



**Canadian Equity Growth Fund (CC&L)
Manulife Canadian Q Growth Fund (CC&L)
Connor, Clark & Lunn Investment Management Ltd.**

December 31, 2018

Lead manager(s):	CC&L Quantitative Equity Team; Steve Huang (Team Lead)	Investment style:	Growth
Investment objective:	Maximize long-term total return relative to the S&P/TSX Composite Index through prudent selection of investments and generate returns equal to the Index plus 2% over rolling four-year periods.		
Last meeting date:	Q3 2018	Next estimated meeting date:	Q3 2019
Current rating:	IN GOOD STANDING		

Annual Fund Returns (%)

	2014	2015	2016	2017	2018	5 Yrs
Canadian Equity Growth Fund (CC&L)	11.60	-4.58	17.22	11.30	-8.88	4.83
S&P/TSX Composite Index	10.55	-8.31	21.08	9.10	-8.89	4.06
Value added (+) / lost (-)	1.05	3.73	-3.86	2.20	0.01	0.77

Short-term performance analysis

- Over the one-year period ending December 31, 2018, the Fund performed in-line with its benchmark.
- Sector allocation slightly contributed, but was offset by slightly weak security selection. Within sector allocation, added value was driven by an overweight exposure to the Information Technology sector and underweight exposure to the Energy sector. Within security selection, positions within the Industrials, Consumer Staples and Financials sectors were the primary detractors from relative performance. Both sector allocation and security selection is determined by the team's quantitative model.
- While the Fund was strongly ahead of the benchmark during the first half of the year, the Fund significantly underperformed in Q4, when the Fund underperformed the benchmark by 3.2%.
 - In Q4, underperformance was mainly driven by weak security selection, while sector allocation was slightly negative. Security selection was particularly weak in the Energy and Materials sectors. Within the Energy sector, having overweight exposures to producers and integrated companies hurt relative performance. Within the Materials sector, the portfolio's overweight exposure to Methanex was the most significant detractor. The manager trimmed its active exposure to the Energy sector during the quarter. This fund is expected to underperform during periods of dramatic directional changes within the market such as Q4.
- Based on MSCI Canada style indices, growth stocks outperformed over the short term. Given the Fund's growth-oriented investment bias, this would have generally been favourable to the Fund's performance.

Long-term performance analysis

- The Fund has outperformed its benchmark in three of the past five years and added value on a five-year annualized basis.
- Over the longer-term, sector allocation slightly contributed to relative performance, while security selection was relatively flat. Both sector allocation and security selection are determined by the team's quantitative models.
- Based on MSCI Canada style indices, value stocks and growth stocks performed in-line with each other on the five-year annualized basis. Given the Fund's growth-oriented investment bias, its style had a neutral impact on long-term performance.

Significant corporate events

Corporate

- There were no significant corporate events over the past three years.

Fund specific

- In January 2016, Steve Huang became Head of the Quantitative (Q) Team as Martin Gerber, who previously led the Q Team, transitioned into his current role of President and Chief Investment Officer of the firm.

IMS commentary

- The Quantitative (Q) Equity process is focused on the rigorous and objective assessment of both the opportunity and risk of all stocks in the investment universe in order to construct well-diversified portfolios. Using a quantitative and objective process not only allows the Portfolio Managers to evaluate a diverse set of companies on an ongoing basis but also allows them to attempt to exploit opportunities created by behavioral and informational inefficiencies in the market.
- In January 2016, Steve Huang became Head of the Quantitative (Q) Team as Martin Gerber, who previously led the Q Team, transitioned into his role as President and Chief Investment Officer at the firm. The planned team changes were announced well in advance (April 2014). Steven Huang has been with the Q Team since its inception in 1998. For the past several years he has worked closely with Mr. Gerber, managing quantitative research for the Q Team. The change has not resulted in any material modifications to the investment process, style or philosophy of the Fund.
- IMS is confident that the Manager has remained within the stated investment philosophy and style.
- The Fund has added value against the benchmark over the longer term, there are no concerns with the Funds underperformance in Q4 of 2018, as the Fund's quantitative approach typically lags in highly volatile market environments such as this.

Conclusion:

- Given that 1) the Fund has slightly outperformed its benchmark over the long term while remaining within its stated investment philosophy and style and 2) the Fund is backed by a strong investment firm and experienced team following a sensible process with dynamic risk controls, IMS continues to rate this Fund In Good Standing.

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