

## HIGHLIGHTS

- Large, reputable firm with deep, stable and experienced management team
- Bottom-up, fundamental approach
- In-depth management interviews
- Target price discipline

## PORTFOLIO SNAPSHOT

Characteristic	Description
Style	Core, Fundamental
Process	90% Bottom Up/10% Top Down
Average Number of Holdings	100-125
Average Annual Turnover	60% - 90%
Benchmark	60% S&P/TSX Small Cap Index + 40% S&P/TSX Completion Index

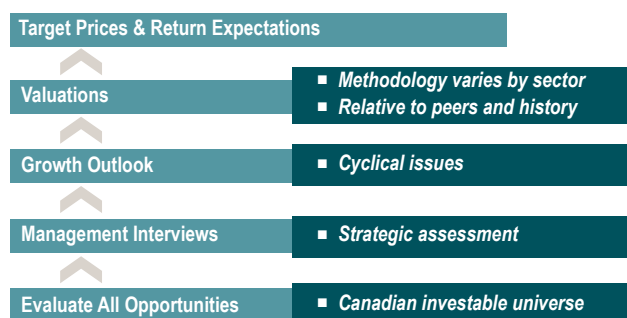
## INVESTMENT PHILOSOPHY

Connor, Clark & Lunn Investment Management Ltd. (CC&L) employs a core approach, investing on the basis of growth at a reasonable price which is implemented through a disciplined investment process. The process combines top-down research with a primary emphasis on fundamental, bottom-up security selection. The result is a portfolio that is well diversified, has an attractive long-term risk/reward profile and exhibits long-term growth well in excess of the market.

## INVESTMENT PROCESS

### Bottom-Up Research

CC&L's fundamental research process is centred on the principle of understanding a company's long-term operating strategy and the key contributors to its business model within the context of its industry. Key factors we consider are a company's growth, valuations and financial strength. These measures have all proven their ability to add value over time and as such have been a building block of our portfolios.



### Management Interviews

A significant commitment is made toward on-site visits, management interviews and discussions with competitors, customers and research analysts. The team personally interviews the key decision makers of a company and will not make an investment in a business without

first having met with its management. The key takeaways from these meetings are used to establish specific milestones expected to drive value creation.

### Analysis of Strategic Outlook

The strategic position of a business is evaluated within the context of its industry and its competitors. Key business drivers, significant risk factors, business culture and corporate governance practices are thoroughly assessed. Since experience has shown that it is possible to find good businesses that make very poor investments, our strategic outlook is therefore considered in the context of a suitable investment outlook.

### Analysis of Investment Outlook

This research is focused on determining if, at any given time, CC&L should have an investment in the stock and, if so, how large it should be. This is accomplished through conference calls, research analyst meetings, global industry analyst meetings and in-house research on business and industry cyclical trends and valuation issues for each company.

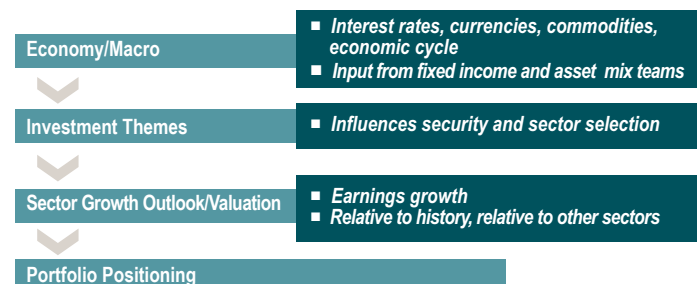
### Target Prices

Our target price discipline is a critical part of our stock selection and sell discipline. Target prices are generated for all stocks in the coverage universe. CC&L uses modelling and valuation techniques relevant to each company's business model. These price targets are reviewed weekly and updated in response to changes in fundamentals, including interpretation of management interviews, quarterly results and changes in the macro environment. These target prices are translated into returns forecasts which allow portfolio managers to evaluate risk/return opportunities when constructing portfolios.

### Top-down Macroeconomic Research

CC&L's top-down analysis begins with a macroeconomic view of where the economy is in the business cycle. The equity team establishes outlooks for interest rates, currencies and commodity prices which are used in establishing growth forecasts for sectors and stocks. Macroeconomic views are combined with industry specific historical growth and value measures. This information is used to arrive at investment themes and overweight and underweight decisions for each sector. Detailed coverage of all sectors is maintained regardless of whether they are in or out of favour. This enables us to adjust the portfolio to reflect macro changes that may occur.

### Top-Down Strategy



For more information about our fundamental Canadian equity strategies, please contact our Client Solutions team at: [more\\_info@cclgroup.com](mailto:more_info@cclgroup.com).