Renaissance High Income Fund

About CC&L:

Established in 1982, Connor, Clark & Lunn Investment Management Ltd. (CC&L), is one of Canada's asset management firms dedicated to managing assets for pension fund sponsors, capital accumulation plans, corporations, not- for-profit organizations, mutual funds and individual investors.

Fundamental Canadian equity team

Investment philosophy

CC&L seeks to create a superior alternative to traditional dividend strategies by focusing on delivering a higher yield with less absolute volatility. It does this by investing in securities that generate an attractive and sustainable yield, and by diversifying across: large-, mid- and small-cap dividend-paying Canadian and US equities. The focus for the strategy is on investing in the team's best income-oriented ideas, rather than tracking the commodity-heavy S&P/TSX Composite Index.

- **Dividends are critical for investment success:** The team at CC&L is focused on striking a balance between companies with high and sustainable yields, and those with dividend growth. This allows the strategy the potential to deliver high yield as well as yield that grows consistently over time.
- **Continuous coverage of the Canadian market from small to large cap:** CC&L's strength is its sector expertise. This allows the team to respond quickly to investment opportunities, particularly in the less-efficient small-mid cap segment of the market.
- **Strict target price discipline:** This allows the team to identify investment opportunities within sectors and across the market. It acts as a key buy and sell discipline in the portfolio construction process.
- **Carefully manage a balance between risk and reward:** CC&L is focused on capital preservation and aims to lower volatility by focusing on high quality, well-established companies.

Investment process

Top-down macroeconomic analysis

Careful consideration is given to positioning the portfolio relative to the current macro environment. This includes striking a balance between interest-sensitive, defensive and economically sensitive securities in the portfolio.

CC&L's top-down analysis begins with the equity team establishing outlooks for interest rates, currencies and commodity prices. From there, growth forecasts for sectors and individual stocks are developed. This information is then combined with industry-specific historical growth and value measures to create return forecasts for each sector. A key outcome of the macro process is to identify investment themes that become the focus of the portfolio. Detailed coverage of all sectors is maintained whether they are in or out of favour. This ensures that the portfolio can be rapidly adjusted to reflect macro changes as they occur.

Bottom-up security selection analysis

1. Management interviews

- Understand a company's long-term operating strategy and the key contributors to its business model.
- Strategic discussion focused on milestones for value creation, such as management's commitment to returning capital to shareholders in the form of dividends.

2. Financial forecasts

- Forecasts are generated for all securities in the coverage universe and are stress-tested for adverse scenarios (e.g. weaker oil prices). This has allowed the team to identify securities that are likely to increase dividends and avoid those that are likely to cut dividends.
- Earnings, EBITDA, revenues, free cash flows and balance sheet metrics are forecasted for all companies.

3. Valuations

- Earnings, EBITDA, revenues, free cash flows and balance sheet metrics are forecasted for all companies.

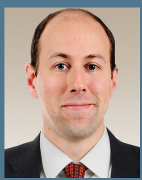
4. Target price

- Generates a target price for every stock in the investable universe. These are reviewed and updated weekly, based on information from management interviews and macro developments.
- Target prices are used to generate expected returns for each stock, allowing the team to evaluate risk/return opportunities.

Output: well-diversified portfolio

- Macro ideas
- Stock ideas
- Diversified portfolio of 35-50 securities.

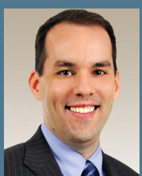
Portfolio Managers
Renaissance High Income



Steven Vertes, MBA, CFA

Vice President &
Portfolio Manager
Fundamental Equities

Education: HBA, CFA



David George, CFA

Vice President &
Portfolio Manager
Fixed Income

Education: BSc, MSc, CFA

Renaissance High Income Fund

Class A:
Front-end Load: ATL1879

Class F: ATL1650

High-yield bond strategy

Investment process

- **Credit research:** Detailed credit research to identify undiscovered opportunities in the high-yield debt market.
- **Investment criteria:** Emphasis is placed on issuers with a unique business model, strong asset coverage, sustainable competitive advantage or compelling restructuring plan. Insights from CC&L's fundamental equity team supplement fixed income research.
- **Proprietary corporate security selection:** Each company is assigned a total return forecast based on bottom-up factors including, but not limited to: a company's operating profile, quality and incentives of management and financial profile.
- **Higher credit quality bias:** BB average rating.
- **Focused portfolio:** 5% maximum allocation to any high-yield issuer.

Overall risk management approach

Portfolio risk management is an integral part of the overall investment process and incorporates four components that are key to ensuring a disciplined, objective and rigorous process.

- **Proprietary risk management tools**
- **Risk estimates are based on volatility, liquidity, valuation and market cap**
- **Stringent position limits enforced**
- **Weekly portfolio review by risk management committee.**

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