

OUTLOOK

FEBRUARY 2021

We recently published our 2021 *Financial Markets Forecast*, which presents a comprehensive review of our investment thinking for the year to come. Therefore, as in years past, we devote the February edition of *Outlook* to providing an annual update on organizational developments at Connor, Clark & Lunn Investment Management (CC&L).



Martin Gerber
President & CIO

Reflecting on 2020, it was a year like none other in our lifetime nor a year that we would like to soon repeat. During the COVID-19 crisis and with all of its surrounding uncertainty, we feel very grateful for the support from family, friends, clients, and co-workers, and our ability to weather this storm well. Our teams adapted seamlessly to the work from home environment and we were successful in supporting each other to generate solid added

value for clients across the vast majority of investment strategies. We are very pleased to have found creative ways to remain in touch with our clients through the year. Our business remains strong, and markets proved resilient recovering from one of the most severe bear markets in history helping our clients earn positive returns.

While we have spoken with caution for a couple of years about the “late innings” of the market cycle, no one predicted the cycle would end with a global pandemic. This is a reminder of the need to remain nimble and be ready to adjust as the world changes.

We have now come through a very deep, albeit brief, recession thanks to the helping hands of central banks and governments. Today, many of the hallmarks of an early-cycle environment are now evident: interest rates are at historical lows and likely to stay here for the short and medium term; the economy has significant underutilized capacity; and price inflation is not likely to be an issue in the short to medium term. In addition, fiscal stimulus is being utilized liberally and there is likely more to come given the dislocations that have occurred in the economy.

These conditions generally bode well for capital markets and result in some important implications for investment strategy:

- *With the long-term expected return for bonds close to zero, all investors are reconsidering the structure and size of fixed income allocations at a time when the supply of government debt is soaring;*

- *At the beginning of every economic cycle, companies at the higher end of the risk spectrum with operating leverage to an improving economic environment tend to do well. This includes companies with smaller market capitalizations, undervalued stocks and those from more cyclical sectors, as well as emerging markets;*
- *Excess liquidity has an obvious impact on asset prices and investor sentiment. Increased activity by retail investors will contribute to higher risk (volatility), and also increased opportunity.*
- *The year 2020 was one of shifting trends and high volatility, presenting significant opportunities for active decision making. We believe the ingredients are in place for an environment that remains constructive for active portfolio management.*

CC&L has a number of strategic objectives, but the one overriding mission for our firm is to ensure that we put the necessary amount of time, energy and resources into managing mandates and meeting the performance objectives of our clients, accompanied by industry-leading standard of service. To this end, over the next year, we will focus on the following strategic objectives:

- *As always, invest in our people, and through career development planning and leadership programs strive to enhance skill sets, the depth of our teams, and investment processes;*
- *Focus on fostering a team-oriented culture of collaboration (an obvious challenge during COVID) with a particular emphasis this year on promoting diversity and inclusion;*
- *Expand Responsible Investing (RI) initiatives and further integrate Environmental, Social and Governance (ESG) considerations into our investment processes;*
- *Continue to diversify by conducting business development activities with institutional investors outside of Canada;*
- *Expand our Corporate Social Responsibility objectives and infrastructure to further the positive impact we can have on our communities.*

As we enter 2021, there is a building sense of optimism about the future, and with the development of vaccines to contain the virus we look forward to a new cycle of opportunities. As financial markets and our clients' needs evolve, CC&L will continue to focus on developing long-term partnerships with our clients, delivering results, and developing strategies in support of investment objectives. Thank you for your partnership. As always, I welcome your feedback and personally invite you to contact me directly at any time.

*~ Martin Gerber
mgerber@cclgroup.com*

PEOPLE

We are pleased to report our teams continued to expand in 2020; six people joined the company last year, bringing CC&L's personnel count to 101. Our business is further supported by over 280 people employed by Connor, Clark & Lunn Financial Group (CC&L Financial Group), which is responsible for business management, operations, marketing, and distribution.

In the spring of 2020, we announced a number of promotions:

- David George and Michael Walsh were appointed to CC&L's Board of Directors. David is co-head of the CC&L fixed income team, and has been a partner and the head of the fixed income credit team for the past 10 years. Michael Walsh replaced Mike Freund as a member of the Board. Michael focuses on affiliate business management, group operations and corporate development for CC&L Financial Group. Mike Freund remains co-CEO and Director of CC&L Financial Group.
- Jovana Kasic and Lee Damji became partners of the firm. Jovana is a portfolio manager on our Client Solutions team; she provides advice and guidance on investment solutions to a broad range of CC&L's clients. Lee assumed a new role on January 1, 2020 as Head of Investment Management Operations. Previously, he was a Managing Director at CC&L Financial Group and Head of Information Systems.



Jovana Kasic



Lee Damji

- A number of employees were promoted to principals of the firm in recognition of their important and growing contribution to our business. Alicia Wu, Brian Milne, Cam MacDonald, Dan Cook, Richard Au, Steven Li and Susan Lee were promoted to principals in January 2020.

INVESTMENT STRATEGIES

Foreign equity distribution to European investors was broadened through the setup of an Ireland-based UCITS platform. UCITS is one of the most accepted pooled fund structures in Europe, utilized by both institutional and retail investors. The CC&L Q Emerging Markets Equity UCITS Fund was funded at the end of November.

CC&L's fundamental equity team completed a capacity review and reopened their Canadian small cap strategies, including their market neutral equity strategy.

Responsible Investing

Over the past year, we worked diligently on several Responsible Investing initiatives, including the following:

- We engaged an independent consulting firm to educate our Board, ESG Committee, portfolio managers and analysts on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations;

- Our Quantitative Equity team integrated Environmental, Social & Governance (ESG) factors into our quantitative equity strategies effective July 2020;
- Our company website (www.cclinvest.com) was updated to provide greater transparency into our RI activities;
- Our Fundamental Equity team integrated carbon exposure as an input into their target price assessment for select industries;
- The CC&L ESG Committee is assessing the carbon reporting capabilities of several vendors; and
- The CC&L Quantitative Equity team is conducting a review of third-party carbon data for in-house research and carbon measurement.

As a result of the improvements in our integration processes and focused efforts on active ownership, we scored at or above median in all categories we participate in under the UN PRI reporting framework. The PRI reporting framework is based on responses provided by CC&L for the preceding calendar year, which are captured in our PRI Transparency Report. Our PRI Transparency Reports are available on our website. Our 2020 PRI Assessment Report is available on request.

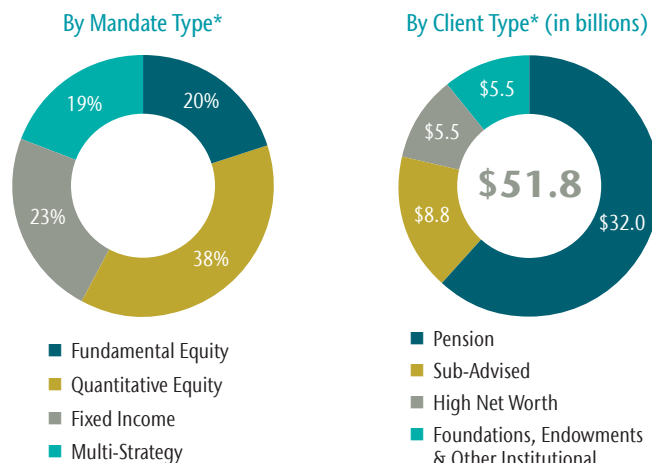
BUSINESS OPERATIONS

CC&L operated with the majority of employees working from home since March 2020. We are working to ensure we are ready for the day we can safely return to the office – hopefully in the not too distant future.

BUSINESS UPDATE

Assets Under Management

CC&L's assets under management (AUM) increased by approximately \$3 billion over the year to \$52 billion. The AUM growth came from the combination of market gains, inflows from existing clients and new client mandates. We are pleased to report mandates were awarded across each of our investment teams.



*Total AUM in CAD\$ as at December 31, 2020

FINAL THOUGHTS

We would like to thank our clients and business partners for their partnership and support. We look forward to working with you in the coming years.