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, creditor priority of debtholders to pensioners, captive nature of inflows, experienced management team, solid long-term investment track record and strong corporate governance. The ratings also reflect a supportive operating environment and regulatory framework.

Rating Offsets: Offsetting factors include the challenging investment environment given intensifying global inflation pressures and increasingly adverse implications for economic growth; the multi-contributor structure, which could increase investment and operational complexities; and the utilization of short-term funding. While CDPQ's mandate to support economic development in Québec could yield outsized exposure to the province, management indicated that long-term returns have been among the strongest in the portfolio.

Investments Face Headwinds: CDPQ generated a 13.5% return in 2021, exceeding its benchmark by 276 basis points (bps). Fitch Ratings believes CDPQ could withstand short-term market volatility given its exceptionally strong liquidity and long-term investment horizon; however, a prolonged period of either slow or zero growth coupled with elevated inflation would be more challenging.

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 0.3% of beginning net assets from 2018 through 2021.

Low Leverage, Ample Liquidity: CDPQ's leverage, measured as debt to net assets, was exceptionally low at 0.06x as of Dec. 31, 2021. Liquidity is considered exceptionally strong given CDPQ's steady inflows, cash on hand, liquid investments, investment income from its broad mandate and the ability to use net assets to satisfy debt obligations. As of Dec. 31, 2021, CDPQ had CAD50 billion of liquidity, consisting largely of government and provincial bonds, which was 2.0x outstanding corporate debt, at fair value. CDPQ also had $4.8 billion of available capacity under its committed revolving credit facility as of the same date.

Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade: A significant reduction in liquid assets, an increase in leverage above 0.10x, a material change in risk appetite, sustained weak investment performance, an increase in investment concentrations or an actual or reasonably expected change in the rule of law that has the effect of calling into question credit priority could lead to negative rating pressure.

Sovereign Sensitivity: The ratings are also sensitive to changes in Canada's credit-risk profile to the extent that any such change would trigger a reduction in Canada's Country Ceiling to a level below CDPQ's Issuer Default Ratings (IDRs). On June 14, 2022, Canada's Long-Term Foreign Currency and Local Currency IDRs were affirmed at 'AA+' and its Country Ceiling was affirmed at 'AAA'. Fitch believes this rating sensitivity has some cushion given that the outlook on the Canadian sovereign is stable, coupled with a limited likelihood that a one-notch or two-notch downgrade of Canada's sovereign rating would lead to a reduction of its Country Ceiling.

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

Ratings

Foreign Currency

Long-Term Issuer Default Rating	AAA
Short-Term Issuer Default Rating	F1+

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Stable
Short-Term Foreign Currency Issuer Default Rating	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (January 2022)

Related Research

Fitch Affirms Caisse de depot et placement du Québec at 'AAA'/'F1+'; Outlook Stable (July 2022)

Fitch Affirms Canada's Ratings at 'AA+'; Outlook Stable (June 2022)

Fitch Affirms Province of Québec's (Canada) Rating at 'AA–'; Outlook Stable (June 2022)

Canadian Pensions Can Withstand Higher Inflation, Weaker Growth (May 2022)

Fitch Ratings 2022 Outlook: Global Investment Managers (December 2021)

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Issuer Ratings

Rating Type	Long-Term IDR	Short-Term IDR	Rating 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, reflecting the full guaranty provided to CDP Financial Inc. by CDPQ.

Debt Rating Classes

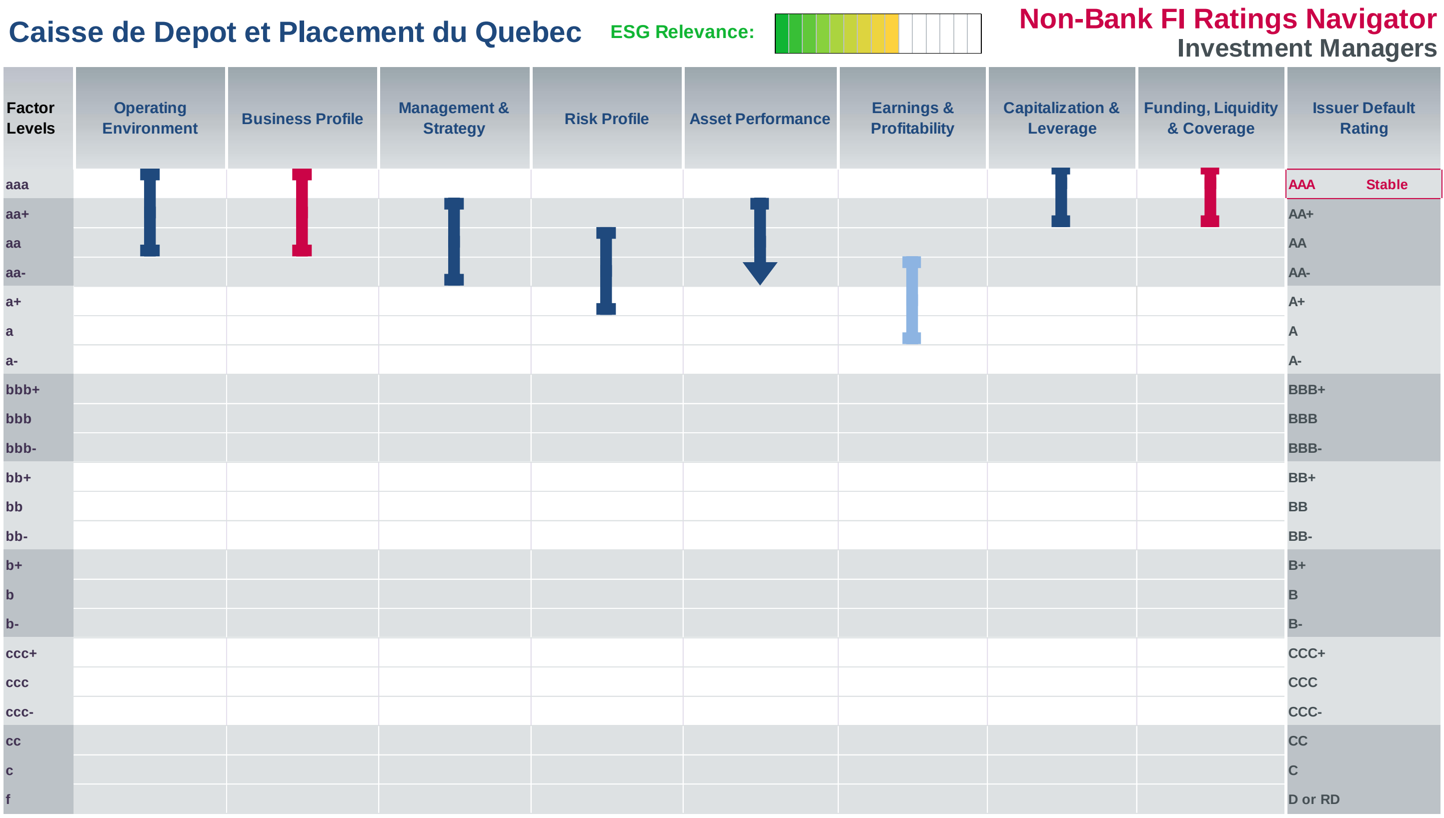
Rating Type	CP	Unsecured Debt
CDP Financial Inc.	F1+	AAA

CP – Commercial paper.
Source: Fitch Ratings.

The Short-Term IDR and CP rating, both at ‘F1+’, reflect the strongest intrinsic capacity for timely repayment of financial commitments and maintain the correlation between the Short-Term IDR and the Long-Term IDR, as the ‘F1+’ Short-Term IDR corresponds to a Long-Term IDR of ‘AAA’ under Fitch criteria.

The unsecured debt rating is equalized with the Long-Term IDR, reflecting CDPQ’s fully unsecured funding profile.

Ratings Navigator



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	5-Jul-22
OMERS Administation Corporation	aa+	aa+	aa	aa-	aa ↓	a+	aa+	aaa	AAA	Stable	5-Jul-22
Public Sector Pension Investment Board	aa+	aa+	aa	aa-	aa ↓	a+	aa+	aaa	AAA	Stable	5-Jul-22

Key Latest Developments

Inflation Pressures Unrelenting Amid Deteriorating Global Growth Forecasts

Fitch's updated "Global Economic Outlook (GEO)," published June 13, 2022, forecasts global GDP growth of 2.9% in 2022, down 6pp (percentage points) from the March 2022 GEO. Global inflation pressures continue to intensify, with increasingly adverse implications for the growth outlook. Recent coronavirus-related lockdowns in China are adding to global manufacturing supply chain pressures, and energy and food supply disruptions from the war in Ukraine are having a swifter impact on European inflation than expected. Inflation pressures are also building in the services sector, particularly in the U.S. and the U.K., where tight labor markets are boosting nominal wage growth. As such, Fitch revised its outlook on the peer group's asset performance to negative from stable to reflect the challenging investment environment and likelihood for losses in 2022 across the peer group.

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

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 (the Caisse Act), CDPQ is a mandatary entity 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 14, 2022, Fitch affirmed Canada's Long-Term Foreign Currency and Local Currency IDRs at '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-notch or two-notch downgrade of Canada's sovereign rating would result in a reduction of 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 comprise 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 excluding the chairman, president and CEO positions, which can serve longer terms. The chairman position must, by law, be independent of the president and CEO. In October 2021, Jean St-Gelais was appointed chairman of the board, following Robert Tessier's retirement at the end of his term. Mr. St-Gelais was previously appointed director in May 2021 and has extensive experience in financial markets.

Second Largest Pension Asset Manager in Canada

CDPQ is Canada's second largest defined benefit pension plan, with CAD419.8 billion in net assets as of Dec. 31, 2021. CDPQ was initially established to manage the funds of the Québec Pension Plan (QPP); however, as of Dec. 31, 2021, it was managing investments for 46 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 YE21.

Diverse Investment Portfolio

CDPQ has eight specialized investment portfolios across fixed income, equities, real assets and other investment categories, which Fitch views, in aggregate, as well diversified geographically and by sector. CDPQ's benchmark portfolio corresponds to the weighted average of 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, allowing CDPQ to manage overall asset allocation at its discretion to optimize portfolio returns.

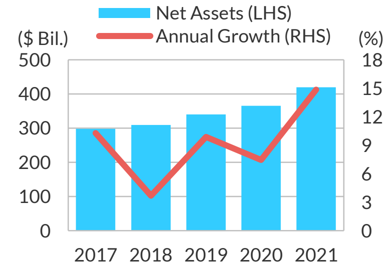
Mandate to Contribute to Québec's Economic Development

CDPQ, as part of its mandate under the Caisse Act, is required 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 afford CDPQ a competitive advantage as far as investing within the province. CDPQ had CAD81.8 billion of investments in Québec, including undispersed commitments, which comprised 17.6% of total investments at YE21.

Market Risk Ticks Up

CDPQ's market risk has increased over the past two years and is now slightly above that of the benchmark portfolio. This is attributable to the effects of the coronavirus pandemic, an increase in the weighting of private equity compared to the benchmark portfolio, additional risk-taking in the equity markets portfolio throughout the year to capitalize on attractive opportunities and continued growth in private credit. Despite this, absolute risk remains within board limits and CDPQ's tolerance.

Net Asset Growth



Source: Fitch Ratings, CDPQ.

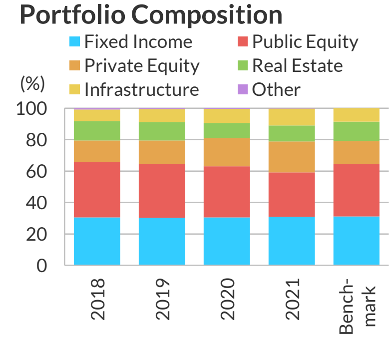
Largest Depositors

(As of Dec. 31, 2021)

Depositor	% of Net Assets
Retirement Plans Sinking Fund (Ministry of Finance)	26.9
Retraite Québec (Québec Pension Plan Fund)	25.2
Government and Public Employees Retirement Plan	21.8
Supplemental Pension Plan for Employees of the Québec Construction Industry	7.3
Commission Des Normes, De L'Equite, De La Sante, Et De La Securite De Travail	4.9
Generations Fund	3.8
Société de L'Assurance Automobile du Québec	3.5
Pension Plan of Management Personnel	2.8
Total	**96.2**

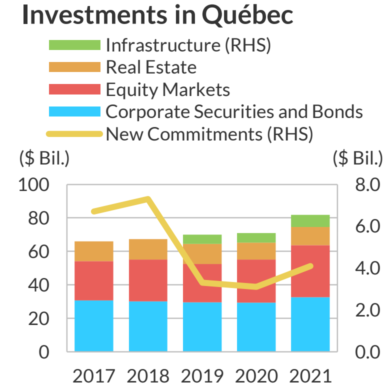
Source: Fitch Ratings, CDPQ.

Portfolio Composition



Source: Fitch Ratings, CDPQ.

Investments in Québec



Note: Infrastructure included in private equity prior to 2019.
Source: Fitch Ratings, CDPQ.

Key Financial Metrics — Latest Developments

Captive Flows Enhance Plan Stability

CDPQ's member captivity and the predictability of cash flows favorably influence Fitch's assessment of its asset performance. Fitch believes the strong capitalization of CDPQ's depositors and their ability to adjust contribution rates to help ensure adequate capitalization offsets potential funding risk associated with investment performance and inflation-adjusted transfers. Fitch believes these dynamics make the fund less reliant on investment performance versus more mature plans with more modest plan funding. Solid long-term investment performance also favorably influences Fitch's assessment of CDPQ's asset performance.

Long-Term Investment Returns Exceed Benchmarks

CDPQ achieved annualized returns of 9.6% over 10 years, exceeding index returns by 70 bps. Outperformance was observed in all asset classes excluding real assets, which were hardest hit during the pandemic, particularly in the retail real estate property segment. In 2021, CDPQ's outperformance relative to its benchmark was driven primarily by strong outperformance in real estate, attributable to continued repositioning of its portfolio toward logistics and mixed-use projects; infrastructure, which generated its strongest return in 10 years; and private equity, due to favorable sector positioning. Fitch's asset performance outlook was revised to negative, reflecting the challenging market backdrop for investments given rising global inflation and increasingly adverse implications for growth.

Demonstrated Adherence to Low Leverage

Fitch 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, CDPQ's leverage was exceptionally low at 0.06x, at cost, as of Dec. 31, 2021, or flat yoy. Leverage is supported by a formal board-level leverage limit of 0.10x on an adjusted basis (gross debt at fair value divided by net assets plus gross debt at fair value, which was also 0.06x as of YE21 and 0.07x pro forma for 2022 debt maturities and February 2022 and April 2022 debt issuances). Fitch expects leverage to remain within board limits.

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 and those of its depositors; rebalance the overall portfolio; and maintain the desired flexibility in the event of a market downturn, including taking advantage of attractive investment opportunities.

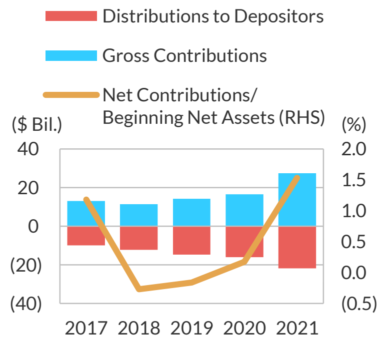
In 2021, CDPQ maintained an adequate level of liquidity to meet its financial commitments, with additional liquidity available to seize market opportunities. At Dec. 31, 2021, CDPQ had CAD50 billion of liquidity (consisting of cash and liquid government securities; flat yoy) and CAD4.8 billion of available capacity under its committed revolving credit facility. This compared with CAD25.3 billion of outstanding CP and unsecured term notes, at fair value, as of YE21. Although the facility does not cover 100% of CP outstanding, Fitch views CDPQ's very strong liquidity as a mitigating factor.

The liquidity reserve covered gross debt outstanding (CP and term notes) by 2.0x, at fair value, as of YE21. 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 18.1x, at fair value, as of YE21, which Fitch views favorably.

Strong Funding Market Access

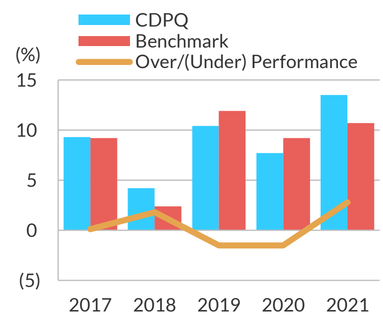
CDPQ has demonstrated strong access to funding markets across a variety of geographies, including Canada, the U.S. and Europe. At YE21, CDPQ had CAD9.7 billion of CP outstanding and CAD15.6 billion of unsecured term notes, at fair value. CDPQ launched a euro CP program in 2020, its inaugural green bond issuance in 2021 and two term note issuances totaling CAD4.9 billion in 2022. Fitch believes CDPQ will continue to opportunistically access the medium-term note market.

Fund Flows



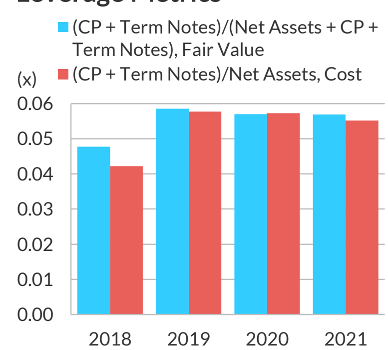
Source: Fitch Ratings, CDPQ.

Investment Performance vs. Benchmark



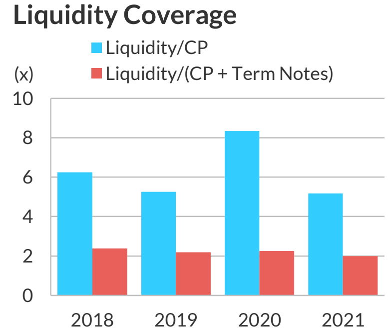
Source: Fitch Ratings, CDPQ.

Leverage Metrics



Source: Fitch Ratings, CDPQ.

Liquidity Coverage



CP – Commercial paper.
Source: Fitch Ratings, CDPQ.

ESG Considerations

FitchRatings **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 Profile	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 profile & management; catastrophe risk; credit concentrations	Business 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 Profile; Asset Performance	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business 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	Business 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	Business 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 Principles 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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Income Statement

(CAD Mil., Years Ended as of Dec. 31)	2016	2017	2018	2019	2020	2021
Investment Income	9,682	9,576	10,222	10,838	9,548	12,797
Investment Expense	619	650	886	945	653	505
Net Investment Income	9,063	8,926	9,336	9,893	8,895	12,292
Operating Expenses	463	536	585	630	609	718
Net Income	8,600	8,390	8,751	9,263	8,286	11,574
Net Realized Gains	9,556	9,822	7,980	10,142	7,284	14,321
Net Unrealized Gains	261	6,384	(4,941)	11,741	9,181	22,834
Net Gains on Financial Instruments at Fair Value	9,817	16,206	3,039	21,883	16,465	37,155
Net Investment Result Before Distributions to Depositors	18,417	24,596	11,790	31,146	24,751	48,729
Distributions to Depositors	11,783	9,844	12,222	14,739	15,994	21,870
Comprehensive Income Attributable to Depositors	6,634	14,752	(432)	16,407	8,757	26,859

Source: CDPQ.

Balance Sheet

(CAD Mil., Years Ended as of Dec. 31)	2016	2017	2018	2019	2020	2021
Assets						
Cash	651	947	675	994	1,021	1,073
Amounts Receivable from Transactions Being Settled	3,898	2,447	4,587	6,223	3,116	2,213
Advances to Depositors	1,068	1,056	903	960	281	1,011
Investment Income, Accrued and Receivable	1,173	1,395	1,352	1,391	1,109	949
Other Assets	194	255	482	584	588	963
Investments	308,875	331,050	342,004	382,467	405,978	466,157
Total Assets	**315,859**	**337,150**	**350,003**	**392,619**	**412,093**	**472,366**
Liabilities						
Amounts Payable on Transactions Being Settled	1,687	2,102	1,113	1,537	3,290	3,443
Other Financial Liabilities	536	691	1,172	1,143	1,205	1,839
Investment Liabilities	42,890	35,845	38,207	49,830	42,106	47,287
Total Liabilities	**45,113**	**38,638**	**40,492**	**52,510**	**46,601**	**52,569**
Net Assets Attributable to Depositors	270,746	298,512	309,511	340,109	365,492	419,797

Source: Fitch Ratings, CDPQ.

Performance Metrics

(CAD Mil., Years Ended as of Dec. 31)	2017	2018	2019	2020	2021
Net Asset Growth (%)	10.3	3.7	9.9	7.5	14.9
Net Contributions/Beginning Net Assets (%)	1.2	(0.3)	(0.2)	0.2	1.5
One-Year Return (%)	9.3	4.2	10.4	7.7	13.5
Five-Year Return, Annualized (%)	10.2	8.4	8.1	7.8	8.9
Operating Expenses per $100 of Average Net Assets (x)	0.22	0.22	0.23	0.23	0.23
(CP + Term Notes)/(Net Assets + CP + Term Notes), Fair Value (x)	0.04	0.05	0.06	0.06	0.06
(CP + Term Notes)/Net Assets, Cost (x)	0.04	0.04	0.06	0.06	0.06
(CP + Term Notes + Repos + Short)/Net Assets, Fair Value (x)	0.12	0.12	0.14	0.11	0.11
Liquidity/CP, Fair Value (x)	10.32	6.25	5.25	8.34	5.17
Liquidity/(CP + Term Notes), Fair Value (x)	3.42	2.38	2.19	2.26	1.99
Cash	947	675	994	1,021	1,073
Noncash Investment Assets	331,050	342,004	382,467	405,978	466,157
Less: Assets Pledged	17,883	17,315	30,665	27,133	22,879
Assets Available to Creditors	314,114	325,364	352,796	379,866	444,351
Available Collateral Coverage of Debt	26.40	24.93	17.98	18.16	18.12

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.