Connor, Clark & Lunn

INVESTMENT MANAGEMENT LTD.

University of Western Ontario

May 2012

Q1 2012 Corporate Update

- **Assets under Management**
  - Mar 31, 2012: $22.0bn

- **Business Activity**
  - Significant activity across all business areas

- **Personnel**
  - No changes to key personnel
  - April 2012
    - *New: Fundamental Equity Analyst (Ryan Elliot)*

- **Operations & Compliance**
  - No compliance Issues
  - Section 5970 Audit Completed- report now available

Investment Team

Team Leader

Martin Gerber
(20)*

Portfolio Management

Dion Roseman
(18)*

Chris Archbold
(18)*

Research

Steven Huang
(17)*

Tate Haggins
(8)*

| **Trading** | **Systems** | **Research** | **Data** |
| 3 members | 5 members | 5 members | 5 members |

* Years of experience

Flight to Safety Eases

European crisis averted, US recovery broadens

S&P/TSX Composite Price Index

Greek debt crisis

European debt crisis escalates

S&P downgrade

ECB acts as lender of last resort

-5.2% -12.0% 3.6% 4.4%

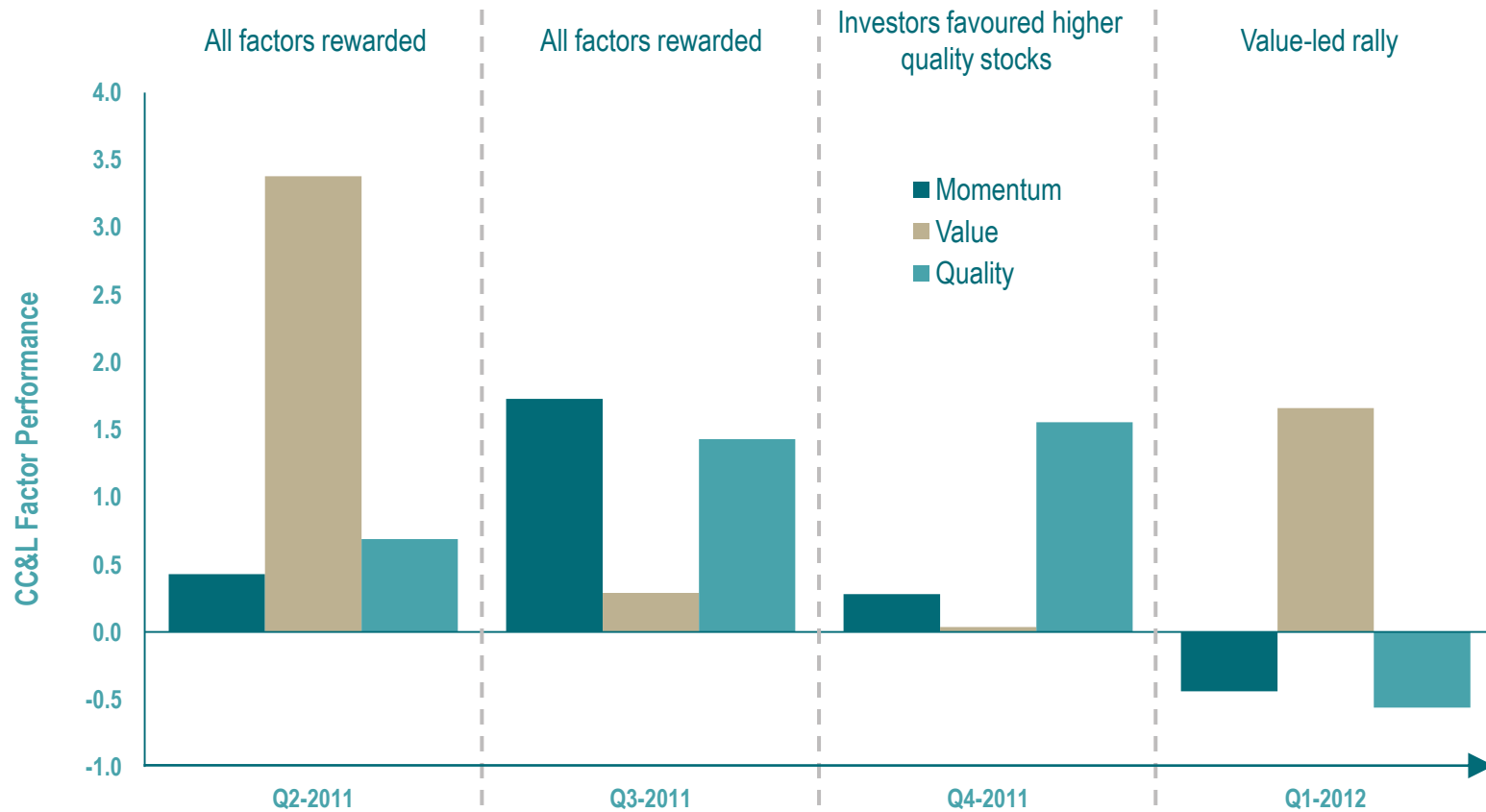Source: Thomson Reuters Datastream

Canada 10-Year Government Yield

Source: PC-Bond

- Risk appetites improve
- Global equity markets post strong gains, Canadian stocks underperform

- Long-term bond yields end modestly higher
- Corporate bonds outperform

Market Themes: CC&L Factor Performance

Source: Connor, Clark & Lunn Investment Management Ltd.

- Leadership rotation results in negative performance for momentum and strong gains from value

A Better Environment for Stock Selection

21-Day Pair-wise Stock Correlations Canadian Universe

Reduced Opportunity for Active Management

Increased Opportunity for Active Management
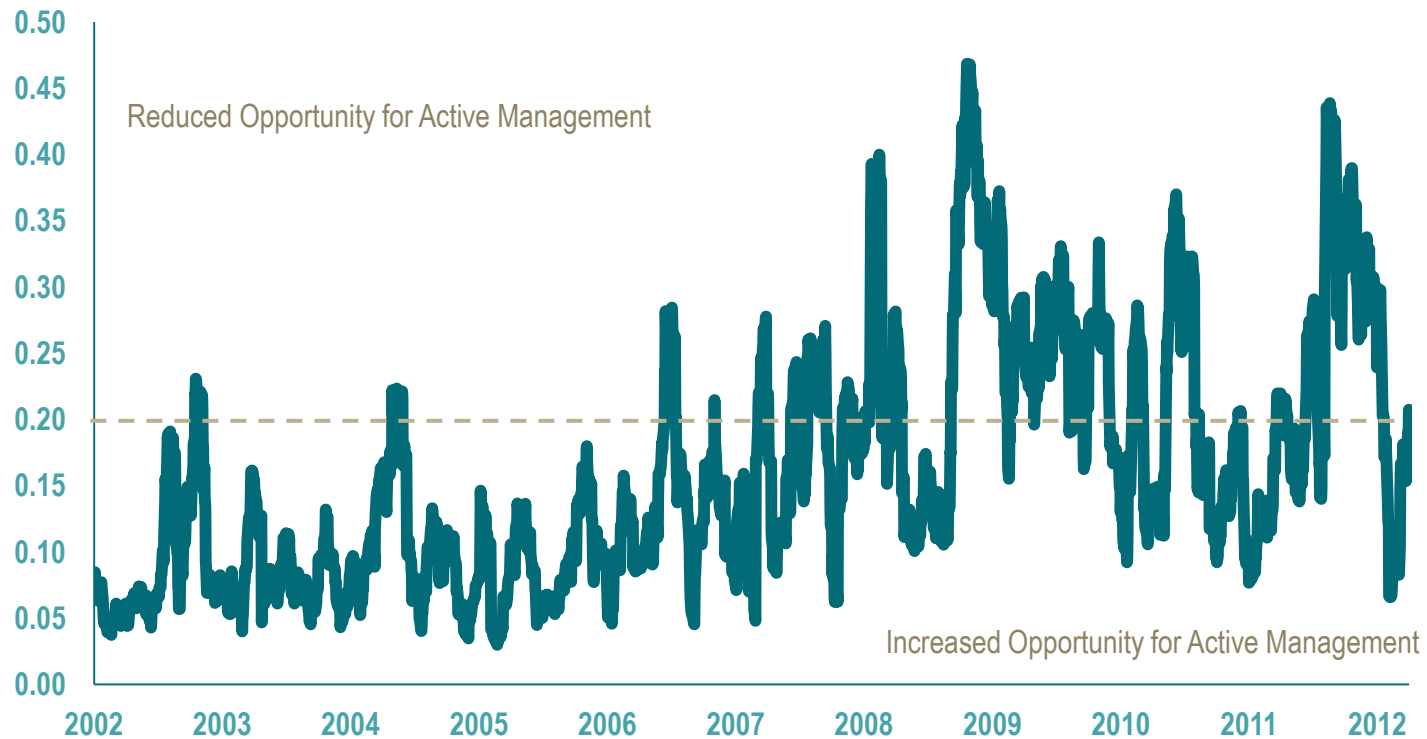
- Correlations dropped as macro risks abated

Investment Performance

	2012 (%)	Annualized Returns to March 31, 2012 (%)					
	Q1	1 yr	2 yr	3 yr	4 yr	5 yr	Since Inception*
University of Western Ontario	**4.6**	**-7.9**	**5.3**	**17.0**	**2.7**	**2.6**	**8.6**
S&P/TSX Composite Index	4.4	-9.8	4.2	15.6	1.1	1.7	7.8
Added Value	0.3	1.9	1.1	1.4	1.6	1.0	1.9

All returns are gross of fees. Added Value may differ due to rounding to two decimal place.
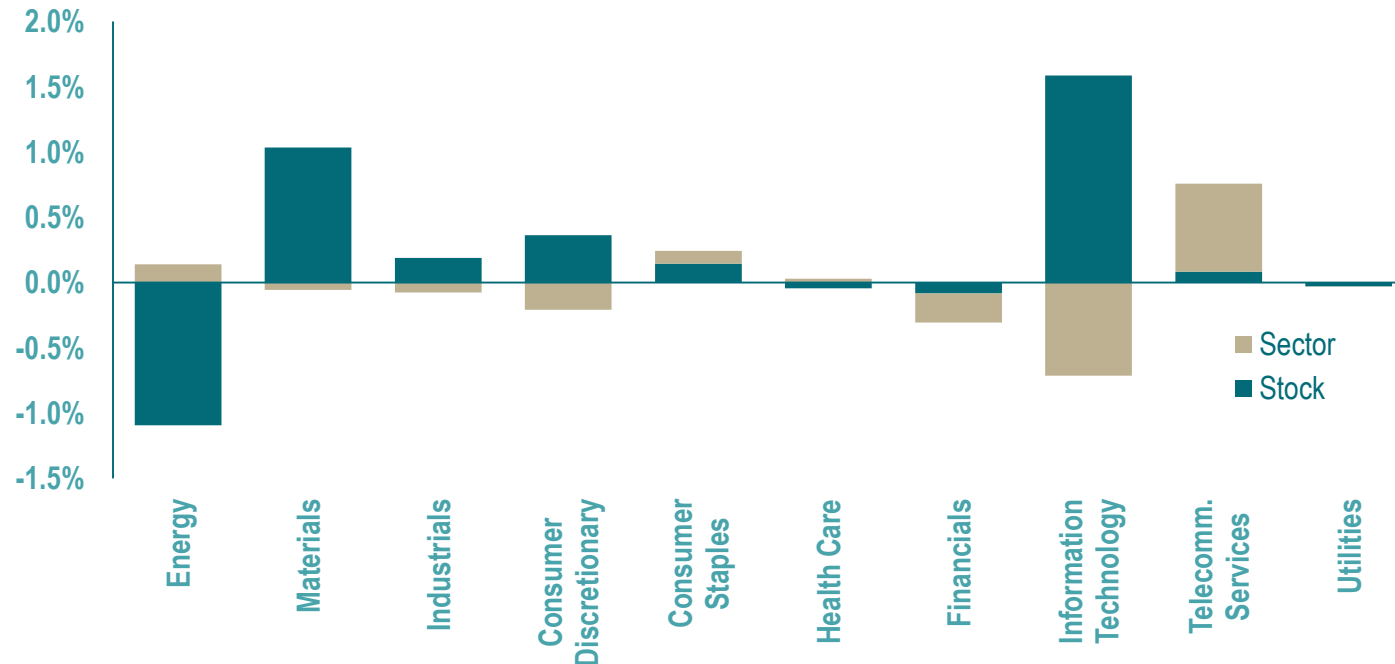* Inception Date: July 9, 2004

Performance Attribution
March 31, 2012

	1 Yr
Total Stock Selection	2.2%
Total Industry Selection	-0.3%
Total Active Return	**1.9%**

One Year Attribution

Rotation in Sector Leadership

S&P/TSX Composite Sector Performance

Chart: S&P/TSX Sector Aggregate Returns (y-axis from -20% to 20%)

Legend: ■ Q1 2012 ■ 2011

Categories: RATE SENSITIVE, SOFT CYCLICAL, DEFENSIVE, DEEP CYCLICAL
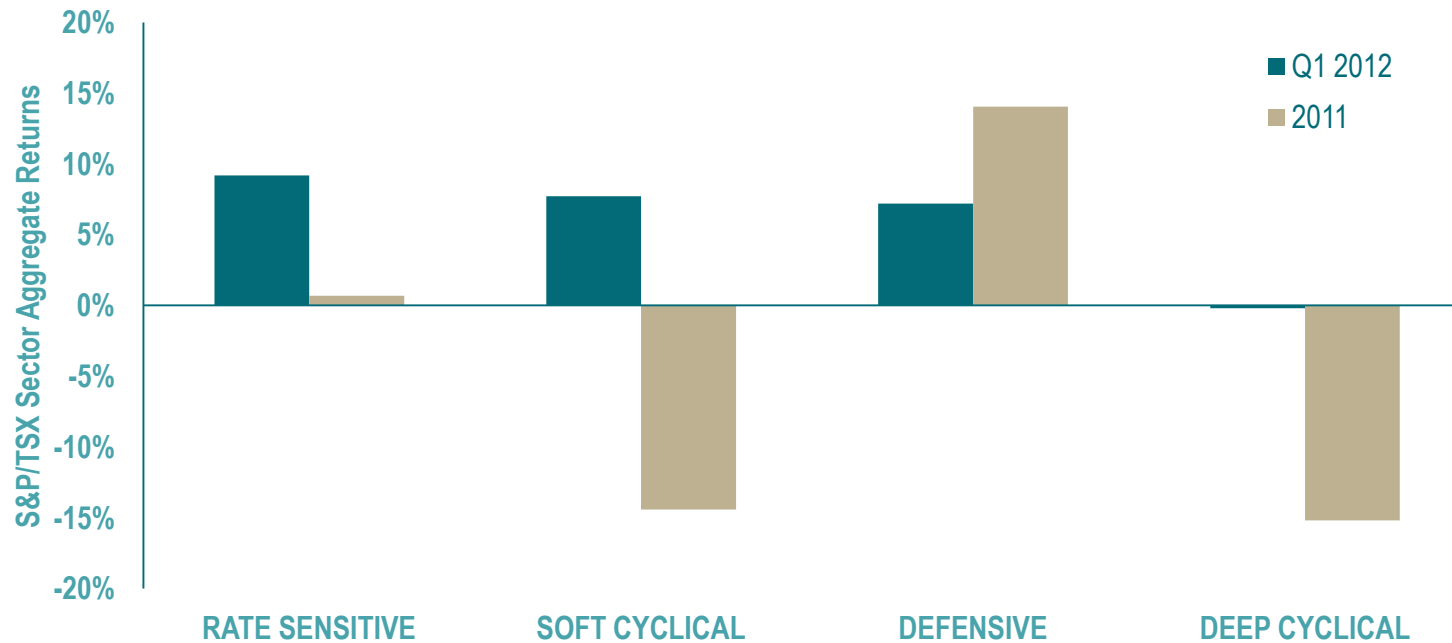
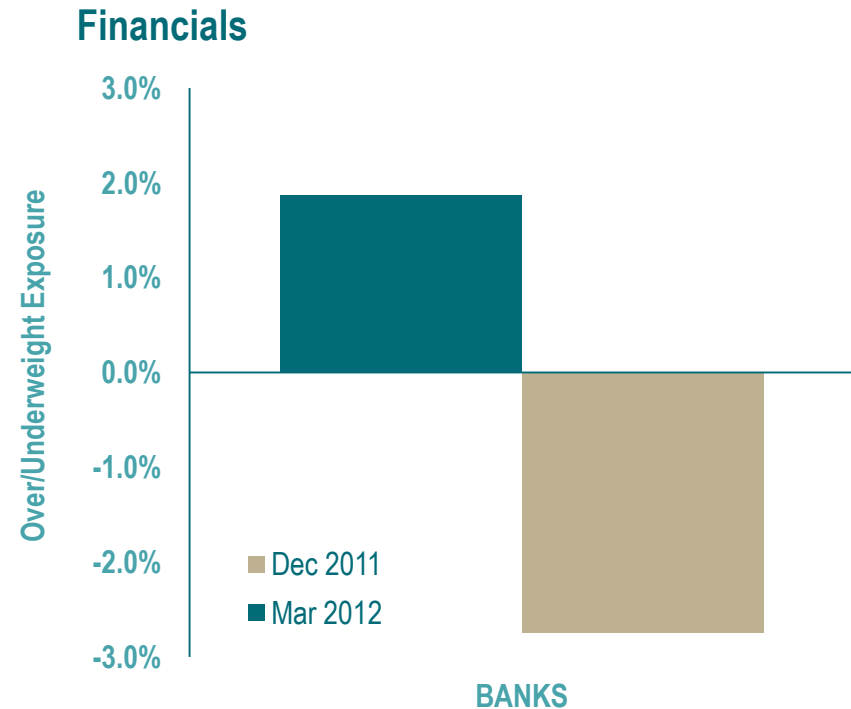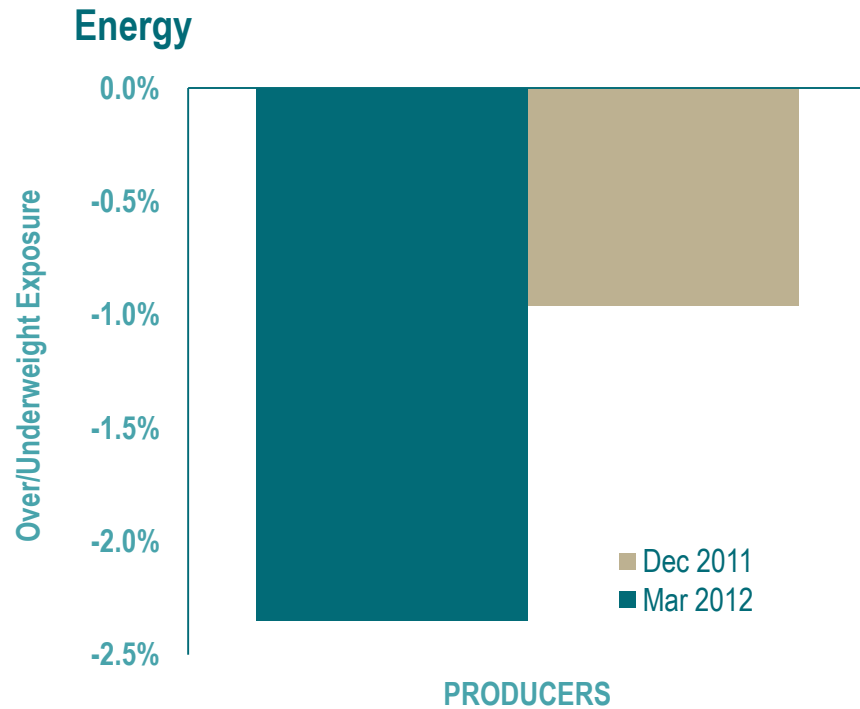| CC&L Portfolio Exposures				
Over	■ Financials ■ Telecom	■ Industrials ■ Technology	■ Utilities ■ Consumer Staples ■ Health care	
Under		■ Consumer Discretionary		■ Energy ■ Materials

- Financials & cyclical groups benefit from positive developments in Europe and the US

Q1 Leadership Rotation: Example
Q Core portfolio

Energy

Financials

Producers Industry Forecasts:

Mar 2012	Dec 2011
M : -1.0%	M: -0.4%
V: -0.2%	V: -0.2%

Industry Forecasts:

Mar 2012	Dec 2011
M : 0.4%	M: -0.1%
V: 0.5%	V: 0.3%

Sector Strategy
March 31, 2012

S&P GICS

	Benchmark	Portfolio	Under/Over
Energy	25.9%	24.5%	-1.4%
Materials	20.3%	17.9%	-2.4%
Industrials	5.7%	7.0%	1.3%
Consumer Discretionary	4.3%	2.4%	-2.0%
Consumer Staples	2.9%	3.4%	0.5%
Health Care	1.5%	1.9%	0.4%
Financials	31.3%	32.0%	0.7%
Technology	1.3%	3.1%	1.8%
Communication	4.9%	5.7%	0.8%
Utilities	1.9%	2.3%	0.4%
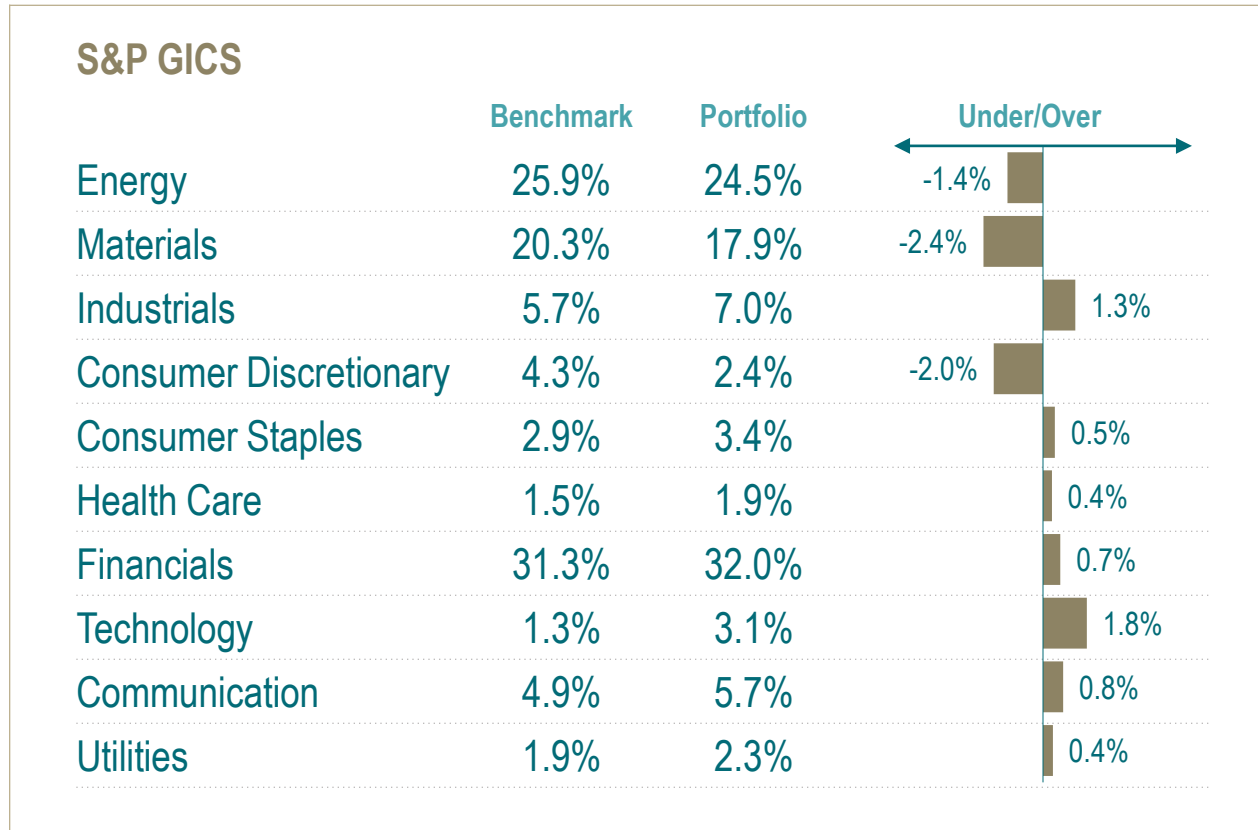
Source: Connor, Clark & Lunn Financial Group

Industry Breakdown
March 31, 2012

Largest Underweights

		Portfolio Weight
Energy Producers	-2.3%	9.6%
Insurance	-1.5%	3.8%
Media	-0.9%	0.4%
Diversified Financials	-0.9%	0.7%
Precious Metals	-0.9%	0.6%
Utilities	-0.5%	7.0%
Chemicals	-0.5%	3.3%
Metals	-0.5%	3.4%
Golds	-0.5%	11.0%
Autos	-0.4%	0.4%

Largest Overweights

		Portfolio Weight
Banks	1.9%	22.8%
Energy Equip & Services	1.5%	2.6%
Software	1.3%	2.3%
REITs	1.2%	3.4%
Transportation	0.6%	4.0%
Integrated Energy	0.6%	7.2%
Retail Staples	0.5%	2.5%
Pharmaceuticals	0.5%	1.6%
Telecom Services	0.4%	6.0%
Hardware	0.4%	1.0%

Alpha Opportunity – Canada
dispersion of forecasts by factor

Combined 60-Day Alpha Dispersions by Factor
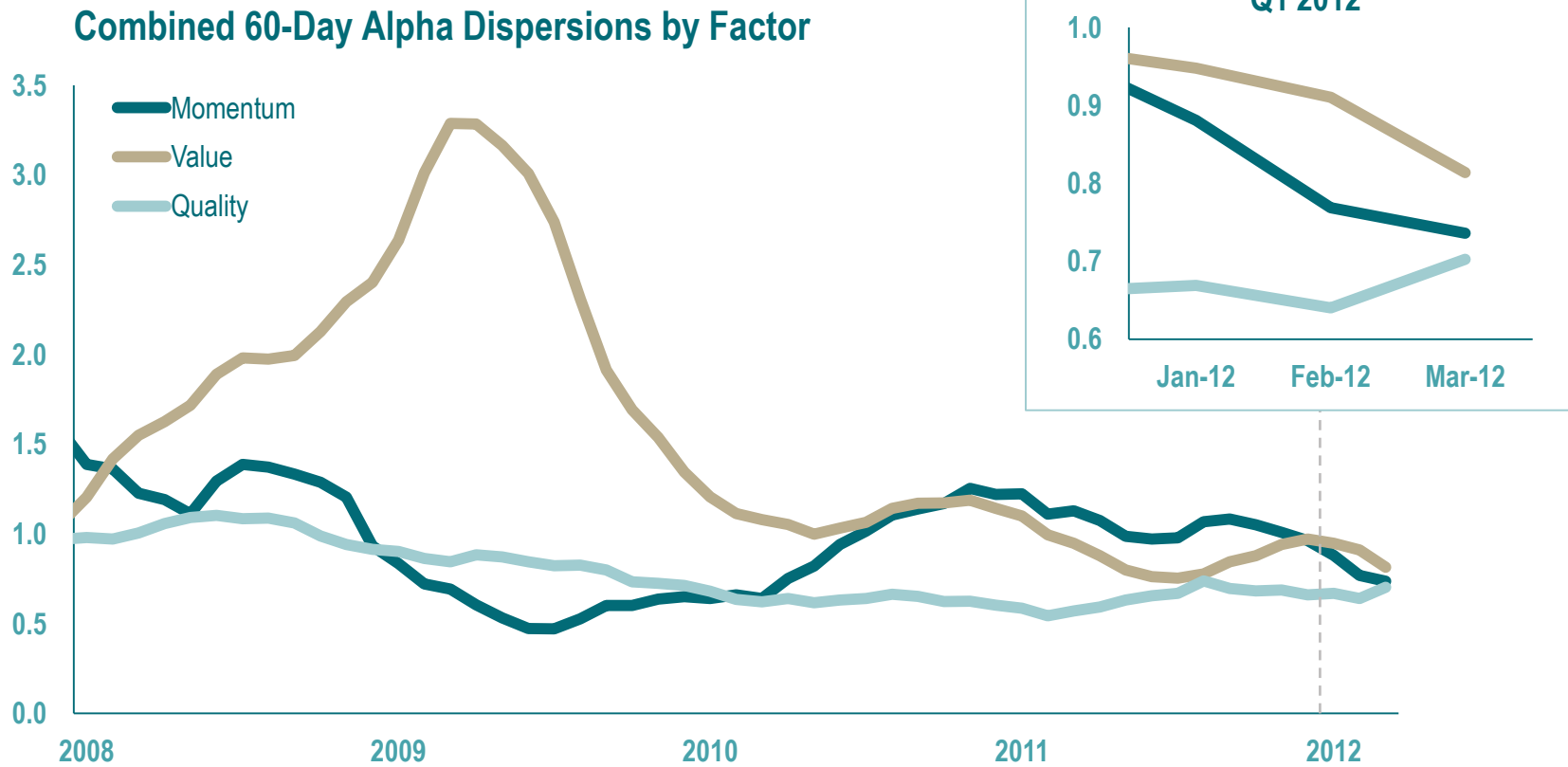
- Opportunity now below average for all factors, resulting in lower factor exposures and below average portfolio risk

Portfolio Factor Exposures Relative to Benchmark

0.20 Momentum
0.07 Value
0.03 Quality
0.11 Profitability
-0.04 Financial Strength
0.05 Stability

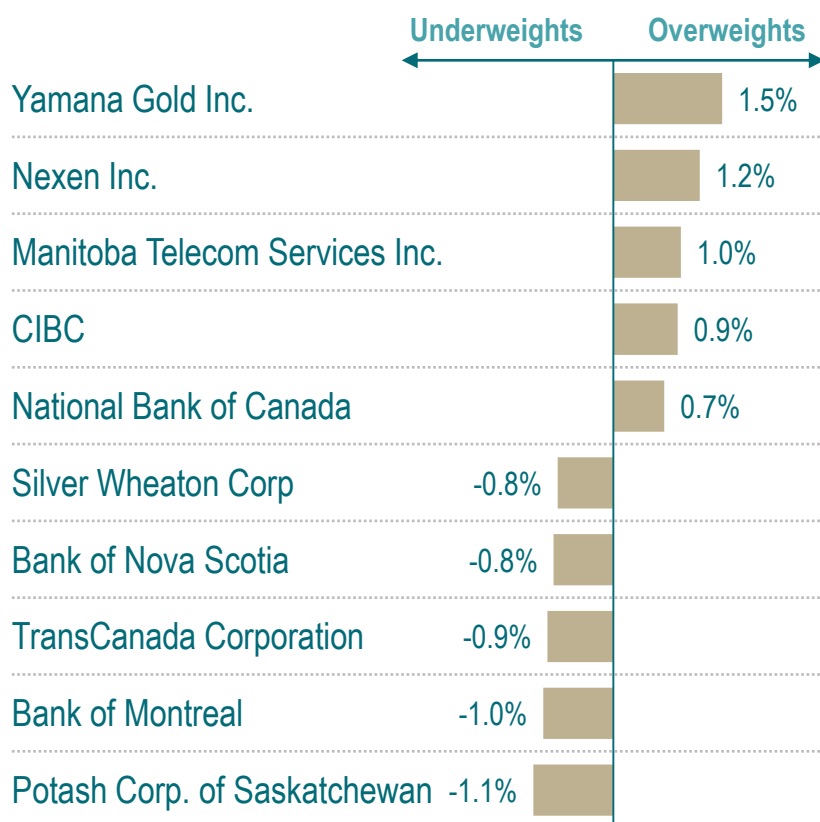Source: Connor, Clark & Lunn Investment Management, Standard & Poors, IBES

- Portfolio continues to have greater exposure to momentum
- Exposures to all factors have declined with reduced opportunity & rotation in leadership

Portfolio Exposures
as at March 31, 2012

Portfolio Exposures

	Underweights	Overweights
Yamana Gold Inc.		1.5%
Nexen Inc.		1.2%
Manitoba Telecom Services Inc.		1.0%
CIBC		0.9%
National Bank of Canada		0.7%
Silver Wheaton Corp	-0.8%	
Bank of Nova Scotia	-0.8%	
TransCanada Corporation	-0.9%	
Bank of Montreal	-1.0%	
Potash Corp. of Saskatchewan	-1.1%	

Top Ten Holdings

	Portfolio	Benchmark
Royal Bank of Canada	5.9%	5.6%
Toronto-Dominion Bank	5.8%	5.2%
Suncor Energy Inc.	3.9%	3.4%
Bank of Nova Scotia	3.4%	4.3%
Barrick Gold Corp.	3.1%	2.9%
CIBC	3.0%	2.1%
Canadian Natural Resources Ltd.	2.6%	2.4%
Cenovus Energy Inc.	2.5%	1.8%
Yamana Gold Inc.	2.3%	0.8%
Canadian National Railway	2.2%	2.4%
Total	**34.7%**	**30.8%**

Research Highlights – 2012

- North American cross-border insights
- Industry Betas (Industry leverage)   Q1 2012
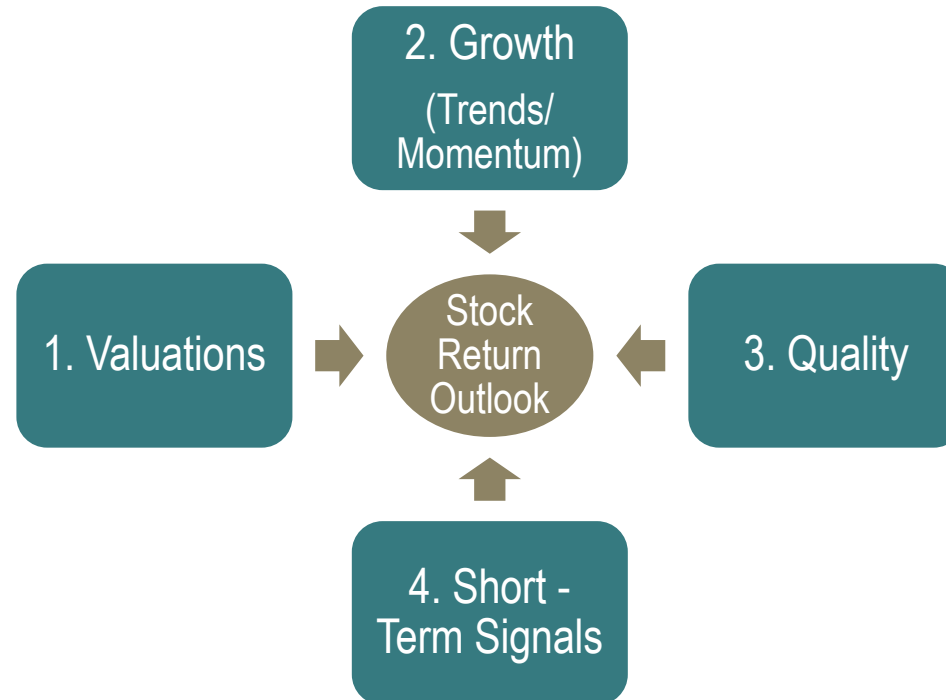- Market risk factors (Beta)

- Stock Efficiency - interactions with alpha
- Stock specific risk forecast   2012 Agenda
- Capital efficiency in Growth stocks

North American Cross-Border Background

■ **Model**

■ **Evolution**

— 2001 - Separate models

— 2008 – Cross border insights
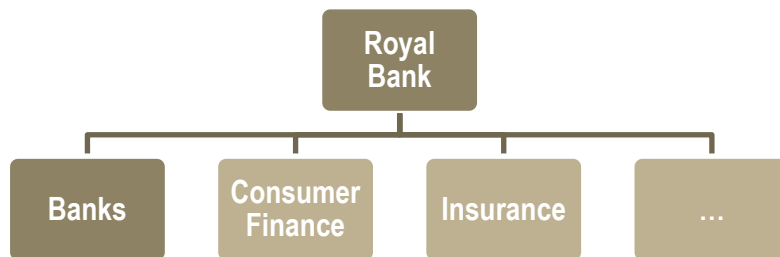
➜ **2012 – North American Model**
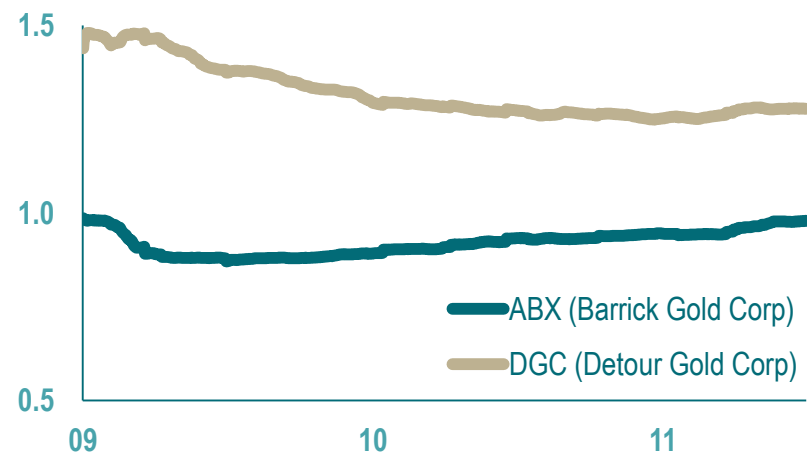
Benefits and Enhancements
improved modeling of stock vs. industries

- Broader universe for investment analysis

- Industry analysis for 100+ industries – increased detail

- Stock industry exposures more accurate
  — Forecasts from multiple industries
  — Industry sensitivity

Royal Bank Industry Analysis

Gold Industry Sensitivity

Benefits and Enhancements
North American model

- **Integrated and more efficient evaluation of fundamental data**

  — Better alpha opportunity (accuracy of forecasts)

  — Better risk management

  — Better responsiveness

- **Portfolio characteristics are unchanged**

  — Similar turnover

  — Similar exposures to growth and value

  — Similar risk allocation to stock vs. sector selection

  — Similar number of holdings

Q Core Investment Performance

	2012 (%)	Annualized Returns to March 31, 2012 (%)							
	Q1	1 yr	2 yr	3 yr	4 yr	5 yr	10 yr	Since Inception*
CC&L Canadian Q Core Fund	**4.6**	**-7.8**	**5.4**	**17.0**	**2.7**	**2.7**	**8.6**	**7.2**
S&P/TSX Composite Index	4.4	-9.8	4.2	15.6	1.1	1.7	7.2	5.4
Added Value	0.3	1.9	1.1	1.4	1.7	1.0	1.3	1.8
Tracking		*1.6*	*2.0*	*1.9*	*2.1*	*2.0*	*2.1*	*2.1*
Information Ratio		*1.2*	*0.6*	*0.8*	*0.8*	*0.5*	*0.7*	*0.9*

	Annual Returns to December 31 (%)									
	YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
CC&L Canadian Q Core Fund	**4.6**	**-8.2**	**21.0**	**34.3**	**-31.6**	**9.7**	**15.6**	**24.1**	**18.4**	**27.3**
S&P/TSX Composite Index	4.4	-8.7	17.6	35.1	-33.0	9.8	17.3	24.1	14.5	26.7
Added Value	0.3	0.5	3.4	-0.7	1.4	-0.1	-1.7	-0.1	3.9	0.6

All returns are gross of fees. Added Value may differ due to rounding to one decimal
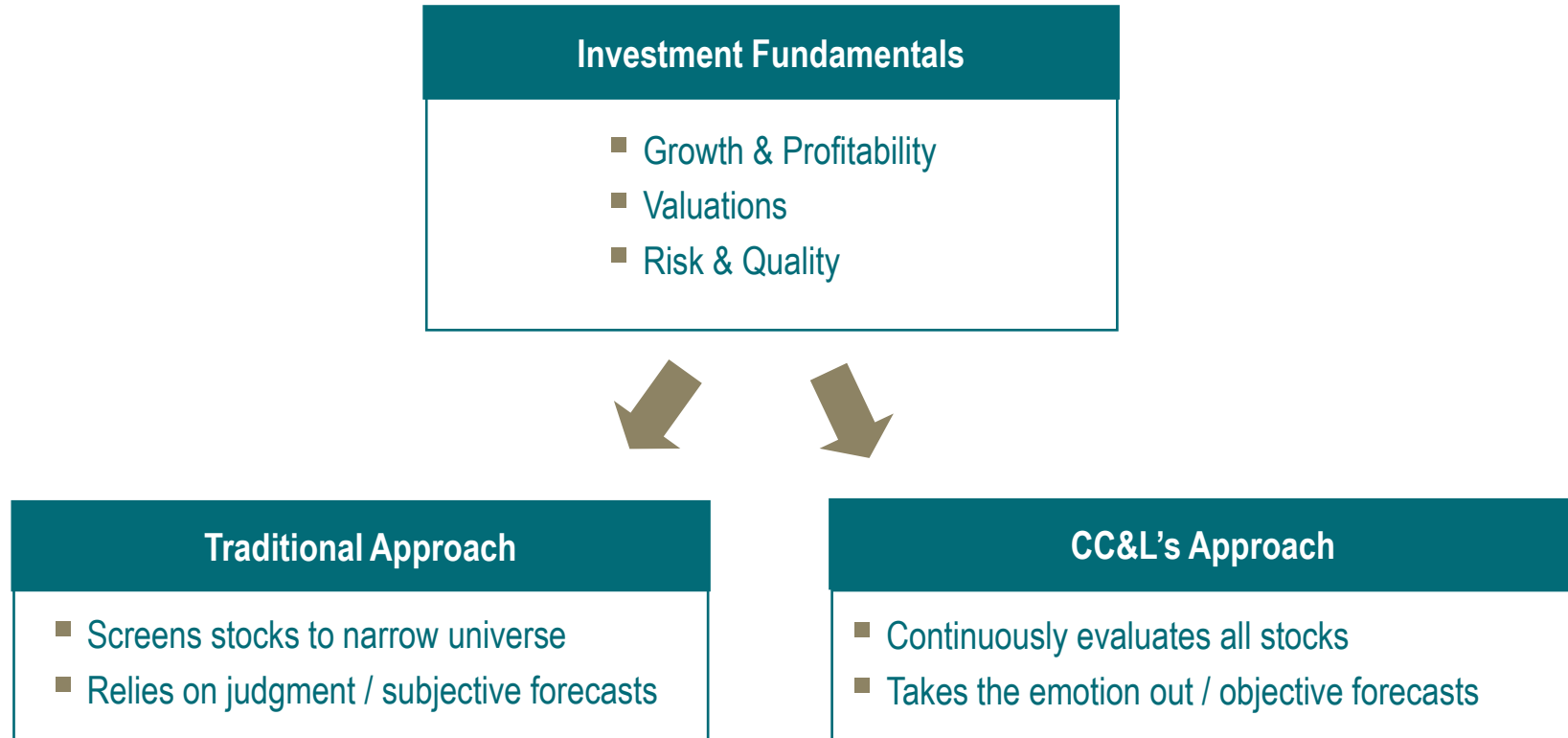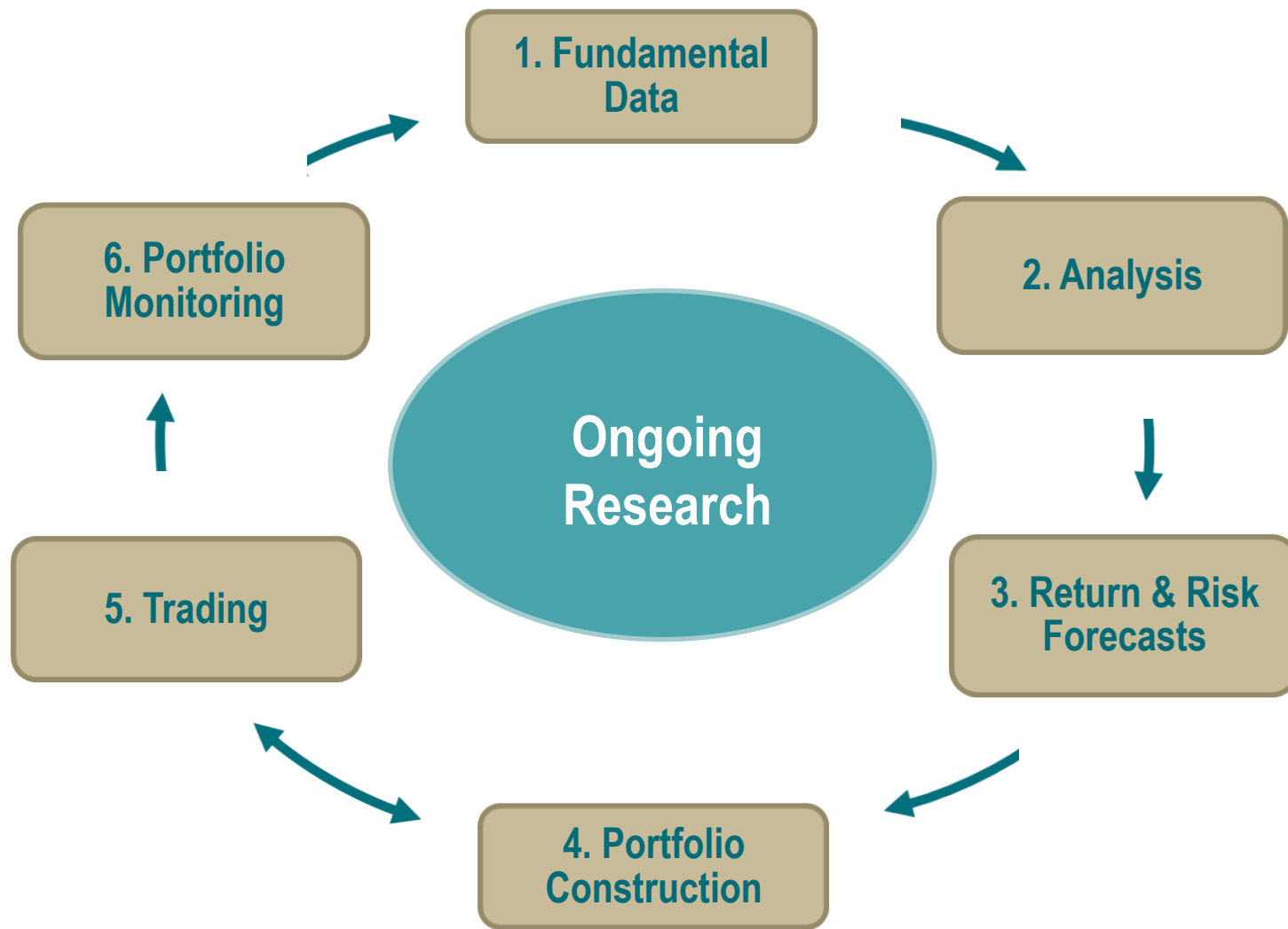
* Inception Date: January 2001

Appendix

Investment Philosophy
discipline and objective investing

Investment Fundamentals

- Growth & Profitability
- Valuations
- Risk & Quality

Traditional Approach

- Screens stocks to narrow universe
- Relies on judgment / subjective forecasts

CC&L's Approach

- Continuously evaluates all stocks
- Takes the emotion out / objective forecasts

Quantitative Equity
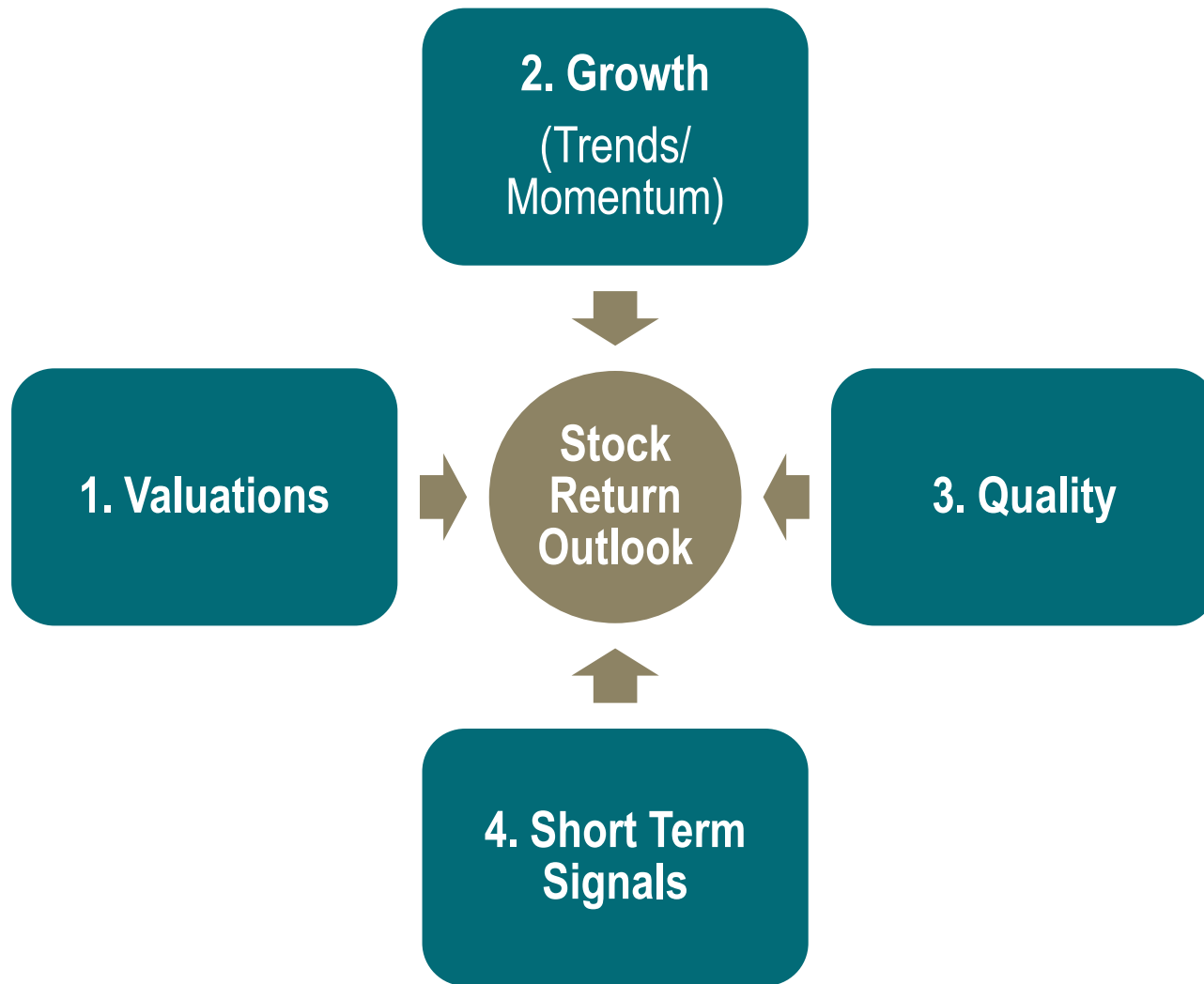## Investment Process Overview

Q Model: Analysis and Forecasting

- **Proprietary industry classifications**
  - Over 400 Canadian and 3000 US stock universe
  - 100+ custom industries

- **Indicator scoring example: RIM Growth (Earnings per Share Growth)**
  - Communications equipment: 65 stocks
  - RIM EPS growth: -32%
  - Industry average EPS Growth: -6%
  - RIM EPS Growth Q-score: -0.73

- **Analysis**
  - 50+ indicators
  - Investment fundamentals:
    - *Growth, Value, Quality, Short-term Insights, Risk*

Q Return Model
analysis and forecasting

2. Growth
(Trends/ Momentum)

1. Valuations

Stock Return Outlook

3. Quality

4. Short Term Signals

# Quantitative Equity
Analysis and Forecasting

1. Proprietary Industry Classifications

   - 450 investment stock universe

   - 33 custom industries

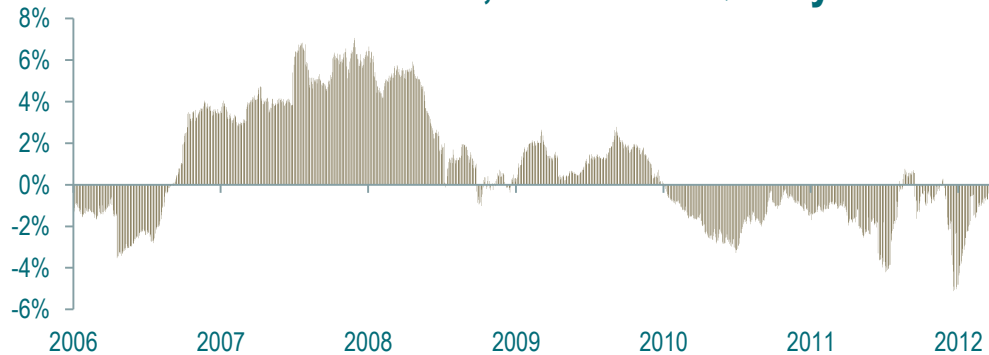2. Indicator scoring example: EnCana Valuation (P/CF Ratio)

   - Oil and Gas Producers Industry: 54 stocks

   - EnCana P/CF Ratio: 3.4x

   - Industry Average P/CF Ratio: 4.6x

   - EnCana P/CF Q-score: 0.48

3. Analysis

2. Growth

(Trends / Momentum)

Stock Return Outlook

1. Valuations
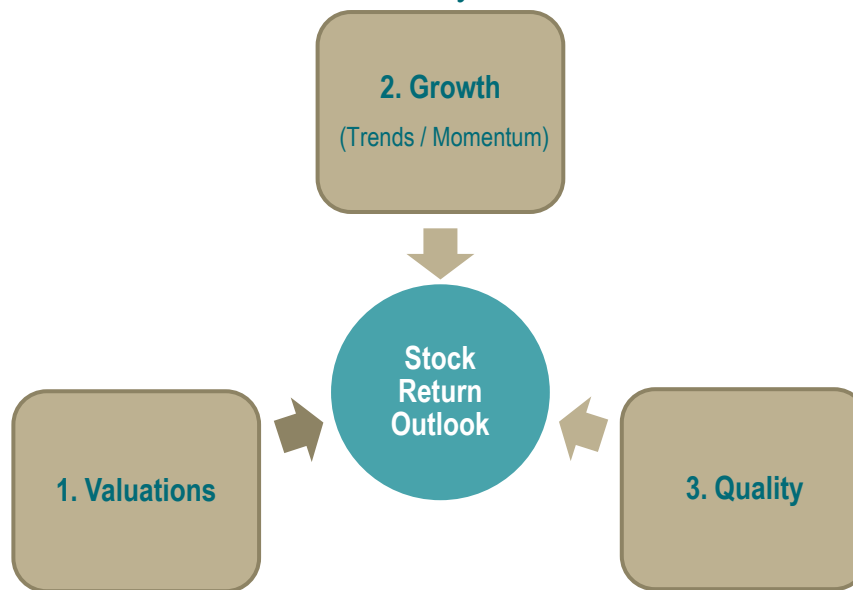
3. Quality

RIM Example

Outlook: Growth, Value and Quality

Over weight / Under Weight

Stock Price

- All stocks are scored daily
  — Growth, value and quality

- Q Core portfolio incorporates:
  — Score of all stocks
  — The risk each stock contributes
  — Trading costs

- Portfolio managed objectively

CC&L Risk Management Process
Disciplined, Objective & Rigorous

| Culture of Compliance | Proprietary Risk Models | Strict Position Limits | Oversight by Risk Committee |

- Risk management built directly into our process
- In-house, state-of-the-art risk management tools
- Stringent position limits
- Risk Management Committee chaired by the CEO

- No negative surprises