Caisse de Depot et Placement du Quebec

Key Rating Drivers

Strong Collateral Coverage: Caisse de Depot et Placement du Quebec's (CDPQ) ratings reflect the fund's exceptionally strong asset overcollateralization (OC) and liquidity, the creditor priority of debtholders to pensioners, low leverage, the captive nature of inflows, experienced management team, solid long-term investment track record, strong corporate governance and supportive regulatory framework.

Rating Offsets: Offsetting rating factors include a challenging macroeconomic backdrop, including higher interest rates and slowing economic growth; the fund's multi-contributor structure, which could increase investment and operational complexities as it requires the management of varied risk appetites, investment strategies and redemption profiles; and the utilization of short-term wholesale funding sources.

Modest Investment Results: CDPQ generated a net investment return of 7.2% in 2023, marginally underperforming its benchmark by 10 bps. Fitch Ratings expects investment performance to be challenged by higher borrowing costs and slowing growth in 2024. Fitch believes CDPQ's exceptionally strong liquidity provides sufficient cushion to absorb potential investment losses and the fund's long-term investment horizon allows it to endure shorter-term market swings.

Large Pension Fund Manager: CDPQ is the second-largest pension fund asset manager in Canada, with CAD434.2 billion of net assets at YE23. The vast majority of the fund's depositors are legislatively required to deposit funds with CDPQ, which makes inflows highly predictable, allowing CDPQ to extend its investment horizon while maintaining strong liquidity levels.

Extremely Low Leverage: CDPQ's leverage, as measured by debt to net assets, was 0.08x at YE23, or 0.09x pro forma for 2024 debt issuance activity, which is in line with Fitch's quantitative benchmark of 0.15x and lower for investment companies rated 'aa' and higher. 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).

Exceptionally Strong Liquidity: CDPQ's liquidity is exceptionally strong on the back of predictable and reliable contributions, cash on hand, liquid investments, investment income from a broad investment mandate and the ability to use pension contributions to satisfy debt obligations. As of Dec. 31, 2023, CDPQ had CAD60 billion of liquidity (consisting of cash and liquid government securities), compared with CAD36.2 billion of outstanding CP and unsecured term notes at fair value.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+

Sovereign Risk (Canada)	
Long-Term Foreign Currency IDR	AA+
Long-Term Local Currency IDR	AA+
Country Ceiling	AAA

Outlooks	
Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (January 2024)

Related Research

Fitch Affirms Caisse de depot et placement du Quebec at 'AAA'/'F1+'; Outlook Stable (June 2024)

Fitch Affirms Canada at 'AA+'; Outlook Stable (December 2023)

Global Investment Managers Outlook 2024 (November 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A negative action could result from a significant reduction in liquid assets; failure to maintain leverage within a narrow band around 0.10x (based on Fitch's leverage calculation); a material change in risk appetite, particularly if driven by an attempt to improve the funded status of underlying depositors; sustained weak investment performance; increased single-name or industry concentration or an actual or reasonably expected change in the rule of law that calls into question creditor priority.

The ratings are also sensitive to changes in Canada's credit risk profile, to the extent that any such changes result in a downgrade of the country ceiling to a level below CDPQ's Long-Term IDR. Fitch affirmed Canada's country ceiling at 'AAA' on Dec. 19, 2023. Fitch believes there is some cushion in this rating sensitivity. Canada's Rating Outlook is Stable, and there is a limited likelihood that a one- to two-notch downgrade of the sovereign rating would result in a downgrade of its country ceiling.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

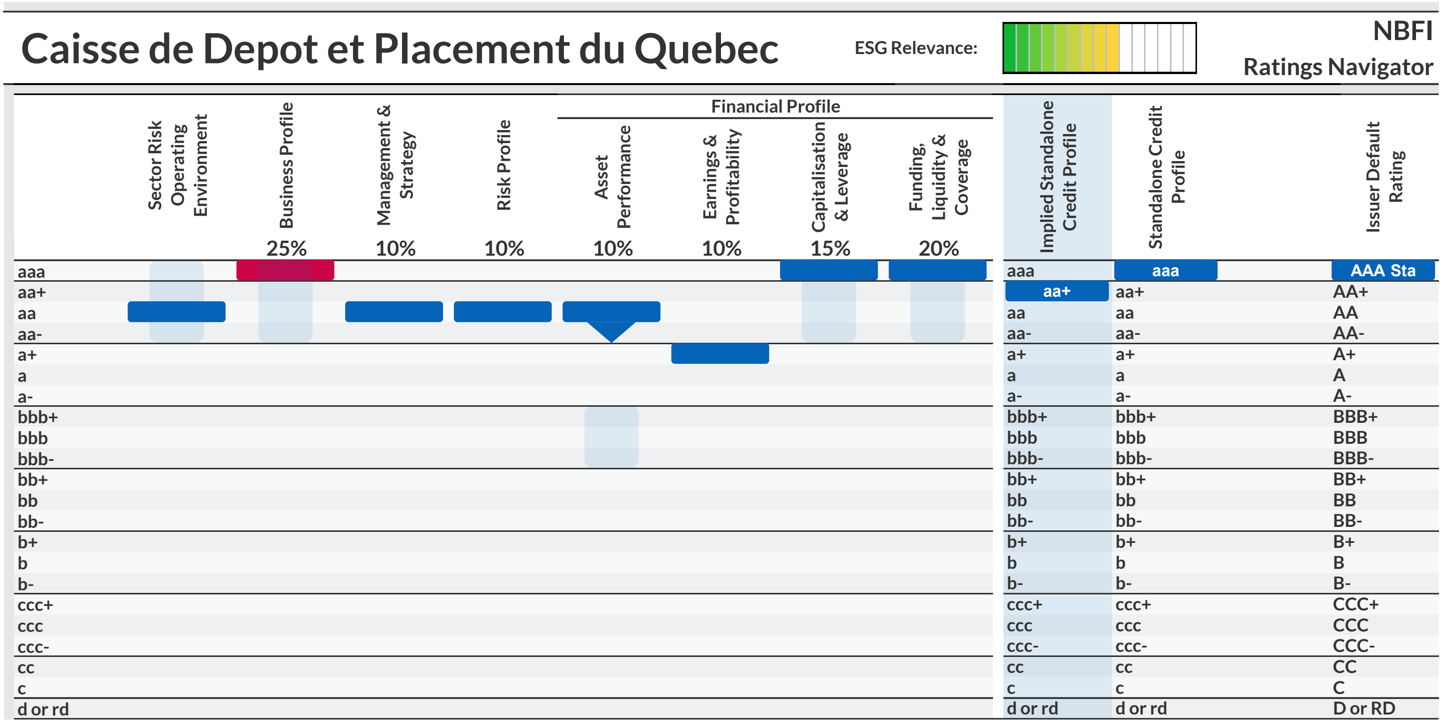
Positive rating action is not possible because the ratings are already at the highest levels on the long-term and short-term rating scales.

Recent Developments

Improved Global Growth Prospects

In its "Global Economic Outlook - June 2024" (GEO), Fitch raised its 2024 global GDP growth forecast to 2.6% in June from 2.4% in March 2024 as confidence in the prospects of a European recovery improves, China's export sector revives and domestic demand in emerging markets excluding China (EM ex-China) shows stronger momentum. The U.S. economy is slowing but only gradually, and Fitch's 2024 growth forecast for the U.S. is unchanged at 2.1%. Fitch increased its eurozone growth forecast by 0.2pp to 0.8% and raised China's growth to 4.8% in June from 4.5% in March 2024. EM ex-China growth has been revised up quite sharply, by 0.5pp to 3.7%. For 2025, Fitch forecasts world growth will edge down to 2.4% as the U.S. slows to a below-trend rate of 1.5% but the eurozone picks up to 1.5%. Fitch expects growth in China also to slow next year, to 4.5%. Fitch's outlook for the pension fund peer group's asset performance remains negative, reflecting an ongoing difficult investment environment driven by challenging macroeconomic conditions and elevated geopolitical risks.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied Standalone Credit Profile (SCP) are shown as percentages at the top. In cases where the implied SCP is adjusted upward or downward to arrive at the SCP, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD. The sector risk assessment acts as a sector-specific constraint on the typical implied operating environment range and is shown as an overlay on the operating environment.

Adjustments

CDPQ' standalone credit profile (SCP) has been assigned above the implied SCP due to the following adjustment reason: Business Profile (positive).

The Asset Performance score has been assigned above the implied score due to the following adjustment reason: Risk profile and business model (positive).

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	aaa	aa	aa	aa ↓	a+	aaa	aaa	AAA	Stable	26-Jun-24
OMERS Administration Corporation	aa	aaa	aa	aa	aa ↓	a+	aa+	aaa	AAA	Stable	26-Jun-24
Public Sector Pension Investment Board	aa	aaa	aa	aa	aa ↓	a+	aa+	aaa	AAA	Stable	26-Jun-24

Key Qualitative Factors

Ratings Influenced by Country Ceiling of Canada

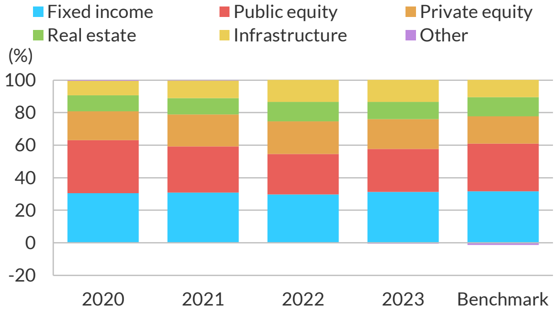
According to the Act respecting the Caisse de dépot et placement du Québec, CDPQ is a mandatory entity of the Province of Québec, but operates independently. Fitch does not believe Québec has the ability to directly impose controls over the fund or otherwise limit contributions to the fund, access the fund's assets or direct the fund to make outsized policy-oriented investments. As a result, CDPQ's ratings are not directly linked to those of Québec.

However, the ratings are influenced by the country ceiling of Canada, to the extent that Fitch believes Canada is likely to impose controls over the fund. Fitch believes there is some degree of cushion in this rating sensitivity, as Fitch has a Stable Outlook on Canada's rating. In addition, there is a limited likelihood that a one- or two-notch downgrade of Canada's rating would result in a reduction of the country ceiling below 'AAA'.

Canada's Second-Largest Pension Asset Manager

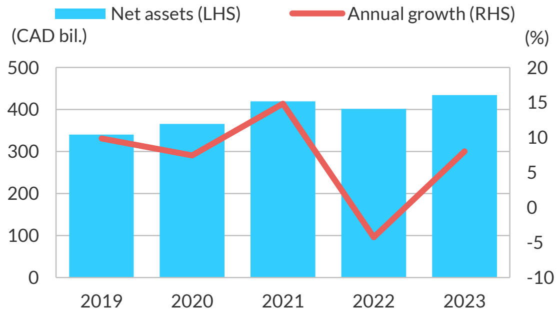
CDPQ is Canada's second-largest defined benefit pension plan, with CAD434.2 billion of net assets as of Dec. 31, 2023. It was established to manage the funds of the Québec Pension Plan, but by YE23 was managing investments for 48 depositors with the objective of achieving optimal returns on capital within the framework of depositors' individual investment policies, while at the same time contributing to Québec's economic development. CDPQ's eight largest depositors represented 97% of net assets at YE23.

Portfolio Composition



Source: Fitch Ratings, CDPQ

Net Asset Growth



Source: Fitch Ratings, CDPQ

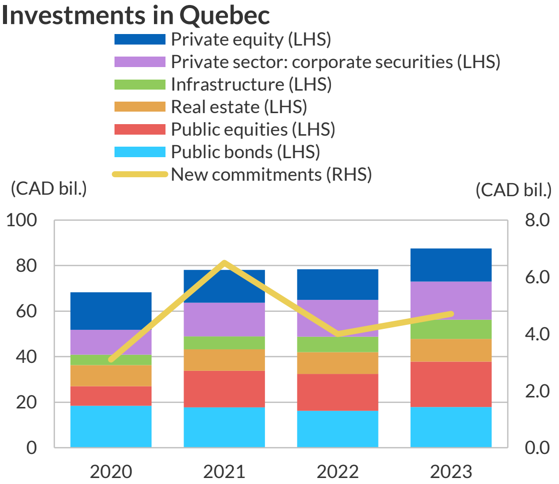
Strong Corporate Governance Framework

Fitch believes CDPQ has strong corporate governance. 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. The chair must, by law, be independent of the president and CEO. The chair is appointed for a term not to exceed five years, while board members are appointed for terms of no more than four years. These mandates may be renewed twice.

Diverse Investment Portfolio

CDPQ has eight specialized investment portfolios across fixed income, equity, real asset and other investment categories that Fitch views, in aggregate, as well diversified by geography and sector. CDPQ's benchmark portfolio corresponds to the weighted average of asset allocation decisions made by each depositor at the time investment policies are established. Asset allocation decisions are made in the context of upper and lower limits, allowing CDPQ to manage overall allocation at its discretion to optimize portfolio returns.

Investments in Quebec



Source: Fitch Ratings, CDPQ

Largest Depositors
(As of Dec. 31, 2023)

Depositor	% of Net Assets
Retraite Quebec (Quebec Pension Plan Fund)	28.0
Retirement Plans Sinking Fund (Ministry of Finance)	26.5
Government and Public Employees Retirement Plan	19.9
Supplemental Pension Plan for Employees of the Quebec Construction Industry	7.1
Commission Des Normes, De L'Equite, De La Sante, Et De La Securite De Travail	4.7
Generations Fund	4.5
Societe de L'Assurance Automobile du Quebec	3.1
Pension Plan of Management Personnel	2.7
Total	96.5

Source: Fitch Ratings, CDPQ

Financial Profile

Captive Flows Enhance Plan Stability

CDPQ's member captivity and predictable cash flows favorably influence Fitch's assessment of the fund's asset performance. Fitch believes the strong capitalization of CDPQ's depositors and their ability to adjust contribution rates to help ensure adequate capitalization offset funding risk associated with investment performance and inflation-adjusted transfers. Fitch believes this makes 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 asset performance.

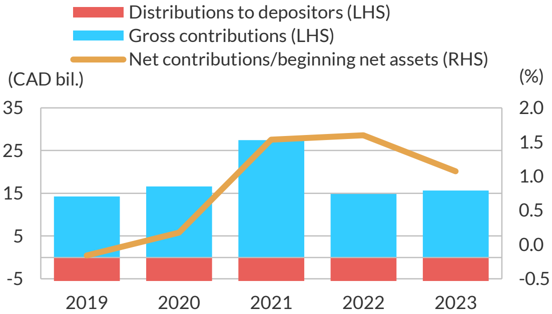
Solid Long-Term Investment Performance

CDPQ achieved annualized returns of 7.4% over 10 years, exceeding index returns by 90 bps. Outperformance was observed most acutely in private equity and infrastructure, with real estate underperforming the benchmark, largely driven by pressure in the retail and office property sectors.

CDPQ generated a net investment return of 7.2% in 2023, underperforming the benchmark by just 10 bps. Returns for CDPQ's eight largest depositors varied from 6.3% to 9.3% in 2023. The expected rate of return for each depositor varies depending on the depositor's plan demographics, risk appetite and asset allocation.

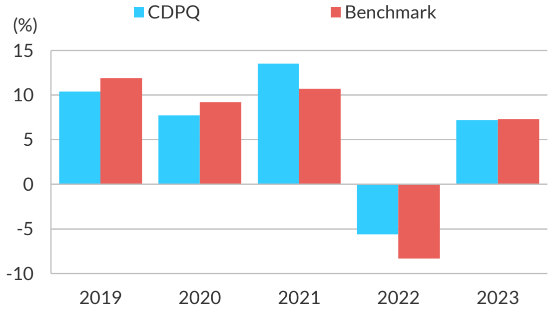
Fitch's outlook for asset performance across the sector remains negative, reflecting the continued challenging macroeconomic backdrop. Fitch expects credit defaults to pick up in 2024, while private equity investments could remain under pressure, given higher borrowing costs and slow to no growth. Real estate is expected to continue to be hindered by secular changes in the office sector and wider cap rates, more generally. Still, higher yields on fixed-income investments should somewhat offset investment pressure.

Fund Flows



Source: Fitch Ratings, CDPQ

Investment Performance Versus Benchmark



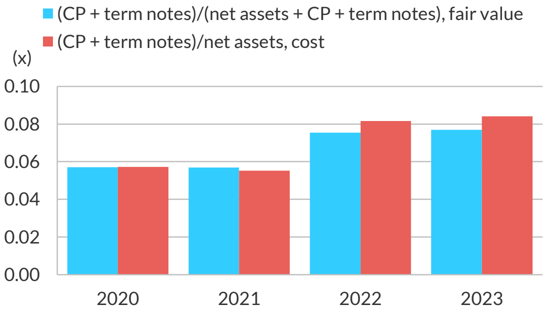
Source: Fitch Ratings, CDPQ

Leverage Remains Low

Fitch assesses the leverage ratio of pension funds by focusing on gross debt, excluding repos and securities sold short/net assets, given the importance of asset overcollateralization, which is driven by the creditor priority of debtholders over pensioners. Based on this measure, leverage was low, at 0.08x as of Dec. 31, 2023, or 0.09x pro forma for 2024 debt issuance activity to date based on YE23 net assets. This is in line with Fitch's quantitative benchmark range of 0.15x and low for investment companies rated 'aa' and above.

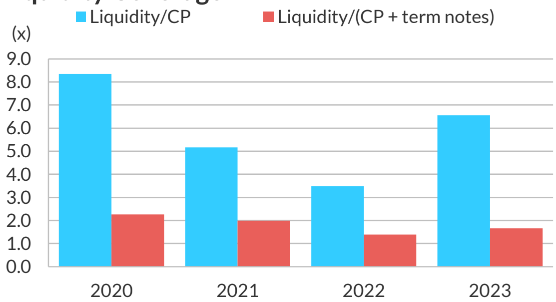
Leverage is supported by a formal board-approved leverage limit of 0.10x on an adjusted basis (gross debt at fair value divided by net assets plus gross debt at fair value), which was also 0.08x at YE23 and 0.08x pro forma for net assets as of June 30, 2024 and debt issuances to date. Complementary measures of leverage also support current ratings levels.

Leverage Metrics



Source: Fitch Ratings, CDPQ

Liquidity Coverage



CP – Commercial Paper
Source: Fitch Ratings, CDPQ

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 YE23, CDPQ had CAD9.2 billion of CP outstanding and CAD27.0 billion of unsecured term notes, at fair value. CDPQ has tapped the term debt market several times in 2024, with proceeds used to build liquidity for investment purposes and to refinance existing debt. In January, CDPQ reopened its 2030 senior unsecured notes for an additional CAD 750 million issuance. In April, CDPQ issued EUR1.5 billion of 3.0%, five-year unsecured senior notes and in June it issued USD1.5 billion of 4.875%, five-year unsecured senior notes. Fitch believes CDPQ will continue to opportunistically access the medium-term note market.

Exceptionally Strong Liquidity Profile

Fitch regards liquidity 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 the commitments of the fund and depositors, rebalance the overall portfolio and maintain flexibility in case of a market downturn, including taking advantage of investment opportunities. Fitch views the plan's extremely strong liquidity as a mitigating factor to the less than 100% committed third-party backup liquidity support for the CP program.

CDPQ had CAD60 billion of cash and liquid government securities (YE22: CAD46 billion) and CAD5 billion of available capacity under its committed revolving credit facility. This compared with CAD36 billion of outstanding CP and unsecured term notes at fair value as of YE23. The nearest debt maturity is in 2025, when an aggregate of approximately USD4 billion (~CAD5.5 billion) comes due.

The liquidity reserve covered gross debt outstanding (CP and term notes) by 1.7x at fair value as of YE23. 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 12.2x at fair value.

Debt Ratings

Debt Ratings: CDP Financial Inc.

Rating level	Rating
Senior Unsecured: Long Term	AAA
Senior Unsecured: Short Term	F1+

Source: Fitch Ratings

The Short-Term IDR and CP rating of 'F1+' reflect the strongest intrinsic capacity for timely repayment of financial commitments. It also maintains the correspondence between the Short- 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 unsecured funding profile.

Debt Rating Sensitivities

The Short-Term IDR corresponds to CDPQ's Long-Term IDR and would be expected to move in tandem with it within a multi-notch band.

The CP rating is sensitive to changes in CDPQ's Short-Term IDR and would be expected to move in tandem with it.

The unsecured debt rating is sensitive to changes in CDPQ's Long-Term IDR and would be expected to move in tandem with it.

Group, Subsidiaries and Affiliated Companies

Ratings have been assigned to the wholly owned debt issuing subsidiary, CDP Financial. These ratings are equalized with the parent, reflecting the unconditional guarantee.

Group, Subsidiaries and Affiliates Sensitivities

CDP Financial's ratings are equalized with those of its parent and would be expected to move in tandem with them.

Environmental, Social and Governance Considerations

FitchRatings **Caisse de Depot et Placement du Quebec** NBFI Ratings Navigator

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.

			ESG Relevance to Credit Rating
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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Sector Risk 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) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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	Sector Risk 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; Capitalisation & 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) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
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 relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to either their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Financials

Income Statement

(CAD Mil., Years Ended Dec. 31)	2019	2020	2021	2022	2023
Investment income	10,838	9,548	12,797	8,648	10,278
Investment expense	945	653	505	962	2,748
Net investment income	9,893	8,895	12,292	7,686	7,530
Operating expenses	630	609	718	924	799
Net income	9,263	8,286	11,574	6,762	6,731
Net gains on financial instruments at FV	21,883	16,465	37,155	-31,374	21,254
Net investment result before distributions to depositors	31,146	24,751	48,729	-24,612	27,985
Distributions to depositors	14,739	15,994	21,870	8,134	11,338
Comprehensive income attributable to depositors	16,407	8,757	26,859	-32,746	16,647

Source: Fitch Ratings, CDPQ annual reports

Balance Sheet

(CAD Mil., Years Ended Dec. 31)	2019	2020	2021	2022	2023
Assets					
Cash	994	1,021	1,073	1,426	1,691
Amounts Receivable from Transactions being settled	6,223	3,116	2,213	2,376	1,569
Advances to depositors	960	281	1,011	727	1,171
Investment income, accrued and receivable	1,391	1,109	949	1,174	1,411
Other assets	584	588	963	1,147	705
Investments	382,467	405,978	466,157	466,957	504,902
Total Assets	392,619	412,093	472,366	473,807	511,449
Liabilities					
Amounts payable on transactions being settled	1,537	3,290	3,443	1,943	4,503
Other financial liabilities	1,143	1,205	1,839	1,634	2,248
Investment Liabilities	49,830	42,106	47,287	68,343	70,451
Total Liabilities	52,510	46,601	52,569	71,920	77,202
Net Assets attributable to depositors	340,109	365,492	419,797	401,887	434,247

Source: Fitch Ratings, CDPQ annual reports

Summary Analytics

Performance Metrics

(CAD Mil., Years Ended Dec. 31)	2019	2020	2021	2022	2023
Net asset growth (%)	9.9	7.5	14.9	-4.3	8.0
Net contributions/beginning net assets (x)	-0.2	0.2	1.5	1.6	1.1
One-year return (%)	10.4	7.7	13.5	-5.6	7.2
Five-year return, annualized (%)	8.1	7.8	8.9	5.8	6.4
(CP + term notes)/(net assets + CP + term notes), fair value (x)	0.06	0.06	0.06	0.08	0.08
(CP + term notes)/net assets , cost (x)	0.06	0.06	0.06	0.08	0.08
(CP + term notes + repos + short)/net assets, fair value (x)	0.14	0.11	0.11	0.16	0.15
Liquidity/Cp, fair value (x)	5.25	8.34	5.17	3.48	6.56
Liquidity/(Cp + term notes), fair value (x)	2.19	2.26	1.99	1.39	1.66
Cash	994	1,021	1,073	1,426	1,691
Non-cash investment assets	382,467	405,978	466,157	466,957	504,902
Less: assets pledged	30,665	27,133	22,879	55,188	60,661
Assets available to creditors	352,796	379,866	444,351	413,195	445,932
Available collateral coverage of debt	17.98	18.16	18.12	12.26	12.22

Source: Fitch Ratings, CDPQ annual reports

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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