

Research Update:

# Caisse de depot et placement du Quebec Issuer Credit Rating Affirmed At 'AAA'; Outlook Is Stable

July 17, 2025

## Overview

- Caisse de depot et placement du Quebec's (La Caisse or the fund) medium-term investment returns remain solid, its liquidity remains robust, and its leverage is manageable.
- S&P Global Ratings affirmed its 'AAA' long-term and 'A-1+' short-term issuer credit ratings (ICRs) on La Caisse, as well as its 'AAA' senior unsecured debt rating, and 'A-1+' global scale and 'A-1(High)' Canada scale commercial paper (CP) ratings on subsidiary CDP Financial Inc.
- The stable outlook reflects our expectation that medium-term investment returns will remain in line with depositors' needs, liquidity will not materially weaken, and leverage will remain manageable.

## Rating Action

On July 17, 2025, S&P Global Ratings affirmed its 'AAA' long-term and 'A-1+' short-term ICRs on Caisse de depot et placement du Quebec (La Caisse or the fund). The outlook is stable. At the same time, S&P Global Ratings affirmed its 'AAA' senior unsecured debt rating, and 'A-1+' global scale and 'A-1(High)' Canada scale CP ratings on subsidiary CDP Financial Inc.

## Outlook

The stable outlook reflects S&P Global Ratings' expectation that the fund will continue to realize good medium-term investment returns and its liquidity levels will remain healthy. We expect leverage will remain low-to-moderate and risk management practices will remain sound in the next two years. In addition, we believe that La Caisse will remain independent of the provincial government. We do not anticipate any change to our assessment of a moderate likelihood that the Province of Quebec would provide extraordinary support to the fund in the event of financial distress.

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## Downside scenario

We could lower the ratings if liabilities increased substantially, such that total liabilities exceeded 40% of total assets in the next two years. We could also lower the ratings if liquidity levels dropped significantly or if, in our view, the quality of management (including risk management) deteriorated materially. Although unlikely, we could also lower the ratings if we expected Quebec to deviate from its hands-off approach through legislative changes that undermined La Caisse's operational or financial independence. In this instance, we could revise our assessment of the likelihood of extraordinary support of the fund, which could lead us to lower the ratings. In addition, because we limit our ratings on La Caisse to four notches above those on the related government, a downgrade on the province would lead to a similar action on the fund.

## Rationale

The ratings on La Caisse, an investment manager that invests on behalf of pension plans and insurance funds, among other clients, in Quebec, are based on the fund's 'aaa' stand-alone credit profile (SACP). The SACP reflects our assessment of the fund's independence from Quebec, comprehensive risk management policies, high operational effectiveness, and low leverage. We believe difficult demographic and economic trends--such as geopolitical instability, market volatility, high inflation, slower economic growth, and increasing longevity--offset some of these strengths. Nevertheless, we think the fund's medium-term investment returns will remain higher than its depositors' needs and that La Caisse has sufficient liquidity to meet near-term debt obligations. The ratings also reflect our opinion of a moderate likelihood that Quebec would provide extraordinary support in the event of financial distress.

La Caisse is a well-established organization that we view as operationally and financially independent of Quebec. While an agent of the province, the fund is a legally separate and autonomous entity with natural person powers, including legal ownership of its assets. It also possesses strong governance standards, including a largely independent board with a strong fiduciary spirit. We expect it would be financially resilient to political intervention, given ownership of its assets, its large net asset position, and its ability to limit withdrawals to C\$50 million per month per depositor if required. Moreover, Quebec has long taken a hands-off approach in its dealings with the fund and has not been involved in investment strategy development or day-to-day operations.

We believe the fund has very sound management. The board of directors, whose members are prominent professionals with complementary skill sets, is responsible for developing and reviewing La Caisse's guiding policies and strategic orientation. The senior management team, led by the president and CEO, implements the fund's investment strategies and runs the day-to-day operations.

Risk management policies and practices are comprehensive, and we expect the fund will continue enhancing its risk systems and procedures in tandem with its evolving market, credit, and liquidity exposures. The fund has a very strong risk management culture focused on integrating risk and investment functions throughout the organization, and a thorough understanding of its operational and investment risks. The risk organization is involved at multiple points during the investment process. At the heart of its risk framework is the integrated risk management policy, which defines La Caisse's risk governance and sets limits for risk tolerance, transaction authorizations, and overall concentrations.

As part of its risk management practices, La Caisse diversifies its investment portfolio by geography, credit quality (fixed income), sector, and single-name concentration. Because the fund is domiciled in Quebec, it has significant exposure to Quebec-based investments in several sectors given its extensive knowledge of the local market and its dual mandate to contribute to Quebec's economy while generating optimal returns. At the end of 2024, the fund's Quebec-based assets totaled C\$93.5 billion, or 17% of its total investments. However, about C\$17.8 billion, or 3.2% of total investments, of that exposure is to provincial and agency bonds, which are held as part of liquidity risk management. As well, significant investments in certain large Quebec companies with extensive global operations mitigate the exposure somewhat.

La Caisse has a record of high operational effectiveness, and we expect its medium-term investment returns will remain higher than depositors' needs. The fund generated a net nominal return of 9.4% in 2024. This was lower than its benchmark of 11.8% but higher than the 7.2% return recorded a year earlier. Growth mandate equity and quality mandate equity performed the best, with returns of 39.1% and 27.2%, respectively. On the other hand, real estate generated a negative return of 10.8% mainly due to the fund's high concentration in the U.S. office sector, in particular in New York City and Chicago, which has faced significant difficulties. The five-year annualized net nominal rate of return was 6.2%, which exceeded the fund's benchmark of 5.9% and is in line with depositors' needs. Net investment income was C\$8.1 billion, higher than the C\$7.5 billion from the previous year. Net assets increased by 9% to C\$473.3 billion in 2024 from C\$434.2 billion in 2023.

As part of its goal to seek efficiencies, in 2024, La Caisse integrated its real estate subsidiaries, Ivanhoé Cambridge and Otéra Capital, making them investment groups within the fund. The process has continued without hampering business continuity.

We believe the fund's low-to-moderate financial leverage is manageable. Total liabilities represented 17.5% of total assets at the end of 2024, slightly higher than 15.1% the year before. Debt (CP, loans, and term debt) totaled C\$41.6 billion, or about 8.8% of net assets in 2024, similar to the year before. CP outstanding was C\$8.8 billion (C\$9.2 billion in 2023) and term debt was C\$32.3 billion (C\$27 billion in 2023). We do not expect any significant increase in debt and we expect total liabilities relative to total assets will remain less than 20% in the next two years.

### **Caisse de depot et placement du Quebec--Leverage**

(%)	2024	2023	2022	2021	2020
Total liabilities/total assets	17.5	15.1	15.2	11.1	11.3
Secured funding*/total assets	9.1	6.4	7.1	4.6	4.6
Unsecured debt/net assets	8.8	8.7	8.7	6.1	6.3

\*Secured funding includes repos, short selling of securities, and amounts related to derivatives positions.

We view the likelihood of La Caisse receiving extraordinary government support as moderate based on our assessment of the fund's important role and limited link with Quebec. The fund manages the assets of most public-sector pension and insurance plans in the province, including those covering the government's own employees. Contributing to Quebec's economic development is part of La Caisse's legislated mandate. Our assessment of a limited link reflects Quebec's long track record of non-interference in the fund's operations and independent governance.

We continue to rate La Caisse above the province, based on our view that its SACP is stronger than that of the government. We think the fund has solid governance standards, sizable net assets, low-to-moderate debt, and strong liquidity. Also, in our view, Quebec's willingness and

ability to materially impair La Caisse's credit standing in periods of stress are limited, and, ultimately, if the province were to default, it's likely that the fund would not.

Nevertheless, under our government-related entities analysis, we have capped La Caisse's maximum upward rating potential at four notches above our rating on Quebec. This reflects our view of the inherent connection between the fund and the province, the latter of which created La Caisse through legislation. The cap is higher than the three-notch rating cap we apply to pension funds above their sponsoring governments. Our decision to apply a higher cap reflects our opinion that the fund's relationship with Quebec is clearly less direct than what exists between pension funds and their related sponsors. Unlike pension funds, La Caisse does not administer, nor is it liable for, its depositors' diverse pension benefit obligations.

Because La Caisse unconditionally and irrevocably guarantees CDP Financial's senior unsecured debt and CP programs, our ratings on the debt and the programs are at the same level as the ratings on La Caisse. In 2024, CDP Financial issued US\$1.5 billion, C\$1.8 billion, and €1.5 billion of senior unsecured notes.

We apply a ratings to principles approach, using our "Principles Of Credit Ratings," in conjunction with "U.S. Public Finance: Public Pension Funds" and "Rating Government-Related Entities: Methodology And Assumptions," as our criteria foundation for our analysis of La Caisse's creditworthiness. We also use our "Methodology For Linking Long-Term And Short-Term Ratings" criteria as a basis to assign short-term ratings, as well as our "Guarantee Criteria" as the basis for the rating on the debt of the fund's issuing trust. In our view, the fund's qualitative credit factors, such as management (including operational effectiveness and financial risk management) and independence, are similar to those of rated pension funds and pension fund investment boards.

## **Liquidity**

In our view, La Caisse has a considerable liquidity cushion under a variety of stress scenarios. Cash investment income usually exceeds net withdrawals by depositors, operating expenses, and annual debt service costs (including full repayment of loans and CP).

Furthermore, the fund has a liquidity risk management policy that requires it to hold highly liquid securities that can be sold very quickly to meet cash calls rapidly. In keeping with policy, La Caisse held highly liquid and highly rated government bonds totaling close to C\$56 billion at the end of 2024 (C\$60 billion as of 2023), as well as a committed credit facility totaling US\$4 billion to meet its contractual commitments and financial obligations. These holdings are the debt of the federal governments of Canada and the U.S., provincial governments and their agencies, and a minor amount of cash and other liquid assets.

In addition, the fund held C\$25.4 billion of somewhat less-liquid government and corporate bonds and C\$154.7 billion of publicly traded domestic and international equities, compared with capital market debt of C\$41.6 billion. The fund can also resort to CP issuance. It monitors its liquidity position daily.

La Caisse's depositor funding profile is very predictable. Depositors generally have long-term investment horizons and legislative requirements to invest their money with the fund that would preclude them from withdrawing even for poor investment performance.

La Caisse also has procedures that we believe mitigate the potential effect of unexpected depositor withdrawals on its liquidity and investment strategies. It generally permits depositors to withdraw or deposit funds once per month, with longer lock-up periods for its less-liquid

investment portfolios, such as real estate. It has the ability, if required, to limit withdrawals to C\$50 million per month.

## Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Governments | U.S. Public Finance: Public Pension Funds](#), June 27, 2007

## Related Research

- [S&P Global Ratings Definitions](#), Dec. 2, 2024

## Ratings List

Ratings list	
Ratings Affirmed	
Caisse de depot et placement du Quebec	
Issuer Credit Rating	AAA/Stable/A-1+
CDP Financial Inc.	
Senior Unsecured	AAA
Commercial Paper	A-1+
Commercial Paper	A-1(HIGH)

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