CONNOR, CLARK & LUNN
INVESTMENT MANAGEMENT

OUTLOOK

FEBRUARY 2023

We recently published our 2023 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

Over the past three years, the global economy and capital markets have endured a series of significant macro shocks – COVID, recession and war. These forces have resulted in volatile markets. While most market participants and pundits tend to focus on the near-term cyclical consequences emanating from these macro forces, it is worth noting that we are also witnessing a much longer term, secular shift in the geopolitical, economic and market landscape. This is important, because it has the potential to impact markets for years to come and may require adjustments to portfolio strategy.

During COVID, governments and central banks introduced synchronized, unprecedented stimulus, via both fiscal and monetary policy. At the same time there has been a seismic shift in the global geopolitical climate with the US no longer being the single dominant global superpower. As an outcome of this, we are witnessing increased tensions in many regions and the largest armed conflict in Europe since World War II. This is reshaping political alliances globally, with an increased focus on national security. Additionally, inequality and dissatisfaction with the current economic model is increasingly giving rise to populist governments. This is resulting in policies that are more inward focused. They include a trend toward onshoring and regionalization – deglobalization. This is also resulting in reduced immigration in most of the developed world. Finally, we are undergoing a significant period of investment in infrastructure as countries strive to transition toward clean energy solutions.

All of these macro events have contributed to higher inflation. Central banks have responded to the threat of unhinged inflation with the most aggressive rate hiking cycle in a generation. While there are some signs that inflation is moderating, the changes to the secular landscape will remain in place. Going forward, we believe we will continue to experience upward inflationary pressures and higher interest rates, a dramatic shift from the last 40 years. Throughout the last several cycles, investors benefited from an extended period of ultra-accommodative monetary policies as central banks prescribed lower and lower interest rates to mitigate the risk of deflation and to sustain growth. This environment provided incentives for risk taking as the cost to borrow was cheap. It resulted in the steady expansion of valuations for risk assets.

Over the next few years, inflationary pressures and higher rates could result in headwinds for markets as adjustments are made to asset valuation levels. As we look forward to the next cycle, we are anticipating more volatility and policy actions that will result in shorter cycles accompanied by lower asset valuations. In this environment, it will be important to be nimble, we see attractive opportunities for active management and expect manager added value to become an increasingly important contributor to achieving client investment objectives.

While we have faced a broad range of investment environments in the four decades since our company's inception in 1982, at the very heart of our organization is a commitment and desire to provide superior performance and service to our clients. Our ability to deliver on these commitments starts and ends with the quality of our people and the strength of our relationships. This requires that we keep the business narrowly defined and intently focused on what we do best while endeavoring to remain at the cutting edge of research and development initiatives within the financial markets. Importantly, our business structure provides stability and keeps us focused on maintaining a long-term horizon. Despite the challenging operating conditions over the past year with negative returns across markets and high levels of employee cost inflation, we continued to invest in our teams and expanded the resources we are employing in the business.

To this end, we have been focused on several initiatives at CC&L:

- *As always, we are investing in our people and through career development planning and leadership programs, we strive to enhance skill sets, the depth of our teams, investment processes, and plan for succession.*
- *We continue to focus on fostering a team-oriented culture of collaboration with a particular emphasis on continuing to improve diversity and inclusion. There are numerous projects underway to ensure our objectives are met. The Women in Leadership (WiL) initiative has been a key priority at CC&L over the past two years and a significant number of recommendations were brought forward to our Board in 2022. We have begun implementing these ideas in 2022 and have plans that will continue through 2023, 2024 and 2025.*
- *We have expanded our Corporate Social Responsibility (CSR) activities supporting the health and wellness of both the people who work at CC&L and continuing to create a positive impact in the communities where we do business. We implemented a number of new policies aimed at supporting our employees and their families' well-being, and the CC&L Foundation awarded a broad range of scholarships and financial support during the year.*

Thank you for your partnership and as always, I welcome your feedback and invite you to contact me directly at any time.

~ Martin Gerber
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TEAM UPDATES

We are pleased to report our teams continued to expand in 2022. CC&L welcomed 20 new hires, resulting in a net increase of 13 employees for the full year, bringing CC&L's personnel count to 117. Our business is further supported by over 350 people employed by the CC&L Financial Group, responsible for business management, operations, marketing, and distribution.

The stability and focus of each of our teams continues to be a primary driver of our business. One of the key tenets to ensuring continued success has been thoughtful and comprehensive succession planning across the organization and a disciplined approach to career development.

A number of employees were promoted to principals of the firm in recognition of their important and growing contributions to our business bringing the total number of principals to 27.

Principal Appointments in 2022 and 2023

Fixed Income	Fundamental Equity	Quantitative Equity	Client Solutions
Joe Dhillon	Jack Ferris	Piper Hoekstra	Lisa Conroy
Kevin Malcolm	Joe Tibble	Derek Moore	Monica Demidow
TJ Sutter	Haley Mayers	Isaac Ho	Mandy Powell
Kyle Holt		Nolan Heim	

Below we highlight a number of personnel developments within our organization.

Fixed income

LEFT TO RIGHT: **Brian Milne, Brian Eby, TJ Sutter**

- We are pleased to announce Brian Milne, Senior Credit Analyst, was appointed a business owner at CC&L in 2022. Brian joined CC&L in 2018 and became a principal in 2020. He brings 15 years of capital market experience. Brian is responsible for credit research and has been a member of the CC&L's ESG Committee since 2019.

- Succession planning is an important process at CC&L and we have been in the process of implementing a longer-term succession plan within the Macro Strategy group. TJ Sutter joined CC&L in 2021 working alongside Brian Eby. Over the past year, TJ has taken increasing responsibility for portfolio decision-making. He was appointed a principal at CC&L in 2022, and a business owner in 2023. Brian Eby continues to be an active member of the team contributing to investment strategy and mentorship within the team.

- There was one new addition to the team in 2022, Catherine Clarke joined as an analyst on our Portfolio Analysis and Design team.

Fundamental Equity

TOP (LEFT TO RIGHT): **Mark Bridges, Haley Mayers, Chang Ding, Simon Mo.**
BOTTOM (LEFT TO RIGHT): **Joe Tibble, Ryan Elliott, Jack Ferris.**

- In March 2022, Steven Vertes, Portfolio Manager, retired after 20 years with the organization. We are pleased to report that his responsibilities were seamlessly reallocated to other members of the team.

- We are pleased to announce Ryan Elliott, Senior Research Associate, was appointed a business owner at CC&L in 2022. Ryan joined CC&L in 2012 and has been a principal since 2013. Ryan has responsibility for coverage of the technology and health care sectors.

- Mark Bridges, Portfolio Manager, is responsible for covering the energy sector research and his responsibility on the team expanded with the newly created role of Research Director in 2022. He is responsible for working closely with all sector specialists to ensure the optimal level of structure, rigour and consistency in the team's research process. The research team expanded with the addition Chang Ding, a research analyst in 2022. We are also pleased to welcome Haley Mayers, as a Senior Research Associate in January 2023. Haley has over a decade of experience as an equity research analyst within the asset management industry.

- Simon Mo, took on the newly created role of Senior Portfolio Management Analyst in 2022. Simon is responsible for portfolio management operations, administration and modeling. Simon has been an important contributor to the CC&L Quantitative equity team's success in his 16 years with the team, and we are excited to have Simon apply his skills and experience to the Fundamental Equity team.

Quantitative Equity

- We are continuing to make investments in the expansion of our capabilities, including the net addition of seven new team members in 2022, bringing our team count to 65 dedicated investment professionals.

TOP (LEFT TO RIGHT): **Glen Roberts, Richard Au, Steven Li.**
BOTTOM (LEFT TO RIGHT): **Daniel Cook, Brian Bardsley.**

- All of the new hires joined either our Investment Process Management (IPM) or Investment Management Systems (IMS) groups, which bridges research and portfolio management, creates all of the investment technology infrastructure, collects and processes all of the roughly 45 million data points that flow into our models every day, and oversees all of our operational processes.

- We place high value on continuous career development, including the movement of people across different functional roles within the team. Gaining exposure to different investment functions provides career path options and enables employees to bring broader investment context to their roles. In 2022, two individuals transitioned from the IPM and IMS groups to trading and portfolio management. Overall, on net, the proportionate breakdown of functional roles within our team has remained relatively stable over the years.

- With team expansion also comes the need for more specialized leadership. We are pleased to announce five individuals—spanning various groups within the team were promoted to business owners in 2023, in recognition of the development of their investment leadership over their time with CC&L:

  » Portfolio Management: Brian Bardsley joined CC&L in 2007 and has been a principal since 2013. His primary responsibilities include the implementation of new strategies, mandates and model changes.

  » Research: Glen Roberts joined CC&L in 2007 and became a principal in 2015. Steven Li joined CC&L in 2015 and became a principal in 2020. Both Steven and Glen are senior members of the research team. In addition to conducting their own quantitative research, they also have leadership roles in managing research projects and the research process.

  » Investment Management Systems: In January 2020, 19 members of the CC&L Financial Group portfolio management and research systems team became direct employees of CC&L. Dan Cook and Richard Au have led the members of the team since and became principals of the firm in 2020. They continue to operate in a co-lead model, with Dan providing technical leadership and Richard focusing on people leadership.

Client Solutions

- Our Client Solutions team has grown with the arrival of Diana Prenovost in January 2023. She works out of the Montreal office and will be responsible for client relationship management.

RESPONSIBLE INVESTING

In 2022, the ESG Committee undertook a review of industry practices in all aspects of responsible investing including integration, active ownership and communication. The outcome of this project validated our approach to ESG and has led to the prioritization of several areas for improvement in 2023. These generally relate to the improvement of the communication and tracking of our RI activities. We also committed to formalize our climate strategy in 2023 with a key focus on advocating for greater transparency in company disclosures regarding emissions and transition plans.

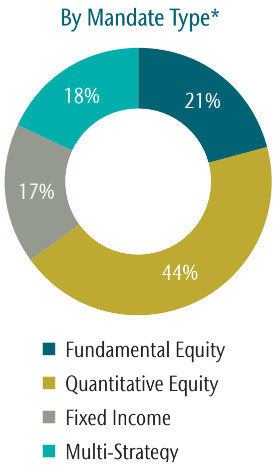
BUSINESS OPERATIONS

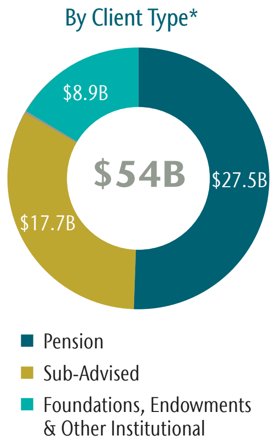
In the fourth quarter of 2022, we formally implemented our return-to-office policy. This new hybrid policy provides all employees with flexibility and has everyone working together in the office a minimum of three days a week (Tuesday to Thursday).

BUSINESS UPDATE

Assets Under Management

CC&L's assets under management (AUM) declined by approximately $5 billion in 2022 to $54 billion. The decline in AUM was driven by the negative returns experienced in both equity and fixed income mandates as a result of declines in market levels. We are pleased to report that our business continued to grow through new client mandates across all of our investment teams. In 2022, CC&L gained 17 new clients and nine additional mandates from existing clients totalling $2.5B. The majority of the new mandates were quantitative foreign equity mandates from institutional investors outside of Canada, which now represent approximately 20% of our total AUM.





Total AUM in CAD$ as at December 31, 2022

FINAL THOUGHTS

We would like to thank our clients and business partners for their partnership and support. We look forward to continuing to work with you and provide support in achieving your investment objectives in the coming years.