

HIGHLIGHTS

- Large, reputable firm with deep, stable and experienced management team
- Disciplined and objective investment process
- No market (beta) exposure
- Uncorrelated source of alpha

PORTFOLIO SNAPSHOT

Characteristic	Description
Style	Core
Process	Quantitative Bottom-up
Number of Holdings	170 Short, 170 Long
Active Risk	8 - 10%
Average Annual Turnover	200%

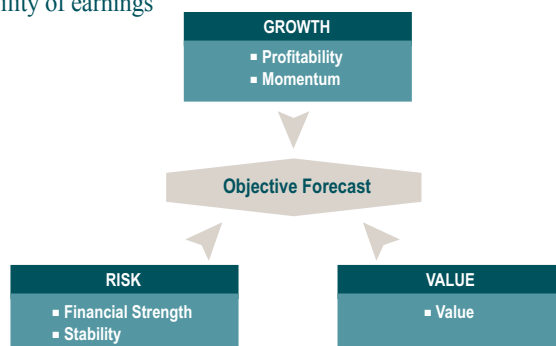
INVESTMENT PHILOSOPHY

The CC&L Canadian Q Market Neutral strategy seeks to exploit the underlying causes of fundamental mis-pricing of securities using sophisticated quantitative techniques that capture informational and behavioral inefficiencies across the Canadian equity market. Criteria used to exploit these opportunities include measures of growth and value. CC&L Q Market Neutral is a natural extension of CC&L Q Core, with the added ability to take advantage of “sell” signals by shorting a particular security, thus creating opportunities to generate superior risk-adjusted returns.

INVESTMENT PROCESS

CC&L Q Market Neutral shares the same investment process as Q Core, namely assessing the attractiveness of stocks relative to their peers – industry by industry. Expected returns for specific stocks are forecasted based on three general groups of factors:

- **Growth**, which includes profitability and momentum factors, such as return on equity and earnings revisions.
- **Value**, which looks primarily at the price of stock compared to its earnings and cash flow.
- **Risk**, which evaluates the financial strength of balance sheets and stability of earnings



Portfolio Construction Process

The quantitative scoring process transforms these fundamental ratios into more manageable statistical data to yield Q scores which provide a fundamental ranking for companies. Our stock forecasts are simultaneously factored into our optimization model and the portfolios are constructed with inputs on transaction costs, position limits and risk estimates.

Ongoing Research and Process Enhancement

Our research efforts are focused on enhancing the investment process itself. The investment team continuously monitors the contribution from each of the above factors and adapts the process to incorporate new investment insights as markets evolve.

A distinctive feature of the CC&L Q process is the key role played by the fundamental team in the development of the quantitative models and in their continued evolution. Ratios and factors must have strong logical and economic reasons to be included in our models.

ADVANTAGES OF A MARKET NEUTRAL STRATEGY

There exists attractive areas of market inefficiency in the Canadian marketplace, namely:

- **Few Large Market Participants:** With the 20 largest plans controlling approximately 50% of all pension assets in the country.
- **Concentrated Index:** Results in a fertile mid-cap universe of under-researched stocks, particularly on the short side.
- **Liquidity:** Significant institutional trading includes the “upstairs” market, increasing the importance of Canadian specific trading expertise.
- **Shorting:** Concentrated securities lending lowers borrowing costs and increases availability. Zero-tick rule is less restrictive than uptick rule in the US.

MANDATES

CC&L currently offers the Equity Market Neutral strategy for taxable and tax-exempt investors. Alpha transport strategies that overlay equity and fixed income strategies are also available.

For more information about our equity market neutral portfolio management services, please contact our Client Solutions Team at more_info@cclgroup.com.