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Making the case for La Caisse bonds

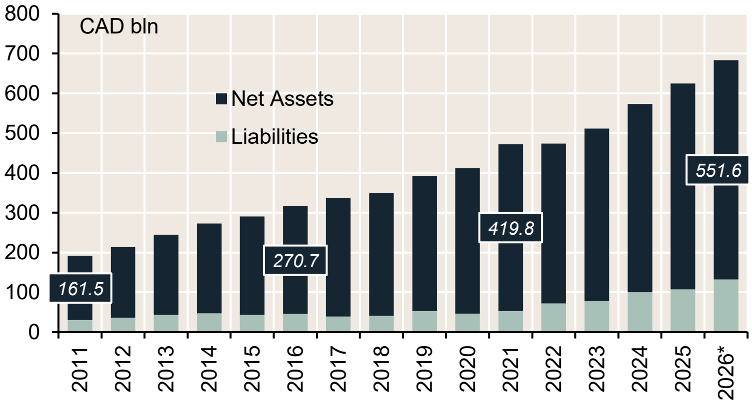
By Ethan Currie

With La Caisse de dépôt et placement du Québec (La Caisse, or CDPQ) recently posting mid-year results, we use this *Market View* to highlight CDPQ's strong net asset growth, which, importantly for bond investors, underpins an increasingly liquid and highly rated issuance program (ticker: CADEPO). Here, a building bond stock remains well-anchored to underlying asset trajectory, with debt ratios continuing to hold comfortably below board-specified limits. Combining growth with prudent risk management, substantial liquidity reserves, and a diverse underlying portfolio, CADEPO is rated AAA (stable) across agencies. Gross bond supply has stepped into an efficient / sustained rhythm, with the issuer supporting liquid benchmark bonds across terms and currencies, subsequently attracting a broad investor base.

A well anticipated funding window for SSA issuers began this week, making it a natural time to assess relative value dynamics for CADEPO and other AAA-rated peers. In primary, recent CADEPO issues—including those in prior fall windows—have been well absorbed. Notwithstanding scope for outright spread compression (given broader SSA performance), CADEPO bonds continue to offer a compelling value proposition relative to peers in secondary also. Steeper credit curves provide attractive rolldown characteristics, while loftier yield pick-ups against other AAA names also flag attractive. Basis spread stability (and likely compression) against those peers should remain supported by CADEPO's underlying credit quality and improving secondary liquidity.

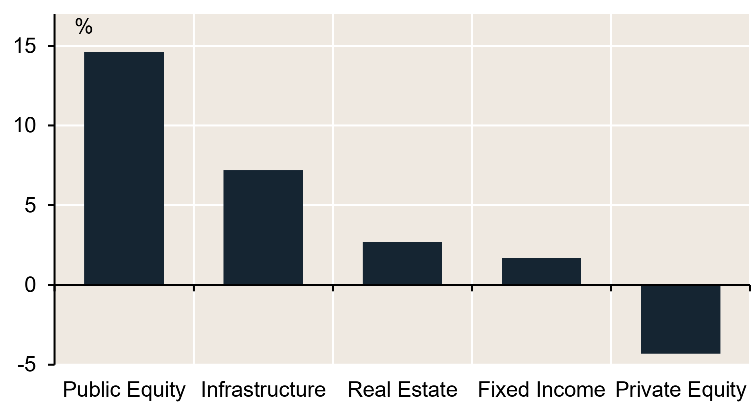
Note: In addition to this *MV*, we encourage investors to consult CDPQ material directly (their latest investor presentation **found here**). As a reminder, we also looked at OSFI's proposed liquidity guidelines (potential HQLA Level 1B designation) in **May**, which has important implications for the broader PSE sector.

Chart 1: Net assets continue to accumulate…
CDPQ net assets by year



Source: NBC, CDPQ | Note: Stacked height represents total assets; 2026 as at 30-Jun-2026*

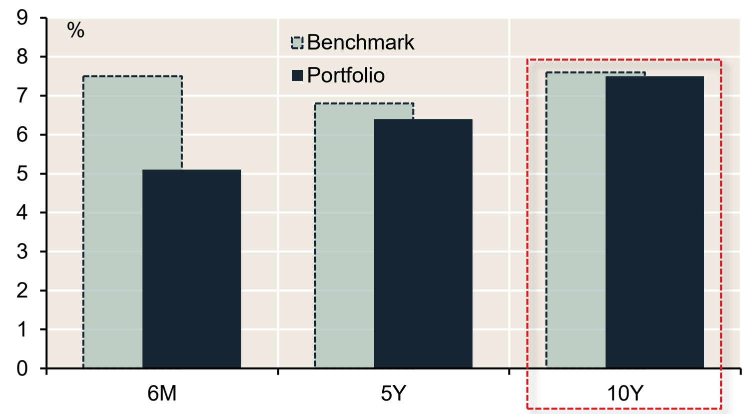
Chart 2: …recently driven by public equities and infra
CDPQ portfolio returns by asset class, for the six months ended 30-Jun-2026



Source: NBC, CDPQ

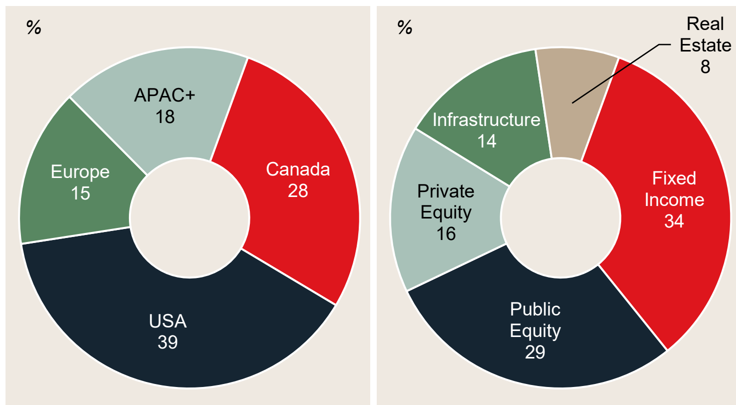
In the first half of 2026, La Caisse's net assets grew 6.6% to $551.6 billion. At that size, CDPQ ranks globally as a major investment manager. Sustained long-term performance has seen net assets ~double over the past decade. More recent (i.e., six month) portfolio performance ($26 billion in gains) was driven by outperformance in the public equity and infrastructure segments. CDPQ's benchmark posted slightly higher gains as private equities weighed on CDPQ's diversified portfolio in the first half of 2026.

Chart 3: Solid longer-term performance record
CDPQ portfolio returns over 6M, 5Y, and 10Y for period ended 30-Jun-2026



Source: NBC, CDPQ | Note: 5Y and 10Y shows weighted average annualized returns

Chart 4-5: A snapshot of CDPQ's portfolio diversification
CDPQ portfolio allocation by geography of exposure (LHS) & asset class (RHS)

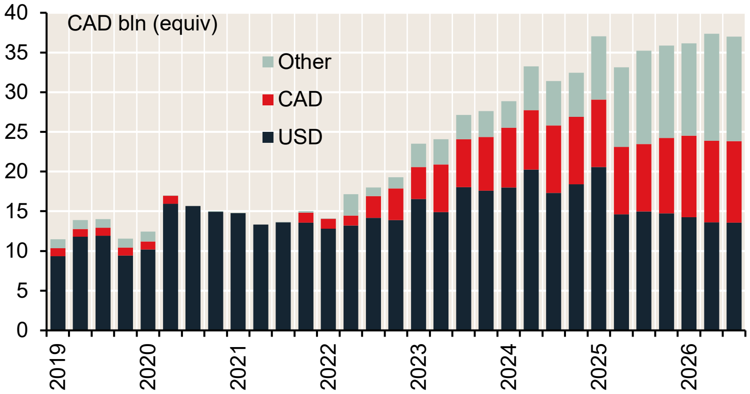


Source: NBC, CDPQ | Note: (LHS) as at 30-Jun-2026; (RHS) as at 31-Dec-2025

It remains the case that over the medium-to-long-term, CDPQ's portfolio demonstrates returns in-line with the benchmark, while maintaining a reduced risk profile. An ability to navigate an array of market conditions is aided by the portfolio's diversification—which spans geographies and asset classes, as outlined above.

Chart 6: Prudently growing (and liquid) bond stock

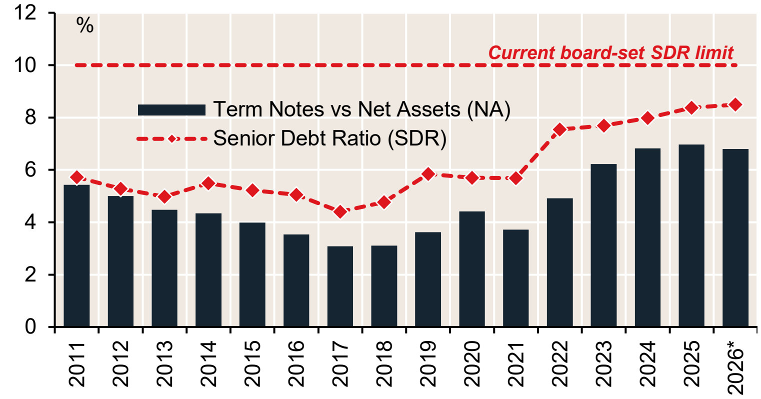
CADEPO bonds outstanding by quarter (to latest as at 19-Aug-2026)



Source: NBC, Bloomberg | Note: Current issuer as defined by Bloomberg in CAD equivalent

Chart 7: Leverage anchored to underlying asset growth

CDPQ term notes payable as a share of net assets & senior debt ratio

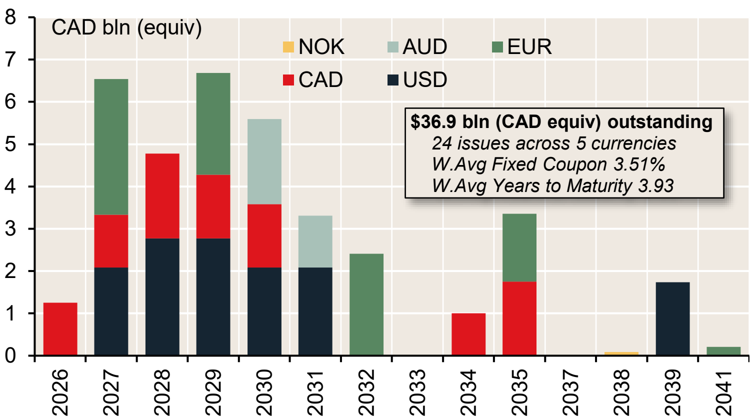


Source: NBC, CDPQ | Note: SDR= Senior debt / (NA + senior debt); 2026 as at 30-Jun-2026

Considering a strong credit profile, a growing CADEPO bond stock is encouraging from a liquidity / trading standpoint. Term issuance pacing remains prudent, stepping down as a share of net assets in the first half of this year. Importantly, one of La Caisse's capital management objectives (outlined explicitly in annual reporting since 2014) is to maintain its AAA credit rating to ensure capital market access at best cost. Consequently, the Board has set a 10% limit on its senior debt ratio—with a comfortable buffer still intact.

Chart 8: Noted depth in secondary market

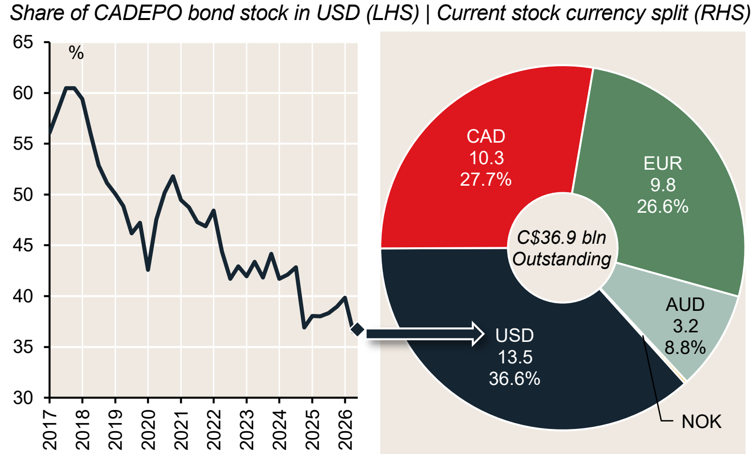
Debt distribution by maturity year & currency of outstanding CADEPO bonds



Source: NBC, Bloomberg | Note: Current issuer as defined by Bloomberg in CAD equivalent

Chart 9-10: Ccy diversification shown in bond program, too

Share of CADEPO bond stock in USD (LHS) | Current stock currency split (RHS)

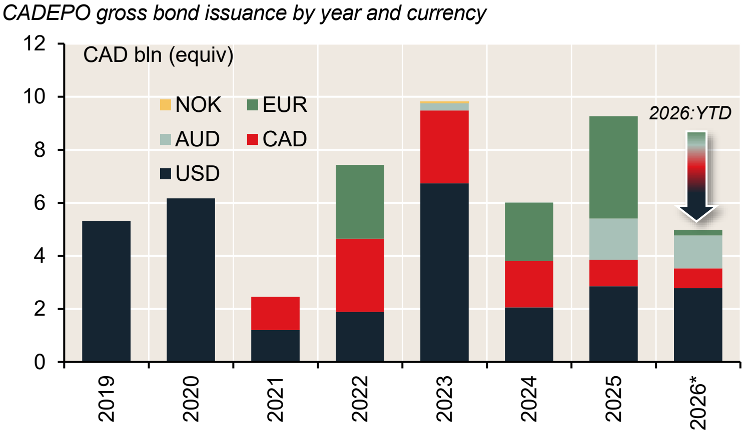


Source: NBC, Bloomberg | Note: Current issuer as defined by Bloomberg in CAD equivalent

Diversification isn't limited to CDPQ's portfolio, as the bond program offers up benchmark issues in four core currencies and a variety of maturities. Representing over 60% of outstandings just ten years ago, USD-denominated debt accounts for just over a third today. Issuance diversification remains a key priority for CADEPO, allowing this issuer to better align with market demand and reach a broader investor base. While USD supply continues, more recent benchmark transactions have come in CAD and AUD.

Chart 11: Sustained (& increasingly diverse) bench supply…

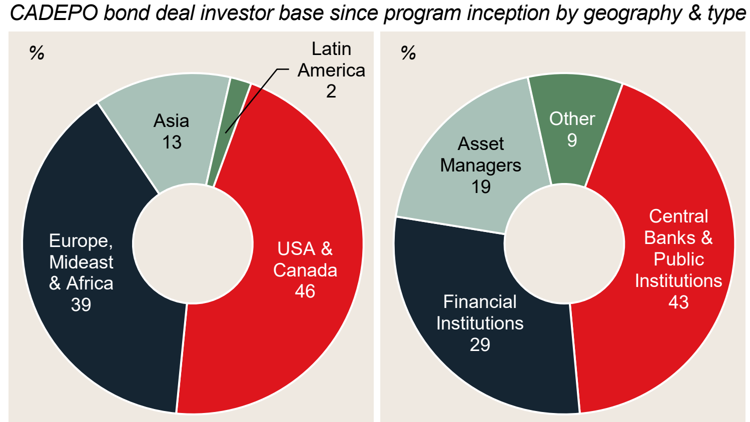
CADEPO gross bond issuance by year and currency



Source: NBC, Bloomberg | Note: Issues translated to CAD equivalent at deal date FX; 2026 as at 20-Aug-2026, while prior figures are full-year totals*

Chart 12-13: …attracting broad set of investors

CADEPO bond deal investor base since program inception by geography & type

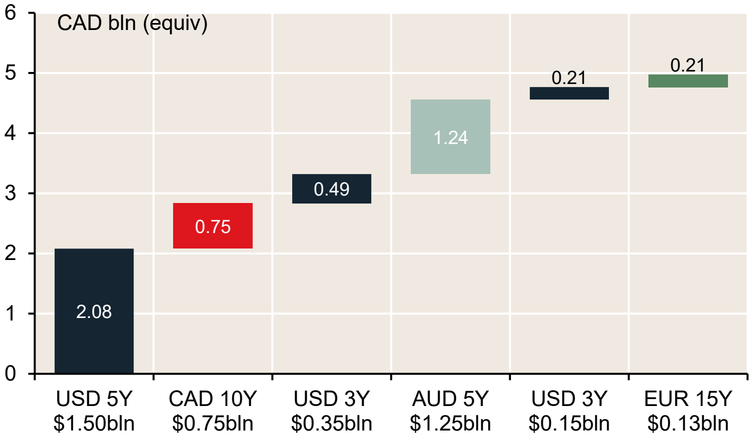


Source: NBC, CDPQ

CADEPO has completed $5.0 bln (CAD equivalent) in gross bond issuance year-to-date. Past issuance has been keenly met by a broad range of investors, with particular interest from the central bank / public sector. The issuer remains well positioned to deliver additional benchmark supply in 2026 and has come to market in past fall windows.

Chart 14: CADEPO's 2026 primary activity (so far)

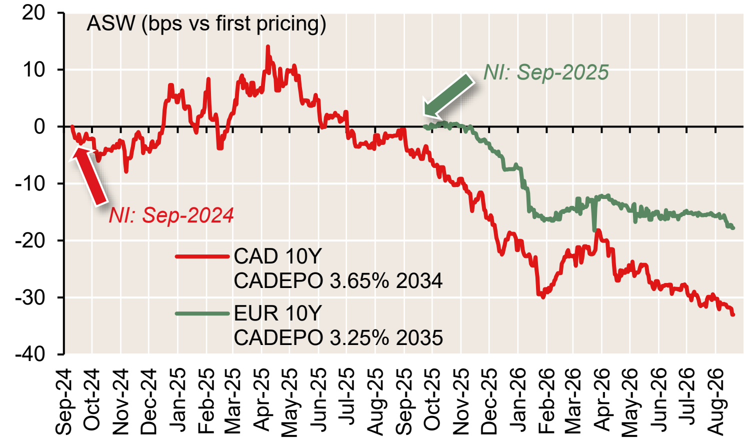
CADEPO gross bond issuance: 2026 year-to-date



Source: NBC, Bloomberg | Note: Issues translated to CAD equivalent at deal date FX

Chart 15: Examining how prior fall deals fared in secondary

CADEPO benchmark issues in Sep-24 and Sep-25: Aligned change since pricing

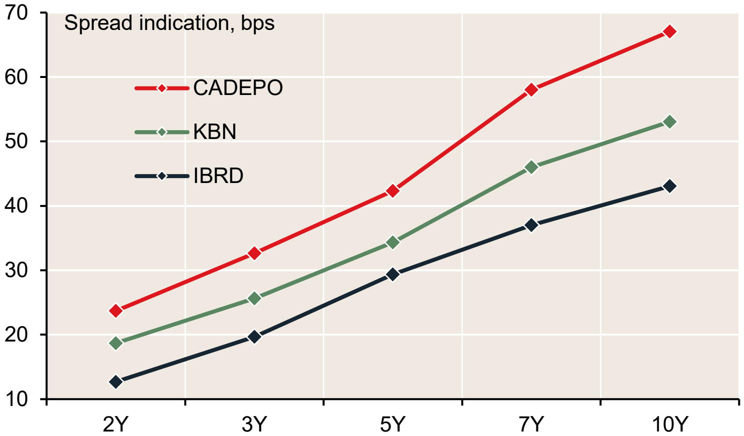


Source: NBC, Bloomberg

Committed to a sustained volume of diverse issuance, CADEPO has been active in its four key currencies in 2026 (USD, CAD, AUD, EUR, with benchmarks coming in the first three this year). Looking back, recent supply has been absorbed well, with previous fall deals—in September 2024 and 2025—also meeting strong demand and ultimately compressing in secondary.

Chart 16a: Bonds offer attractive yield pick to AAA peers

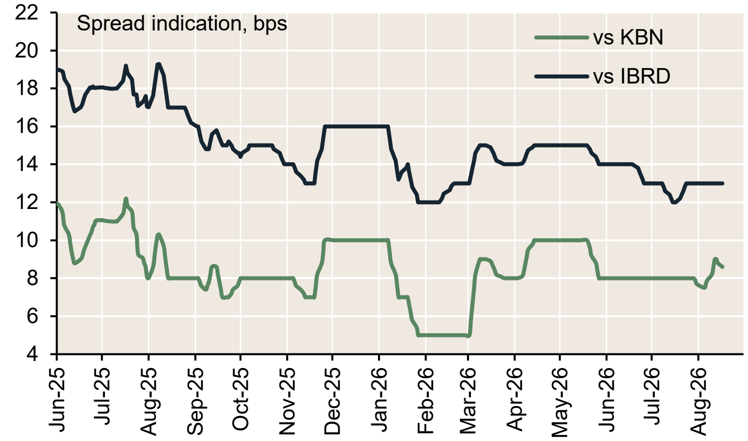
Current SOFR spread indications for select AAA-rated SSA issuers, by tenor



Source: NBC

Chart 16b: …with scope for basis compression to continue

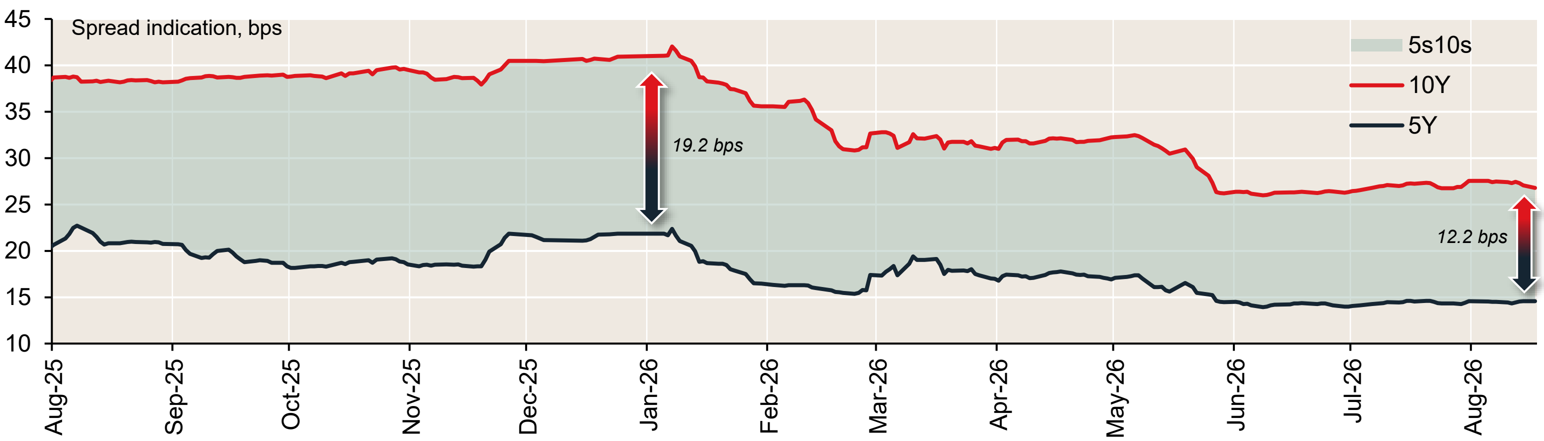
CADEPO 5Y basis spread indication on ASW vs AAA-rated peers



Source: NBC | Note: 5D moving average constant maturity spread indications

Chart 16c: Perspective on CADEPO spread performance (and credit curve flattening) over the last year

CADEPO 5Y & 10Y constant maturity UST G-spread indications and resulting 5s10s credit curve



Source: NBC, Bloomberg | Note: 5D moving average constant maturity spread indications

There's scope for CADEPO spreads to compress further against swaps and Treasuries. That's been a trend shared by the broader SSA market, with spreads slightly off from their richest levels year-to-date. Notwithstanding that value outright, CADEPO bonds flag particularly attractive against other benchmark AAA issuers. A steeper credit curve provides additional rolldown against peers, with compensation for 10s especially lofty. Here, curve flattening (16c) has stalled but has room to run to trade more in line with the peer set. From a fundamentals / credit ratings perspective, CADEPO basis spreads (which are off their 'richest' levels) to these names have room to tighten—a case that's further supported as liquidity builds.

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