CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

This annual management discussion and analysis (MD&A) supplements the financial statements and contains financial highlights but does not reproduce the full annual financial statements of Capital régional et coopératif Desjardins (the Company). It presents management's assessment of the Company's results for the period reported in the financial statements, as well as its financial position and any material changes to it.

The Company's annual compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or asset class 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 the Company's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. The Company 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 annual financial statements may be obtained free of charge, on request, by calling 514 281-2322 or (toll free) 1 866 866-7000, extension 2322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at capitalregional.com or SEDAR at www.sedar.com.

Interim financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31

The following charts present key financial data and are intended to assist in understanding the Company's financial results for the preceding five fiscal years. This information is derived from the Company's audited annual financial statements.

RATIOS AND SUPPLEMENTAL DATA

(in thousands of $, unless indicated otherwise)

	2013	2012	2011	2010	2009
Revenue	**51,982**	53,491	46,894	44,970	39,900
Net income	**24,950**	53,435	122,588	18,696	17,145
Net assets	**1,470,576**	1,356,446	1,220,427	1,019,846	905,921
Shares outstanding (number, in thousands)	**126,165**	118,243	110,776	102,908	93,142
Total operating expense ratio (%)	**2.0**	2.4	3.0	2.8	2.8
Portfolio turnover rate:					
– Investments impacting the Québec economy (%)	**16**	23	28	11	9
– Other investments (%)	**108**	67	110	112	84
Trading expense ratio[1] (%)	**0.0**	0.0	0.0	0.0	0.0
Number of shareholders (number)	**100,861**	103,052	106,577	111,476	118,119
Issues of shares	**149,995**	149,994	153,955	180,982	129,443
Share issue expenses, net of related taxes	**1,740**	–	–	–	–
Redemptions of shares	**59,075**	67,410	75,962	85,753	53,273
Investments impacting the Québec economy at cost	**671,547**	625,414	498,984	473,331	475,785
Fair value of investments impacting the Québec economy	**733,907**	659,045	541,909	439,550	401,321
Funds committed but not disbursed	**227,593**	142,350	151,822	200,485	63,907

[1] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to the Company.

CHANGES IN NET ASSETS PER SHARE

	2013	2012	2011	2010	2009
	($)	($)	($)	($)	($)
Net assets per share, beginning of year	**11.47**	**11.02**	**9.91**	**9.73**	**9.54**
Increase (decrease) attributable to operations	**0.20**	**0.46**	**1.15**	**0.19**	**0.19**
Interest, dividends and negotiation fees	**0.41**	0.46	0.43	0.45	0.43
Operating expenses	**(0.23)**	(0.28)	(0.31)	(0.27)	(0.27)
Income taxes and capital tax	**(0.07)**	(0.09)	(0.07)	(0.07)	(0.06)
Realized gains (losses)	**0.03**	0.48	0.20	(0.36)	0.13
Unrealized gains (losses)	**0.06**	(0.11)	0.90	0.44	(0.04)
Difference attributable to share issues and redemption	**(0.01)**	**(0.01)**	**(0.04)**	**(0.01)**	**0.00**
Net assets per share, end of year	**11.66**	**11.47**	**11.02**	**9.91**	**9.73**

OVERVIEW

The Company closed fiscal 2013 with net income of $25.0 million ($53.4 million in 2012), representing a return of 1.7% (4.2% in 2012). The combined effect of net income and share issue expenses (net of taxes of $1.2 million) amounting to $1.7 million recognized in share capital resulted in an increase of net assets per share to $11.66 based on the number of shares outstanding at the end of the fiscal year, compared with $11.47 at the end of fiscal 2012.

Investments impacting the Québec economy posted a return of 8.9% in 2013, compared with a return of 12.0% in 2012. As at December 31, 2013, the cost of Investments impacting the Québec economy disbursed totalled $671.5 million and investments made during the year reached $143.7 million. Funds committed but not disbursed reached $227.6 million and new commitments for the year came to $229.0 million. Since its capitalization is limited, the Company constantly seeks innovative ways to make a greater contribution to the development of Québec's economy. As the driving force, the Company pursues its mission through several levers it develops with its manager, Desjardins Venture Capital (DVC). Those levers underpin the Company's entrepreneurial ecosystem which comprises funds designed to promote and preserve the best entrepreneurship in Québec.

Other investments generated a return of 0.5% for fiscal 2013, compared with a return of 4.1% for fiscal 2012. The lower return in 2013 is due mainly to impairment of value in the bond portfolio related to the rise in long-term bond rates.

Capital subscriptions during the year reached $150.0 million in only a few hours, while share redemptions totalled $59.1 million. The balance of shares eligible for redemption as at December 31, 2013 totalled $350 million. Net assets stood at $1,470.6 million, up 8.4% compared with the previous year. The number of shareholders as at December 31, 2013 was 100,861.

ECONOMIC ENVIRONMENT

Global economic recovery in 2013 was reined in by a number of factors. Growth in the industrialized countries slowed, declining from 1.3% in 2012 to 1.1% in 2013. As the year opened, the euro zone continued to suffer from the longest recession in its history, only to come out of it finally in the second quarter. The region made advances as financial pressures eased. Forecasting low inflation over an extended period, the European Central Bank reduced its main rate in November 2013 for the second time in the year. At less than 1.0% in December, inflation was still far from the Bank's target. Central banks in the industrialized countries also kept interest rates extremely low. Many emerging countries were hurt by weak demand from industrialized countries. They also struggled to retain foreign capital and stabilize their currencies in early summer as U.S. bond rates rose. Despite widespread fears of a slowdown in China, the pace of growth stabilized at 7.7% for 2013.

The United States experienced a number of bumps in 2013, mainly related to the political and budgetary situations. On the heels of the fiscal cliff as the year opened and the program of automatic government spending cuts kicked in, the political impasse over the budget issue and raising the debt ceiling came back to haunt the U.S. economy in the fall. Government operations were shut down for 16 days in October. As a result, U.S. economic growth shrank from 2.8% in 2012 to 1.9% in 2013. A bilateral agreement was signed on December 10, 2013, reducing budget uncertainty and reviving Americans' confidence in their economy. The job market continued to firm up, along with the housing industry. The Federal Reserve (Fed) decided to taper its bond buying program by US$10 billion starting in January 2014.

Canada maintained its growth rate for 2013 at 1.8%. Exporters continued to take a beating from weak global demand. Québec and, to a lesser extent, Ontario were directly impacted by these factors while the pullback in raw material prices hurt natural resource-rich provinces. Canada-wide, the economy suffered from governmental measures aimed at reducing deficits and slower growth in business investments. Dragged along by their U.S. counterparts, Canadian medium- and long-term rates spiked suddenly as spring drew to a close that continued until the end of the year. Unfavourably impacted by the natural resources sector, the S&P/TSX return of 9.6% seemed slim compared with the 29.6% turned in by the S&P 500 in the U.S.

ECONOMIC OUTLOOK FOR 2014

Global economic conditions are expected to improve in 2014, but remain weak in several regions, particularly the euro zone, with austerity measures and credit weakness further reining in European growth. To shore up the economy and financial system, the ECB could intervene again by cutting its key interest rates or using non-traditional tools.

Elsewhere in the world, emerging countries are expected to recover gradually in step with improving conditions in Europe and the U.S. The political and budgetary problems in the United States have been sidestepped for the time being as the bill on the debt ceiling has been put off until March 15, 2015. The Fed is expected to continue tapering its bond purchases until late 2014. That means factoring in slightly upward trending U.S. medium- and long-term bond rates over 2014, even though the Fed will likely maintain rock bottom key rates into the fall of 2015. In spite of this, gradually improving household financial health and lower unemployment should support consumer spending. Economic growth in the U.S. should pick up to reach 2.9%.

Canada's economy should benefit from growing world demand and the slight rise in raw material prices. This should prompt businesses to increase investments to improve competitiveness. While consumer spending is expected to track the positive trend in the job market and growth in income, prudence will likely remain the watchword given already high levels of indebtedness. In Québec, the real estate market should stabilize in 2014, while most of the other provinces will likely see a slowdown. Overall, economic growth is expected to be about 2.0% for Canada along with Québec and Ontario. Since economic growth is not likely to be strong enough to push inflation above the Bank of Canada's mean target, expectations are that the bank will leave its key interest rates unchanged. Canadian medium- and long-term bond rates will continue to rise as economic conditions improve while the S&P/TSX should generate returns similar to 2013, or about 10%.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

OPERATING RESULTS

COMPANY NET RESULTS AND RETURNS

The Company closed its fiscal year ended December 31, 2013 with net income of $25.0 million, or a return of 1.7%, compared with net income of $53.5 million (return of 4.2%) for the preceding year. The combined effect of net income and share issue expenses (net of taxes of $1.2 million) amounting to $1.7 million recognized in share capital resulted in an increase of net assets per share to $11.66 based on the number of shares outstanding at the end of the fiscal year, compared with $11.47 at the end of fiscal 2012. For information purposes, taking into account their income tax credit, at the current price of $11.66, shareholders who invested seven years ago would obtain an annual after-tax return ranging between 7.7% and 8.3%. Note that the income tax credit allowed for purchases between March 24, 2006 and November 9, 2007 was 35%, while the tax credit for the periods before and after those dates was 50%.

The Company's performance results primarily from Investments impacting the Québec economy and Other investments, which generated contributions of 4.3% and 0.3% respectively while expenses, net of administrative charges and income taxes had an impact of 2.9% on Company performance.

The Company's asset allocation strategy allows it to enjoy a more balanced overall portfolio profile, while actively contributing to Québec's economic development. This should limit the volatility of the Company's returns in periods of substantial market turbulence.

RETURN BY ACTIVITY	**2013**				2012			
	Average assets under management ($M)	**Weighting (%)**	**Return 1 year (%)**	**Contribution 1 year (%)**	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Investments impacting the Québec economy	**683**	**49.5**	**8.9**	**4.3**	588	46.3	12.0	5.2
Other investments and cash	**698**	**50.5**	**0.5**	**0.3**	680	53.7	4.1	2.3
	1,381	**100.0**	**4.6**	**4.6**	1,268	100.0	7.5	7.5
Expenses, net of administrative charges			**(2.3)**	**(2.3)**			(2.5)	(2.5)
Income taxes			**(0.6)**	**(0.6)**			(0.8)	(0.8)
Company's return			**1.7**	**1.7**			4.2	4.2

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Portfolio composition

The Company's manager has allocated its Investments impacting the Québec economy activities across five asset classes.

Development Capital is made up primarily of unsecured investments in the form of non-controlling interests in share capital, advances or loans. These financing packages are designed for companies that are in their growth-phase or have reached maturity. They may also be applicable for start-up businesses located in resource regions. The size of investments in this class ranges generally between $100,000 and $10 million. However, since July 2010, investments of $3 million or less ($5 million or less since July 2013) in new partner companies have normally been carried out through the Capital croissance PME S.E.C. (CCPME) fund and are therefore presented in the Funds class. A description of CCPME appears later in this text.

Company Buyouts and Major Investments has a dual mandate. First, the Company aims to acquire companies to ensure their continuity or to strengthen promising sectors while keeping ownership in Québec. In addition, it supports the growth of profitable companies in all Québec business sectors through interests in their share capital or as an unsecured creditor for amounts ranging between $5 million and $30 million.

The Technological Innovations and Venture Capital – Health portfolios are made up of direct investments in companies specializing in the information technology and life sciences sectors. As at December 31, 2013, these portfolios comprised only seven companies (fair value of $18.1 million) and three companies (fair value of $1.9 million), respectively. The Company aims to optimize the value of the investments it holds but has made no further new investments directly in these asset classes since 2008. Investments in technology or innovation businesses are instead made through partner fund Desjardins – Innovatech S.E.C. (DI).

Since its capitalization is limited, the Company constantly seeks innovative ways to make a greater contribution to the development of Québec's economy. As the driving force, the Company pursues its mission through several levers it develops in conjunction with its manager, Desjardins Venture Capital. The Funds asset class consists primarily of these levers which underpin the Company's entrepreneurial ecosystem, comprising funds designed to promote and preserve the best entrepreneurship in Québec through direct action in almost 210 companies. A more detailed description of each of them is provided later in this text.

- CCPME, whose main goal is to provide subordinated debt financing of $3 million or less to small and medium enterprises in Québec, was created on July 1, 2010. The Company and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest equal shares totalling a maximum of $200 million, most of which to be disbursed over a period of three years. In July 2013, the sponsors made commitments to invest an additional amount of $20 million, in equal shares, for a total maximum amount of $220 million, to increase the maximum amount per investment to $5 million and to extend the investment period to December 31, 2013. Note that since July 2013, CCPME has undertaken no new cooperative financing packages as this type of financing is now being handled through the new Essor et Coopération fund presented later in this text. As at December 31, 2013, the Company had disbursed $95.6 million of its total commitment of $110 million, allowing CCPME to support the development of 177 businesses and funds. As CCPME's investment period is now closed, funds committed but not disbursed totalling $14.4 million will be used for reinvestment and to pay the Fund's current expenses until its scheduled fund end date of July 1, 2021.
- In April 2013, the Company announced the renewal of the partnership agreement with CDPQ through a new fund – CCPME II. A maximum additional amount of $230 million, most of which will be invested over a three-year period, will be used to support small and medium enterprises in Québec. The Company has committed an amount of $115 million. CCPME II commenced activities on January 1, 2014 and the first investments are planned for the first quarter of 2014.
- The Company is also the majority sponsor of the DI fund, which is also managed by DVC. DI has made a commitment to inject a total of $85 million into an ecosystem made up of various funds and partners to support Québec technology or innovation businesses through each stage of their development. As at December 31, 2013, DI had made disbursements of $27.4 million to support a total of 29 companies and funds.
- The objective of the Essor et Coopération limited partnership is to support the creation, growth and capitalization of cooperatives in Québec. This new fund, managed by DVC, will have a capitalization of $44 million, to which the Company has made a commitment of $40 million. The partnership also entered into an agreement with the Business Development Bank of Canada and the Sociétés d'aide au développement des collectivités (SADC) and Centres d'aide aux entreprises (CAE) network to make joint investments into projects, thereby making available a total amount of almost $60 million to Québec cooperatives. Since inception of the Essor et Coopération fund

COMPOSITION OF THE FUNDS ASSET CLASS (fair value amounts)	AS AT DECEMBER 31, 2013		AS AT DECEMBER 31, 2012
	INTEREST IN THE COMPANY		
	(%)	**($M)**	($M)
Entrepreneurial ecosystem			
CCPME	**50.0**	**78.4**	56.9
DI	**54.5**	**52.9**	56.6
Essor et Coopération	**100.0**	**11.0**	–
Other funds launched by the Company		**10.6**	9.5
		152.9	123.0
Other funds		**19.1**	19.7
		172.0	142.7

on January 1, 2013, the Company has disbursed $11.8 million of its total commitment of $40 million, allowing the Fund to support the development of 3 cooperatives.

- The Fonds Relève Québec provides business transfer loans at favourable conditions to Québec business successors to finance a portion of their capital funding. The Québec government and two other partners share in financing the Fund. As at December 31, 2013, the Company had disbursed $2.1 million of its commitment of $10 million.

- In November 2012, the Company partnered with the government of Québec, the CDPQ, Desjardins Group, the Fédération des chambres de commerce du Québec, the Fondation de l'entrepreneurship and Quebecor to create the Fonds Prêt à Entreprendre s.e.c. This initiative targets and supports the most promising new entrepreneurs hailing from the four corners of Québec. The program provides comprehensive assistance for entrepreneurs by extending unsecured, interest-free loans to a maximum value of $30,000, combined with mentoring and technical support. The program budget is approximately $7 million. The Company has made a commitment of $1 million through CCPME. As at December 31, 2013, Fonds Prêt à Entreprendre, s.e.c. had disbursed $1.1 million, providing development support for 52 entrepreneurs.

Activities relating to Investments impacting the Québec economy
Investments of $143.7 million made during fiscal 2013, sale proceeds of $101.0 million and realized and unrealized net gains of $32.0 million brought the total fair value of the Company's investment portfolio, including foreign exchange contracts, to $733.5 million as at December 31, 2013 ($658.8 million as at December 31, 2012). Investments made during the fiscal year were primarily attributable to the Funds and Company Buyouts and Major Investments asset classes, which accounted for amounts of $51.0 million and 61.4 million, respectively.

Investments impacting the Québec economy should also be measured taking into account funds committed but not disbursed, which amounted to $227.6 million as at December 31, 2013, compared with $142.4 million as at December 31, 2012. The conclusion of CCPME II in the fourth quarter gave rise to a significant portion of the increase in funds committed but not disbursed. Total commitments at cost as at December 31, 2013 amounted to $899.1 million in 163 companies, cooperatives and funds, of which $671.5 million was disbursed.

Notes payable and financial liabilities with a fair value of $15.0 million ($11.4 million as at December 31, 2012) were largely attributable to the November 30, 2010 acquisition of certain investments from Desjardins Venture Capital L.P. Their fair value is adjusted according to changes in the fair value of these investments held by the Company. During the fiscal year, the Company did not repay any notes or settle any financial liabilities. Combined with gains of $8.3 million on these investments, the fair value of the notes and financial liabilities was adjusted upwards by $3.6 million, generating a net gain of $4.7 million.

Portfolio return

RETURN BY ASSET CLASS	2013				2012			
	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)	Average assets under management ($M)	Weighting (%)	Return 1 year (%)	Contribution 1 year (%)
Development Capital	154	11.1	4.2	0.5	151	11.9	12.1	1.4
Company Buyouts and Major Investments	362	26.2	12.1	3.0	263	20.8	23.0	3.6
Technological Innovations	10	0.7	8.3	0.1	13	1.0	14.2	0.2
Venture Capital – Health	0	0.1	158.4	0.1	42	3.3	(4.0)	(0.3)
Funds	157	11.4	5.9	0.6	119	9.3	3.8	0.3
	683	49.5	8.9	4.3	588	46.3	12.0	5.2

During fiscal 2013, the Investments impacting the Québec economy portfolio generated a positive contribution of $61.4 million, an 8.9% return, compared with $66.0 million in 2012 (a return of 12.0%). Results in 2013 were primarily attributable to solid performance in the Company Buyouts and Major Investments asset class, where certain portfolio companies shone in the current economic climate.

CONTRIBUTION GENERATED BY INVESTMENTS IMPACTING THE QUÉBEC ECONOMY (in thousands of $)	2013	2012
Revenue	**33,194**	31,784
Gains and losses	**28,234**	34,259
	61,428	66,043

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability. Since January 1, 2013, negotiation fees, which amounted to $2.8 million for fiscal 2013, are earned by DVC and a credit for that amount is applied by reducing the management fees paid to DVC by the Company. The purpose of this change is to compensate the manager for the expenses incurred. Negotiation fees continue to be considered in the contribution generated by Investments impacting the Québec economy as they are included in the profitability analysis of the investments.

The Company 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.

The Company recorded a gain of $28.2 million in its results for the fiscal year compared with a gain of $34.3 million in 2012.

As at December 31, 2013, the overall risk level of the Investments impacting the Québec economy portfolio had improved compared with its December 31, 2012 level, as shown in the Credit and counterparty risk section.

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.

This portfolio, consisting primarily of bonds, money market instruments and preferred shares, provides stable current revenue for the Company and ensures the necessary liquidity to fund share redemptions and investments.

As at December 31, 2013, the Company's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $717.2 million compared with $678.2 million as at December 31, 2012. These funds were invested mainly in the fixed-income securities market in highly liquid, low-credit risk instruments. As at December 31, 2013, 65% of portfolio bond securities were government-guaranteed (70% as at December 31, 2012).

Other investments accounted for 49% of the portfolios total net assets as at the end of fiscal 2013, which is comparable to the percentage reported as at December 31, 2012. Commitments already made but not disbursed of $227.6 million, representing 15% of net assets, will eventually be covered from the Company's Other investments portfolio and allocated to Investments impacting the Québec economy.

The Company anticipates that the percentage of the Other investments portfolio to total net assets will gradually decrease in coming years to around 35% as the pace of redemptions levels off as expected. In keeping with its core mission, this will allow an increase in funds allocated to Investments impacting the Québec economy.

The Company has implemented liquidity management strategies for the Other investments portfolio to optimize return potential while retaining the required liquidities to meet liquidity needs arising from redemption requests from shareholders and investments impacting the Québec economy it expects to make.

To enhance total portfolio returns, the securities advisor mandated by the Company's manager is also authorized to take market positions using repurchase agreements. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Financial Asset Management Committee and tracked daily by the securities advisor. This activity generated a gain of $0.8 million for fiscal 2013 ($1.3 million in 2012). As at December 31, 2013, the Company had no market positions.

CONTRIBUTION GENERATED BY OTHER INVESTMENTS (in thousands of $)	2013	2012
Revenue	**21,098**	21,108
Gains and losses	**(17,564)**	8,118
	3,534	29,226

Revenue consists of interest, dividends and trading activities related to Other investments. Interest income (primarily from bonds) is recognized at the bond rate in effect at the acquisition date.

Other investments made a positive contribution of $3.5 million in fiscal 2013 compared with a positive contribution of $29.2 million in 2012. Current revenue was comparable with the same period of 2012.

For fiscal 2013, the Company recorded a loss of $17.6 million on its Other investments portfolio. The loss stemmed primarily from the rise in bond rates. Five-year Government of Canada benchmark bonds posted yields of 1.95% as at December 31, 2013, due to an increase of 57 basis points during the year.

Over the last few years, the fair value of the bond portfolio benefited from repeated interest rate decreases. A potential sustained rise in rates will have a negative impact on unrealized changes in value. The Company's financial asset management strategy is to match the average maturity of Other investments with the average maturity of expected cash outflows, thereby limiting the long-term effect of interest rates on the Company's results.

CAPITAL RAISING

The Company offers its shares exclusively through the Desjardins caisse network. As at December 31, 2013, this distribution network consisted of 360 Desjardins caisses and 937 service centres, for a total of 1,297 points of sale.

As of the date of this report, subscription of shares of the Company entitles the shareholder to receive a non-refundable tax credit, which applies only to Québec tax, for an amount equal to 50% of all amounts subscribed, up to a maximum tax credit of $2,500 per capitalization period. The minimum holding period for shares of the Company is seven years to the day from the date of purchase before the shareholder would normally be eligible for a redemption. 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.

The Company may raise a maximum of $150 million per capitalization period until its share capital reaches the Company's $1,250 million capitalization limit for the first time by the end of a capitalization period.

Beginning with the capitalization period following the period in which the limit is reached for the first time, per capitalization period, the Company may raise the lesser of $150 million and the amount of the reduction in share capital attributable to the Company's redemptions or purchases by agreement during the preceding capitalization period. Each 12-month capitalization period begins on March 1 of each year. A special tax is payable by the Company if it fails to comply with these limits, and control mechanisms have been implemented by the Company to ensure compliance.

As at December 31, 2013, the Company had $1,285 million in share capital for 126,164,932 outstanding shares. The Company considers it unlikely that any redemptions made during the first two months of 2014 will reduce capitalization to below $1,250 million by the end of the capitalization period on February 28, 2014. In the circumstances and given the restrictions in effect as of the date of this report, February 12, 2014, pursuant to the Company's constituting act the authorized amount of subscriptions for the capitalization period beginning March 1, 2014 is expected to be significantly reduced, subject to the outcome of discussions currently underway with the government.

Subscriptions during fiscal 2013 reached $150 million, the same amount as in fiscal 2012.

The 2013 issue that went on sale on April 15, 2013 met with unprecedented success as the $150 million maximum available amount for the current capitalization period entirely sold out in just a few hours.

During fiscal 2013, redemptions and purchases by agreement totalled $59.1 million ($67.4 million in 2012). The Company believes that the current economic conditions and weak interest rates are behind the low volume of redemptions.

As at December 31, 2013, the balance of shares eligible for redemption totalled over $350 million. During fiscal 2014, additional shares with an approximate value of $112 million will also become eligible for redemption, bringing potential redemptions close to $462 million for fiscal 2014.

The shareholders' equity of the Company as at December 31, 2013 totalled $1,470.6 million broken down by issue as follows:

ISSUE	ISSUE PRICE ($)	BALANCE* (M$)	ELIGIBLE FOR REDEMPTION
2001	10.00	31.7	2008
2002	10.00	90.3	2009
2003	10.12 and 10.24	44.7	2010
2004	10.25	55.8	2011
2005	10.25	62.7	2012
2006	10.37 and 10.21	64.9	2013
2007	10.21 and 9.92	112.3	2014
2008	9.89 9.83 and 9.54	164.7	2015
2009	9.54 9.62 and 9.73	180.2	2016
2010	9.73 and 9.80	177.6	2017
2011	9.91 and 10.02	175.3	2018
2012	11.02	158.2	2019
2013	11.47	152.2	2020
Shareholders' equity		**1,470.6**	

* Calculated at net asset value per share as at December 31, 2013.

During fiscal 2013, the Company gained 4,938 new shareholders which, also taking redemptions into account, brought the number of shareholders to 100,861 as at December 31, 2013, compared with 103,052 as at December 31, 2012.

The Company's policy is to reinvest income from operations 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 $)	2013	2012
Management fees	**23,533**	27,529
Other operating expenses	**3,749**	3,376
Shareholder services	**1,832**	1,611
	29,114	32,516

The annual management fees paid to DVC represent a percentage of the Company's annual average assets' value, less any amounts payable related to Investments impacting the Québec economy and Other investments. This percentage decreased from 2.25% in 2012 to 2.02% on January 1, 2013. This rate may be revised by the parties for fiscal 2014.

Furthermore, since January 1, 2013, negotiation fees, which amounted to $2.8 million for fiscal 2013, are earned by DVC and a credit for that amount is applied by reducing the management fees paid to DVC by the Company.

The new management agreement, effective January 1, 2013, provides for the invoicing of separate fees for the contribution made by the Desjardins caisse network for distribution of the Company's shares. For fiscal 2013, the share issue expenses net of related costs amounted to $1.7 million. In accordance with generally accepted accounting principles in Canada (GAAP), the Company reports share issue expenses as a reduction of share capital. Moreover, under the new management agreement, certain expenses related to governance are now attributed to the Company. The previously mentioned decrease in management fees to 2.02% is aimed at ensuring a neutral effect and limiting the impact on the Company's total expenses.

As in the past, the management fees incurred by the Company are adjusted to avoid double billing as regards the Company's holdings in certain investment funds.

The $0.4 million increase in Other operating expenses results mainly from fees related to the implementation process for new investment software to manage higher volumes of direct and indirect investments.

The Company has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since the Company began operations, Desjardins Trust has represented the largest component of the Company's shareholder service expenses. The agreement was renewed at the same conditions until June 30, 2014 except for the scrutineer's mandate and the fee rate, which was adjusted on July 1, 2013 and will continue to apply until December 31, 2014.

The Company has entrusted the Fédération des caisses Desjardins du Québec with the activities related to the distribution of the Company's shares across the Desjardins caisse network. The contract is renewable from year to year at market conditions, unless written notice is given by one or the other of the parties three months in advance. Moreover, share issue expenses, recognized as a reduction of share capital, have been paid to the Desjardins caisse network for the 2013 issue.

Total operating expense ratio decreased to 2.0% (2.4% in 2012). The decline stemmed from the growth in average assets, the decrease in the annual management fee percentage paid to DVC, the credit amount for negotiation fees earned by DVC and the growing proportion of assets invested in funds.

Income taxes for fiscal 2013 amounted to $8.6 million, compared with $9.9 million for the same period in 2012. Revenue type has a significant impact since, unlike business income, capital gains are eligible for deductions and mechanisms allowing for income tax refunds.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from capital raising initiatives net of redemptions for fiscal 2013 totalled $88.3 million ($82.6 million in 2012). Operating activities generated cash inflows of $3.3 million, compared with inflows of $4.9 million in 2012.

The Company's investment activities resulted in cash outflows of $82.2 million in fiscal 2013, compared with $109.0 million in 2012. Cash outflows in Investments impacting the Québec economy amounted to $131.9 million for fiscal 2013, compared with $228.0 million for 2012. Fiscal 2012 was particularly active, with the acquisition of three significant investments largely accounting for the difference. In accordance with the Company's financial asset management strategy, a portion of the excess liquidities generated by operating and financing activities was allocated to the Other investments portfolio, which posted net investments of $57.6 million for fiscal 2013 compared with net investments of $8.4 million for fiscal 2012.

As at December 31, 2013, cash and cash equivalents totalled $20.3 million ($11.0 million as at December 31, 2012).

The Company has an authorized line of credit of $10 million. In the event that liquidity needs exceed expectations, this line of credit could be used on a temporary basis to cover the Company's obligations. This additional flexibility optimizes cash levels held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during fiscal 2013.

Given the management approach of matching the average maturity of Other investments with the average maturity of its expected cash outflows, the Company does not anticipate any shortfall in liquidities in the short or medium terms and expects to be able to repurchase shares issued at least seven years earlier from those shareholders who make such a request.

COMPANY VISION, MISSION, OBJECTIVES AND STRATEGIES

On the initiative of the Desjardins Group, the Company was founded on July 1, 2001, following adoption of the *Act constituting Capital régional et coopératif Desjardins by Québec's National Assembly on June 21*, 2001. DVC manages the Company's activities.

VISION AND MISSION

The Company strives to value and nurture the best of Québec entrepreneurship that is part of the collective wealth that is ours to have and to hold. Accordingly, the Company has defined its vision as follows:

> Making our economic future take root, here and now. That's… capital.

With that in mind, the Company's mission will be to:

> Energize our entrepreneurship. Prioritize Québec ownership. Grow our collective wealth and make it last for generations to come. By crossing over our walkways to tomorrow, together we can contribute to the vitality of an entire economy.

OBJECTIVES

To fulfil its mission, the Company pursues three main objectives:

- Offering financial packages and development strategies tailored to new business needs such as transfers or buyouts to keep jobs and retain business ownership in Québec;
- Growing its partner companies;
- Ensuring integrated management of financial assets to generate reasonable shareholder return.

The Company expects to meet its investment objectives, in particular by maintaining a presence in all Québec regions via its manager's twenty-some business offices, and by supporting the growing need for business transfers.

STRATEGIES

Fulfilment of the Company's mission and vision is driven by the following four strategic goals:

- Strengthen regional economic development;
- Ensure reasonable return on capital;
- Ensure adequate capitalization to meet the business objectives;
- Optimize the impact of the distribution network.

The Company's manager organizes its teams to optimize efficiency and management fee control. This administrative organization aims to appropriately fulfil the mandate of driving regional and cooperative development and Québec's economic development in general. As a result, in 2013 the manager allocated its Investments impacting the Québec economy activities across four lines of business, mainly according to company size and asset class:

- **Development Capital** to consolidate regional activities such as the resource regions and cooperatives;
- **Company Buyouts and Major Investments** to cover major investments such as company buyouts and their related employee-shareholder cooperatives, and investments in information technologies;
- **Venture Capital – Health** to consolidate the few investments in life sciences;
- **Funds** for all investment activities carried out through funds.

Each business line represents one asset class except for Company Buyouts and Major Investments that, given its varied profile, is made up of two asset classes – Company Buyouts and Major Investments, and Technological Innovations. The Company has five asset classes in its Investments impacting the Québec economy portfolio.

In keeping with its strategic orientation of support for the cooperative movement, the Company's manager encourages the establishment of employee-shareholder cooperatives, an initiative that allows employees to become co-owners in their companies together with the existing management

team and the Company. This gives employees the opportunity to participate in the economic development of their regions, and to enjoy a share of the resources of their respective environments.

The Company also has the mandate to maximize total shareholder returns while maintaining their capital value. Using a global approach to managing its financial assets, the Company manages its portfolio of Investments impacting the Québec economy jointly with its Other investments portfolio. This allows the Company to balance its overall investment portfolio and limit volatility in share value due to changing economic conditions over the entire holding period.

To do this, the Company's strategy for managing financial assets is as follows:

- The Company takes an integrated and overall approach to managing its financial assets, which means that target asset allocation must include diversification to reduce the risks inherent in certain asset classes within the investment portfolios.
- The objective is to optimize the after tax risk/return ratio of the Company's financial assets in compliance with its role as an economic development agent, to limit six-month fluctuations in the value of its shares and secure reasonable returns for shareholders.
- A sufficient portion of the Company's financial assets must be invested in liquid securities to meet any share redemption requests that exceed issues of shares.
- A sufficient portion of the Company's financial assets must be invested in securities that generate current income to meet the Company's expenses.

Last, the Company must fulfil its mission within certain guidelines that include investing 60% of its average net assets in eligible Québec companies while 35% of those investments must be in Québec's resource regions or in eligible cooperatives. If these criteria were not met, the Company could be subject to penalties. As at December 31, 2013, no amount was owing by the Company under these criteria.

RISK MANAGEMENT

RISK GOVERNANCE

The Board of Directors manages the Company's business and oversees the fulfilment of its mission. To do so, its primary duties are twofold: directing and overseeing all of the Company's activities and the risks to which it is exposed. In 2013, the Board reviewed the governance policy which sets out its roles and responsibilities.

The majority of Board members are independent of the Company according to generally accepted principle for determining independence, i.e. by assessing whether the business or personal relationships between a director and the Company give rise to doubts as to his/her impartiality. The Board of Directors also assesses the relationship of each director with Desjardins. Accordingly, a director of the Company is not considered independent if he/she is a director, officer or employee of a legal entity that has a business relationship with the Company and is also part of Desjardins Group (directors serving on caisse boards of directors are considered independent of the Company).

During fiscal 2013, the Board of Directors gave particular consideration to the risk management process, in particular discussing levels of risk appetite, developments in risk management and practices, the risk management framework and indicators associated with each type of risk. It reviewed the committee charters and ensured that the oversight and framework of the different risks identified were allocated across the committees.

The Board of Directors is supported by seven committees that regularly report to it and make appropriate recommendations. Also, the manager reports on outsourced activities through its executives who attend all meetings of the Board and the committees.

Each committee, as it deems appropriate, holds a closed meeting without the manager's resources present. Each committee regularly assesses its performance with respect to its mandate and presents its conclusions to the Board of Directors.

Other than specific mandates given to them by the Board of Directors from time to time, the main responsibilities of the committees are presented below:

Executive Committee

The Executive Committee is made up of five members, a majority of whom are independent. In accordance with the General Bylaws of the Company, this committee is authorized to exercise all of the Board's powers, except those statutory powers that must be exercised exclusively by the Board and any powers expressly reserved to it. The Committee's duties contemplate seven main areas: (i) Governance and Performance Measurement, (ii) Overall Risk Management Process, (iii) Board and Committee Functions, (iv) Subscriptions,(v) Investment (credit and counterparty risk), (vi) Share Ownership and (vii) Other Operational Functions or Risks.

Its duties also include monitoring the following special risks: credit and counterparty, outsourcing, reputational (general), non-compliance with statutes, the constituting act and the Company's regulatory framework (subscriptions), litigation and dependence related to partnership with Desjardins.

The Committee assists the Board of Directors in suggesting and reviewing the Company's governance structure and principles and manages the annual review process of the effectiveness of the Board of Directors and its committees. As additional functions, it also has responsibility to interpret and apply the Purchase-by-Agreement policy and make recommendations to the Board in that regard. Furthermore, it holds quarterly discussions with the Company's manager concerning high-risk files and the corrective measures taken.

Audit Committee

The Audit Committee consists of four exclusively independent, financially literate members who collectively represent a range of expertise appropriate to their mandate. To maintain its independence, it meets the independent auditor without the manager or management present at such times as it deems appropriate and at least once every six months. The Committee's general mandate is to assist the Board of Directors in its oversight and accountability roles with aspects relating to the quality, reliability and integrity of financial reporting and continuous disclosure. It ensures the existence and effectiveness of the manager's internal controls over financial reporting, and verifies that the manager implements and maintains adequate compliance mechanisms relating to legal and statutory requirements likely to have a material effect on financial reporting. Its role also includes a component related to the work, performance, independence, appointment and recommendation of the independent auditor.

Financial Asset Management Committee

The Financial Asset Management Committee is made up of at least four members, a majority of whom are independent, who have a range of complementary expertise and sufficient literacy in finance, accounting and economics to properly understand the nature of the financial assets held by the Company and the related financial risks. The Committee's primary mandate is the coordination and matching of the Company's financial assets to optimize overall risk/return ratio. The Committee monitors the Company's performance and ensures its compliance with regulatory targets. The Committee also has oversight duties with respect to the following risks: market, liquidity, credit and counterparty, concentration and outsourcing to securities advisors.

Governance and Ethics Committee

The Governance and Ethics Committee is made up of three exclusively independent members who represent a range of complementary expertise and experience in governance, ethics or professional conduct. Its general mandate is to report to the Board of Directors concerning all matters pertaining to the application of the Company's Code of Professional Conduct that the Board has submitted to it and takes an advocacy role with respect to such code towards the members of the Board of Directors, its committees, and the manager's resources. With the Board of Directors, the Committee oversees compliance with the Company's mission and values. It oversees non-compliance risk related to governance, the independence of Directors and committee members, Board committee member profiles and governance structure, as well as investment-related reputational risk. The Committee updates the governance policy and committee charters, reviews related party transactions, assesses conflict of interest situations and monitors governance regulations and trends.

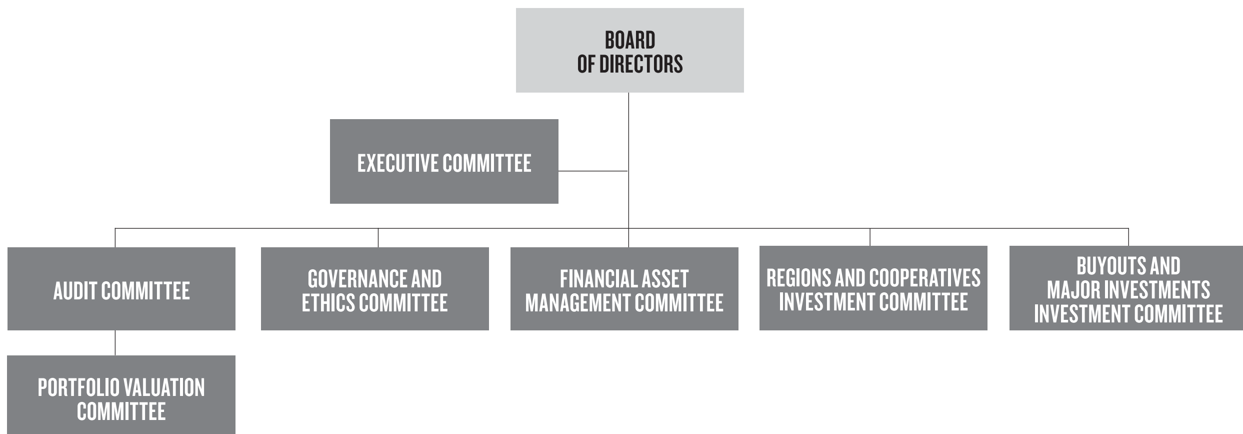
Investment committees

The general mandate of the Regions and Cooperatives Investment Committee, comprising eight members, and the Buyouts and Major Investments Investment Committee, made up of six members, consists in evaluating and approving transactions related to Investments impacting the Québec economy within the limits of the decision-making process approved by the Board of Directors and providing appropriate oversight of them. In addition to these duties, the Buyouts and Major Investments Investment Committee is required to carry out an annual governance review of partner companies following company buyouts. These committees are made up of two of the Company's directors, one of whom is the chair, and external members selected according to their experience and their knowledge of the sectors targeted under the various policies governing the Investments impacting the Québec economy activities, and for their ability to judge quality and detect risks related to a transaction, respectively. The committees consist of a majority of independent members.

Portfolio Valuation Committee

The general mandate of the Portfolio Valuation Committee is to provide oversight of operational risk related to non-compliance with the portfolio valuation methodology. Its role consists in reviewing all relevant information concerning valuation of the Company's Investments impacting the Québec economy portfolio in order to provide reasonable assurance that the valuation process complies with the regulations applicable to the Company. This Committee is made up of five members, who include two of the Company's independent directors, one of whom is the chair, and three external members. The majority of the members are qualified independent valuators collectively representing a range of expertise appropriate to their mandate.

The governance framework in 2013 was as follows:



ATTENDANCE RECORD AND COMPENSATION

The following table presents the attendance record and compensation of the Company's directors and external committee members for fiscal 2013.

NAME	BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	AUDIT COMMITTEE	FINANCIAL ASSET MANAGEMENT COMMITTEE	GOVERNANCE AND ETHICS COMMITTEE	REGIONS AND COOPERATIVES INVESTMENT COMMITTEE	BUYOUTS AND MAJOR INVESTMENTS INVESTMENT COMMITTEE	PORTFOLIO VALUATION COMMITTEE	COMPENSATION
(Number of meetings, and welcoming or training sessions)	(9 meetings)	(8 meetings)	(4 meetings)	(4 meetings)	(7 meetings)	(16 meetings)	(9 meetings)	(3 meetings)	($)
Chantal Bélanger	9/9		4/4					3/3	23,100
Évangéliste Bourdages	9/9	2/3			7/7				25,571
Yvan Deschamps	6/7			2/3					13,355
Marlène Deveaux	9/9		4/4		4/4	14/16			28,800
Maurice Doyon	9/9	7/8		4/4		15/16			35,300
Francine Ferland	9/9		4/4		7/7				22,800
Josée Fortin	4/4				2/2		5/5		15,829
Pierre Gauvreau	9/9	8/8		4/4					23,900
André Lachapelle	9/9	7/8		4/4					40,700
Steeve Lepage	1/1			1/1					4,137
Jean-Claude Loranger	8/9			4/4					18,600
Bruno Morin	9/9	8/8	4/4	4/4			9/9		38,300
Jacques Plante	9/9	5/5	4/4					3/3	38,300
Claudine Roy	9/9			4/4					18,800
Pierre Barnès *							9/9		9,200
Guy Delisle *						14/16			10,200
Marc-André Dionne *							9/9		9,200
Michel Duchesne *						16/16			10,900
Yves Lavoie *						16/16			10,900
Gilles Metcalfe *							9/9		9,200
Sébastien Mailhot *								3/3	6,500
Michel Martineau *								3/3	6,500
Guy Morin *						8/16			7,800
Marcel Ostiguy *							9/9		9,200
George Rossi *								3/3	5,000
Michel Rouleau *						15/16			10,700
Nancy Wilson *						14/16			9,900
Total Compensation									**462,692**

* External committee member

EXPLANATORY NOTES TO TABLE

Compensation includes retainers and fees paid to Directors for attending meetings of the Board of Directors and the committees, welcoming sessions, training sessions and working meetings of the special committees.

In addition to the retainer and the fee paid to Directors for attending meetings and welcoming or training sessions, the General Manager receives an additional lump-sum amount of $10,000, which is not included in the table. Bruno Morin has held this position since May 5, 2005.

Yvan Deschamps served as a Director from April 5 to December 18, 2013.

Josée Fortin served as a Director until August 15, 2013.

NOTE TO THE READER

The following sections regarding market risks, credit and counterparty risks and liquidity risks have been reviewed by the Company's independent auditor as part of the audit of the financial statements on which an independent auditor's report was issued on February 12, 2014.

MARKET RISKS

Market risks pertain to the Company'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 the Company's assets. The various risks that make up market risks directly impacting the Company are listed below.

In accordance with the Company's global financial asset management approach, the impact of these interest rate and stock market risks and their interrelatedness are taken into account when determining overall asset allocation.

Interest rate risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio for which fair value is determined based on market conditions. Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares with a total fair value of $707.5 million ($670.8 million as at December 31, 2012). Fixed-income securities held in the Investments impacting the Québec economy portfolio include loans and advances and preferred shares with a fair value of $271.1 million ($308.6 million as at December 31, 2012).

Money market instruments with a fair value of $12.3 million ($13.5 million as at December 31, 2012) have not been valued based on fluctuations in the interest rates due to their very short term maturity and the Company's intention to hold them until maturity.

Bonds with a fair value of $621.7 million ($592.6 million as at December 31, 2012) are directly affected by fluctuations in the interest rates. A 1% increase in interest rates would have resulted in a decrease of $27.3 million in net income, a 1.9% decrease in the Company's share price as at December 31, 2013 ($27.8 million for 2.1% as at December 31, 2012). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $28.7 million increase in net income, representing a 2.0% increase in share price ($29.4 million for 2.2% as at December 31, 2012). Given that the Company matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long-term effect of interest rates on results should be limited.

Preferred shares with a fair value of $73.5 million ($64.7 million as at December 31, 2012) may also be affected by interest rate fluctuations. However, unlike bonds, there is no perfect correlation between interest rate fluctuations and changes in the fair value of preferred shares. Also, the interest rate risk related to preferred shares is limited given the amounts in question.

The loans and advances and preferred shares held in the Investments impacting the Québec economy portfolio, for which the Company also holds participating shares in the same business as well as those that have been discounted, with a total fair value of $141.4 million ($167.2 million as at December 31, 2012), are not sensitive to fluctuations in interest rates. Conversely, the other loans and advances and preferred shares held in the portfolio with a total fair value of $129.7 million ($141.4 million as at December 31, 2012) are sensitive to interest rate fluctuations. However, the interest rate risk related to the other loans and advances and preferred shares held in the portfolio is limited given the amounts in question.

Stock market risk

Stock market trends have a twofold impact on the Company. In addition to the direct impact on the market values of publicly traded stocks, the valuations of some private portfolio companies may also be affected by changes in stock prices.

As at December 31, 2013, the Investments impacting the Québec economy portfolio included three traded companies with a value of $1.6 million, representing 0.1% of net assets (three companies with a value of $2.0 million as at December 31, 2012, representing 0.1% of net assets). As a result, stock market fluctuations did not have a significant direct impact on the Company's net income.

Currency risk

Changes in currency values have an impact on the activities of a number of the Company'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. These assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of $142.0 million, or 9.7% of net assets as at December 31, 2013, compared with $116.7 million, or 8.6% of net assets as at December 31, 2012.

The Company aims to systematically hedge currency risk for assets measured in foreign currency. A $5 million line of credit has been granted to the Company for its foreign exchange contract transactions. As at December 31, 2013, the Company held foreign exchange contracts under which it must deliver US$133.0 million (US$114.0 million as at December 31, 2012) at the rate of CAD/USD 1.0623 (CAD/USD 0.9946 as at December 31, 2012) and AU$0.1 million (Australian dollars) (AU$1.4 million as at December 31, 2012) at the rate of CAD/AUD 0.9441 (CAD/AUD 1.0294 as at December 31, 2012) on March 31, 2014.

As at December 31, 2013, the Company's net exposure to foreign currencies is limited to $0.4 million ($1.9 million as at December 31, 2012). Any fluctuation in the Canadian dollar will therefore not have a significant impact on the Company's results.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, the Company 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 asset class and financial instrument type and by limiting the potential risk of each partner company, the Company has limited portfolio volatility due to negative events.

The Company does not generally require guarantees to limit credit risk on its loans. Requiring guarantees would contravene the eligibility rules for Investments impacting the Québec economy.

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 RiskAnalyst tool. Companies with a ranking of 7 and above are reviewed on a monthly basis to spread them across ranks 7 to 12.

Investments impacting the Québec economy made as funds are presented in the Low to acceptable risk category due to the structure of this type of product, and because they generally involve no leverage.

The following table shows a slight increase in the percentage of investments with a risk rating of 7 and above compared with fiscal 2012. Ranked by risk, the breakdown of Investments impacting the Québec economy is as follows (fair value amounts):

		AS AT DECEMBER 31, 2013		AS AT DECEMBER 31, 2012	
Rank		**(in thousands of $)**	**(as a %)**	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	**706,932**	**96.4**	643,223	97.6
7 to 9	At risk	**19,160**	**2.6**	11,963	1.8
10 to 12	High risk and insolvent	**7,815**	**1.0**	3,859	0.6

For substantially all Other investments portfolio fair value, risks are managed by diversification across numerous issuers with a credit rating of BBB- from Standard & Poor's or DBRS or better. Counterparty risk arising from cash transactions and repurchase agreements is limited to the immediate short term.

The concentration of the five largest Investments impacting the Québec economy and the five largest Other investments is as follows (percentages are based on fair asset value):

	AS AT DECEMBER 31, 2013		AS AT DECEMBER 31, 2012	
	% of portfolio	**% of net assets**	% of portfolio	% of net assets
Investments impacting the Québec economy	**42.6**	**21.3**	39.2	19.0
Other investments*	**45.8**	**21.7**	52.0	25.8

* Government issuers accounted for 100.0% (90.4% as at December 31, 2012) of the Other investments portfolio's five largest issuers or counterparties.

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

Counterparty risk is low for foreign exchange contracts given the amounts in question and that the contract counterparty is Caisse centrale Desjardins.

LIQUIDITY RISKS

The Company must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, the Company would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 35% of assets under management once the pace of redemptions has stabilized at the expected level, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, the Company can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have also been put in place to provide greater cash management flexibility.

RECENT EVENTS

ACCOUNTING POLICIES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Background

In 2008, the Accounting Standards Board of Canada (the "AcSB") confirmed that as of January 1, 2011, the International Financial Reporting Standards ("IFRS") would replace the Canadian generally accepted accounting principles ("GAAP") currently in effect for certain companies, including public companies. After several deferrals, in December 2011, the AcSB set January 1, 2014 as the changeover date to IFRS for investment firms. Accordingly, the Company will adopt IFRS for its interim and annual financial statements for annual periods beginning on or after January 1, 2014.

Description of the conversion project

The Company has drawn up a three-stage conversion plan: Step 1 – Analysis; Step 2 – Planning and Design; and Step 3 – Implementation. Throughout these stages, the Company will benefit from the support and expertise of a specialized Desjardins Group team, as well as assistance from external experts.

Step 1: Analysis

The aim of this stage was to perform a high-level analysis of the main impacts of transition to IFRS on the Company's accounting, financial reporting and management processes, and information systems. This stage allowed the Company to make a preliminary identification of those areas that would be most impacted by IFRS application.

Following the publication of the new requirements for investment entities at the end of 2012, the Company was able to complete the analysis stage, including the review of preliminary conclusions.

Step 2: Planning and design

Step 2 involves a detailed assessment, from an accounting, financial information, management and information systems perspective, of the changes arising from converting to IFRS. The project was divided into 11 topics, based on the most relevant accounting topics for the Company. The main aspects discussed for the different topics are:

- Accounting procedures and policies
- Preparation of financial statements
- Training and communication
- Impacts on business activities and management
- Information systems
- Control environment

Conclusions have been drawn on the accounting policy choices and the differences identified between IFRS and Canadian GAAP, as applied by the Company. The key topics for which changes in accounting policies or differences in standards are expected are discussed below in the section Main impacts of transition to IFRS.

Step 3: Implementation

Step 3 of the conversion project consists in implementing the conclusions drawn from the work carried out during Step 2 through application of the required changes to the business and accounting processes and information systems. The documentation setting out the approved and IFRS compliant accounting procedures and policies is also prepared during this step. Additionally, implementation involves developing model IFRS financial statements, including the appropriate notes.

Progress on the conversion project

The majority of implementation stage work was carried out in the second half of fiscal 2013. Development of the model IFRS financial statements is currently underway.

First-time adoption of IFRS

IFRS 1 *First-time Adoption of International Financial Reporting Standards* provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. No exemption is applicable by the Company.

Main impacts on business processes

The differences between IFRS and Canadian GAAP identified have no material impact on the Company's reported results and financial position. The presentation of certain financial information in the Company's financial statements will be modified. In addition, the effects of IFRS conversion on the Company's current activities and information systems are considered relatively minor.

Main impacts of transition to IFRS

Investment entity:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) published by the International Accounting Standards Board ("IASB") in October 2012 defines investment entities and provides an exception from the principle of consolidation for such entities. Under this exception, investment entities may measure their investments in entities under their control at fair value – instead of consolidating them – with changes in fair value recognized through income. Based on the work completed to date, the Company has concluded that it meets the definition of an investment entity as presented in the amendments, which largely reconciles the applicable IFRS treatment with the spirit of AcG-18 standard currently in force in Canada. Accordingly, no significant impact on the recognition of the Company's controlling interests has been identified. The amendments also specify certain disclosure obligations for these investments in controlled entities. The Company is currently assessing the potential impacts on disclosure in its financial statements.

Financial instruments:

IFRS 9 – *Financial Instruments* will eventually replace IAS 39 – *Financial Instruments*. The IASB has temporarily deferred the mandatory effective date of IFRS 9 planned for January 1, 2015 and will set a new effective date once all phases of the project have been finalized. Given the requirements of IAS 39 and IFRS 9, the transition to IFRS should have no impact on the recognition and measurement of the Company's financial instruments on the assumption that all investments will be measured at fair value through profit or loss (see conclusion on investment entity above). As at the transition date, the Company may elect to early-adopt IFRS 9 rather than IAS 39, which is currently in effect. Given the expected changes in IFRS 9 and deferral of the application date, the Company will not early-adopt this standard for application in its first IFRS financial statements.

Income taxes:

The application of IAS 12, *Income Taxes* regarding the recognition of refundable capital gains tax on hand will have no impact on the Company's financial statements or financial position as of the date of transition. The Company is currently assessing the impacts on disclosure in its financial statements.

Quantification of impacts

Based on the work completed to date, the Company has identified no significant impacts on its results or financial position during the transition to IFRS.

The differences discussed in this MD&A are those that exist under applicable GAAP and IFRS as at this date. The list should not be regarded as a complete list of the changes that could result from the Company's IFRS conversion project. This analysis is intended to highlight areas that the Company believes to be the most significant.

Note also that the standard-setting bodies that issue IFRS and, to a lesser extent Canadian GAAP, continue to have significant ongoing projects that could affect the differences between Canadian GAAP and IFRS discussed herein and therefore have repercussions on the Company's financial statements for future fiscal years. Certain of these draft standards could become requirements after 2014. However, early adoption of them might be possible in order to reduce the number of accounting changes in the future. Depending on the dates of publication of any final standards resulting from such drafts and their impact on the Company, early adoption of these standards will be assessed on an ongoing basis. The Company has adopted processes to ensure that such potential changes are monitored and assessed. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years.

RELATED PARTY TRANSACTIONS

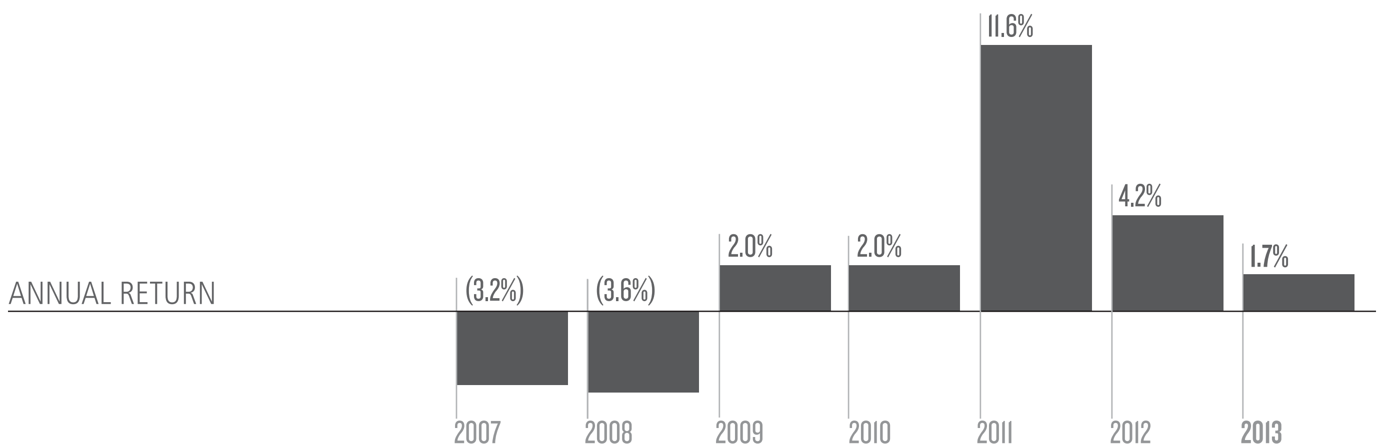
The Company enters into certain transactions with related companies in the normal course of business. These transactions are described in note 16 to the financial statements of the Company.

PAST PERFORMANCE

This section presents the Company'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.

ANNUAL RETURNS

The following chart shows the Company's annual returns and illustrates the change in returns from one period to the next for the past seven fiscal years. Annual return is calculated by dividing income (loss) per share for the period by the share price at the beginning of the period.



COMPOUNDED RETURN OF THE SHARE AS AT DECEMBER 31, 2013

The compounded return is calculated based on the annualized change in the price of the share over each of the periods shown.

7 YEARS	5 YEARS	3 YEARS	1 YEAR
1.9%	4.1%	5.6%	1.7%

PORTFOLIO SUMMARY

MAIN ASSET CLASSES

As at December 31, 2013, assets in the Investments impacting the Québec economy and Other investments portfolios were allocated on a fair value basis as follows:

ASSET CLASSES	% OF NET ASSETS
Investments impacting the Québec economy*	
Development Capital	10.5
Company Buyouts and Major Investments	26.4
Technological Innovations	1.2
Venture Capital – Health	0.1
Funds	11.7
Total – Investments impacting the Québec economy	**49.9**
Other investments	
Cash and money market instruments	1.5
Bonds	42.3
Preferred shares	5.0
Total – Other investments	**48.8**

* Including foreign exchange contracts

MAIN INVESTMENTS HELD

As at December 31, 2013, on a fair value basis, the issuers of the 25 main investments held by the Company were as follows:

ISSUER	% OF NET ASSETS
Investments impacting the Québec economy – 14 issuers *	34.2
Toronto—Dominion Bank NHA (CMHC guaranteed)	6.0
Financement Québec	5.3
Canada Housing Trust	3.8
Province of Ontario	3.3
Province of Québec	3.3
Bank of Nova Scotia	2.4
Royal Bank of Canada	1.9
Bank of Montreal	1.8
The Toronto-Dominion Bank	1.6
CDP Financial	1.0
Bank of Montreal NHA (CMHC guaranteed)	0.9

* The 14 issuers who collectively represent 34.2% of the Company's net assets are:

- A & D Prévost inc.
- ACCEO Solutions Inc.
- Avjet Holding Inc.
- Camoplast Solideal Inc.
- Capital croissance PME S.E.C.
- CBR Laser Inc.
- Desjardins – Innovatech S.E.C.
- Exo-s Inc.
- Fournier Industries Inc.
- Groupe Solotech inc.
- La Coop fédérée
- TELECON Group
- Urecon Ltd.
- Vision Globale A.R. Ltée

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

February 12, 2014

February 12, 2014

MANAGEMENT'S REPORT

The Company's financial statements together with the financial information contained in this annual 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 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 financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, the Company's General Manager and Chief Financial Officer have certified that the method used to determine the fair value of each of the Investments impacting the Québec economy complies with the requirements of the Autorité des marchés financiers and have confirmed the reasonableness of the aggregate fair value of the portfolio of Investments impacting the Québec economy.

The Board of Directors fulfils its responsibility for the financial statements principally through its Audit Committee. The Committee meets with the independent auditor appointed by the shareholders with and without management present to review the 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 financial statements.

The financial statements present the financial information available as at February 12, 2014. These statements have been prepared in accordance with Canadian generally accepted accounting principles and audited by PricewaterhouseCoopers LLP.

The Board of Directors has approved the financial statements, together with the information in the management discussion and analysis. The financial information presented elsewhere in this report is consistent with the Company's financial statements.

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer