collateral coverage of gross debt, based on cash plus unencumbered investment assets. On this basis, collateral coverage was exceptionally strong, amounting to 17.2x (at fair value) at YE20, which Fitch views favorably.

Fund Flows



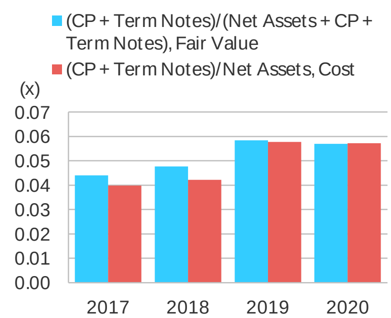
Source: Fitch Ratings, CDPQ.

Investment Performance



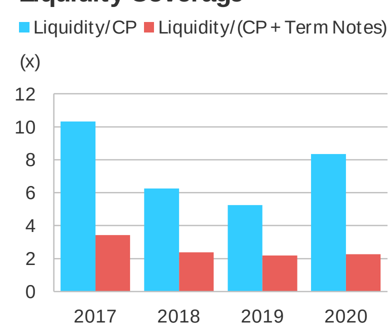
Source: Fitch Ratings, CDPQ.

Leverage Metrics



Source: Fitch Ratings, CDPQ.

Liquidity Coverage



Source: Fitch Ratings, CDPQ.

Environmental, Social and Governance Considerations

FitchRatings **[CONFIDENTIAL] Caisse de Depot et Placement du Quebec**

Non-Bank FI Ratings Navigator
Investment Managers

Credit-Relevant ESG Derivation

Caisse de Depot et Placement du Quebec has 5 ESG potential rating drivers

- Caisse de Depot et Placement du Quebec has exposure to shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	3	issues	2
	6	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment	5
Energy Management	1	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Performance	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Performance	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Income Statement

(CAD Mil., Years Ended Dec. 31)	2016	2017	2018	2019	2020
Investment Income	9,682	9,576	10,222	10,838	9,548
Investment Expense	619	650	886	945	653
Net Investment Income	**9,063**	**8,926**	**9,336**	**9,893**	**8,895**
Operating Expenses	463	536	585	630	609
Net Income	**8,600**	**8,390**	**8,751**	**9,263**	**8,286**
Net Realized Gains	9,556	9,822	7,980	10,142	7,284
Net Unrealized Gains	261	6,384	(4,941)	11,741	9,181
Net Gains on Financial Instruments at FV	**9,817**	**16,206**	**3,039**	**21,883**	**16,465**
Net Investment Result Before Distributions to Depositors	18,417	24,596	11,790	31,146	24,751
Distributions to Depositors	11,783	9,844	12,222	14,739	15,994
Comprehensive Income Attributable to Depositors	6,634	14,752	(432)	16,407	8,757

Source: Fitch Ratings, CDPQ.

Balance Sheet

(CAD Mil., Years Ended Dec. 31)	2016	2017	2018	2019	2020
Assets					
Cash	651	947	675	994	1,021
Amounts Receivable from Transactions Being Settled	3,898	2,447	4,587	6,223	3,116
Advances to Depositors	1,068	1,056	903	960	281
Investment Income, Accrued and Receivable	1,173	1,395	1,352	1,391	1,109
Other Assets	194	255	482	584	588
Investments	308,875	331,050	342,004	382,467	405,978
Total Assets	315,859	337,150	350,003	392,619	412,093
Liabilities					
Amounts Payable on Transactions Being Settled	1,687	2,102	1,113	1,537	3,290
Other Financial Liabilities	536	691	1,172	1,143	1,205
Investment Liabilities	42,890	35,845	38,207	49,830	42,106
Total Liabilities	45,113	38,638	40,492	52,510	46,601
Net Assets Attributable to Depositors	270,746	298,512	309,511	340,109	365,492

Source: Fitch Ratings, CDPQ.

Performance Metrics

(CAD Mil., Years Ended Dec. 31)	2016	2017	2018	2019	2020
Net Asset Growth (%)	9.2	10.3	3.7	9.9	7.5
Net Contributions/Beginning Net Assets (%)	1.7	1.2	(0.3)	(0.2)	0.2
One-Year Return (%)	7.6	9.3	4.2	10.4	7.7
Five-Year Return, Annualized (%)	10.2	10.2	8.4	8.1	7.8
Operating Expenses per $100 of Average Net Assets (x)	0.20	0.22	0.22	0.23	0.23
(CP + Term Notes)/(Net Assets + CP + Term Notes), Fair Value (x)	0.05	0.04	0.05	0.06	0.06
(CP + Term Notes)/Net Assets , Cost (x)	0.04	0.04	0.04	0.06	0.06
(CP + Term Notes + Repos + Short)/Net Assets, Fair Value (x)	0.15	0.12	0.12	0.14	0.11
Liquidity/CP, Fair Value (x)	8.93	10.32	6.25	5.25	8.34
Liquidity/(CP + Term Notes), Fair Value (x)	2.99	3.42	2.38	2.19	2.26
Cash	651	947	675	994	1,021
Non-Cash Investment Assets	308,875	331,050	342,004	382,467	405,978
Less: Assets Pledged	23,624	17,883	17,315	30,665	27,133
Assets Available to Creditors	285,902	314,114	325,364	352,796	379,866
Available Collateral Coverage of Debt	23.74	26.40	24.93	17.98	18.16

Source: Fitch Ratings, CDPQ.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.