

CONNOR, CLARK & LUNN INDEPENDENT REVIEW COMMITTEE

IRC 2018 Report to Securityholders

March 8, 2019

Dear Securityholder:

As chair of the Independent Review Committee (“IRC”) of the funds managed by Connor, Clark & Lunn Private Capital Ltd. and Connor, Clark & Lunn Funds Inc. (the “Managers”), I am pleased to provide you with the annual report to securityholders of the following Funds for the year ended December 31, 2018, as required under National Instrument 81-107 *Independent Review Committee for Investment Funds*: CC&L Diversified Income Portfolio, CC&L Core Income and Growth Fund, CC&L Equity Income and Growth Fund, CC&L High Yield Bond Fund and CC&L Global Alpha Fund (the “Funds”).

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Managers and to give its approval or recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Managers or an entity related to the Managers to have an interest that may conflict with the Managers’ ability to act in good faith and in the best interests of the Funds. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Managers’ proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC also reviews and assesses the adequacy and effectiveness of the Managers’ policies and procedures relating to conflict of interest matters in respect of the Funds, and conducts a self-assessment of the IRC’s independence, compensation and effectiveness.

All IRC members look forward to working with the Managers to ensure that the best interests of the Funds are paramount when the Managers are faced with a conflict of interest matter.

Karen McRae

Karen McRae
Chair of the Independent Review Committee

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The IRC

The Independent Review Committee (“IRC”) for the funds managed by Connor, Clark & Lunn Private Capital Ltd. and Connor, Clark & Lunn Funds Inc. (the “Managers”) became operational on November 1, 2007.

Connor, Clark & Lunn Private Capital Ltd.

Funds

CC&L Diversified Income Portfolio.

Connor, Clark & Lunn Funds Inc.

Funds

CC&L Core Income and Growth Fund, CC&L Equity Income and Growth Fund, CC&L High Yield Bond Fund, CC&L Global Alpha Fund.

Reporting Period

The information disclosed in this report covers the period beginning January 1, 2018 and ending December 31, 2018, the financial year-end of the Funds (inclusively, the “Period”).

Members of the IRC*

NAME	RESIDENCE	FIRST APPOINTED
Karen McRae Chair of the IRC	Toronto, ON	May 15, 2015
Howard Atkinson	Toronto, ON	May 1, 2016
Anthony Cox	Toronto, ON	May 1, 2017

*Ms. McRae, Mr. Atkinson and Mr. Cox have each been appointed for a three year term. Ms. McRae has agreed to a second three term which commenced on May 15, 2018

Each member of the IRC is independent of the Funds, the Manager, and any entity related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

Membership in other IRCs

The following IRC members are also members of unaffiliated IRCs:

Karen McRae – Harvest Portfolios
Anthony Cox – WisdomTree Canada Funds,
PIMCO Canada Funds

Holdings of Securities

Funds

As at December 31, 2018, the percentage of securities of each class or series of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

Managers

The Managers are indirect affiliates of Connor, Clark & Lunn Financial Group Ltd. (“FG”). As at December 31, 2018, the IRC members had no beneficial interest in either FG or the Managers.

Service Providers

As at December 31, 2018, the members of the IRC beneficially owned, directly or indirectly, in the aggregate, less than 0.1 per cent of any class or series of voting or equity securities of any material service provider to the Managers or the Funds.

IRC Compensation

The Chair of the IRC receives \$15,000 while members receive \$10,000 per annum. The IRC members’ fees include attendance at the annual meeting. The IRC members receive an additional fee of \$1,500 for each additional meeting they attend. The aggregate compensation paid by the Funds to the IRC for the Period was \$39,500. This amount was allocated equally among five funds.

The initial compensation of the IRC was set by the Managers. Compensation for the current period has been set by the IRC members, after receiving input from the Managers. At least annually, the IRC reviews compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- (a) The best interests of the Funds;
- (b) The number and complexity of the Funds;
- (c) The commitment of time and energy that is expected from each member;
- (d) Industry best practices; and

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- (e) The IRC's most recent annual self-assessment, as well as, any recommendations about IRC compensation and expenses made by the Managers.

Managers have an obligation to notify the IRC of any such instance.

This report is respectfully submitted by the IRC this 8th day of March, 2019.

Indemnities

No amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC during the Period.

Conflict of Interest Matters

National Instrument 81-107 *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or recommendation, depending on the nature of the conflict of interest matter. Below is a brief summary of any approvals and/or recommendations relied on by the Managers during the Period.

Positive Recommendations and Standing Instructions Relied on During the Period

During the Period, the Managers relied on positive recommendations and standing instructions granted by the IRC with respect to the conflict of interest matters addressed by the following policies and procedures of the Managers:

- (a) Engagement and Monitoring Services Provided by the Portfolio Managers to the Funds (including Related Portfolio Managers);
- (b) Employee Personal Trading Policy;
- (c) Net Asset Value Error Correction Policy;
- (d) Fund Pricing Policy;
- (e) Allocation of Operating Expenses to the Funds Policy; and
- (f) Trade Errors.

In each of the above cases, the standing instructions granted by the IRC require the Managers to comply with the related policies and procedures and report periodically to the IRC.

Negative Recommendations

The IRC is not aware of any instance in which the Managers acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. The

Additional Information

Securityholders who would like additional details regarding the activities of the IRC may contact the Managers at more_info@cclgroup.com - Questions for members of the IRC will be appropriately directed to our attention.