

CONNOR, CLARK & LUNN MANAGED PORTFOLIOS

Annual Information Form

**Offering of Series A, Series F, Series I, Series O, Arbour Series,
and Reserve Series Units of**

CC&L Diversified Income Portfolio

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

July 24, 2019

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INTRODUCTION

In this annual information form,

- **Arbour Series** refers to the Arbour Series units offered by the simplified prospectus
- **Business Day** refers to any day that the Toronto Stock Exchange is open for trading
- **Dealer** or **dealer** refers to the company where your registered representative works
- **NI 81-102** refers to National Instrument 81-102 – Investment Funds of the Canadian Securities Administrators
- **NI 81-107** refers to National Instrument 81-107 – Independent Review Committee for Investment Funds of the Canadian Securities Administrators
- **Portfolio** refers to the mutual fund offered under the simplified prospectus and this annual information form, in particular, the CC&L Diversified Income Portfolio
- **Registered representative** refers to the representative registered in your province or territory who advises you on your investments
- **Registered Plans** include registered retirement savings plans (**RRSPs**), registered retirement income funds (**RRIFs**), locked in retirement savings plans (**LRSPs**), locked in retirement accounts (**LIRAs**), life income funds (**LIFs**), life registered income funds (**LRIFs**), deferred profit sharing plans (**DPSPs**), registered education savings plans (**RESPs**), registered disability savings plans (**RDSPs**) and tax free savings accounts (**TFSAs**)
- **Reserve Series** refers to the Reserve Series units offered by the simplified prospectus
- **Series A** refers to the Series A units offered by the simplified prospectus
- **Series F** refers to the Series F units offered by the simplified prospectus
- **Series I** refers to the Series I units offered by the simplified prospectus
- **Series O** refers to the Series O units offered by the simplified prospectus
- **Tax Act** refers to the *Income Tax Act* (Canada) and the regulations thereunder
- **Unit, unit** or **units** refers to a unit or units of the Portfolio
- **Unitholders** or **unitholders** refers to owners of units of the Portfolio
- **We, us, CC&L PC** or the **Manager** refers to Connor, Clark & Lunn Private Capital Ltd.
- **You** refers to the registered or beneficial owner of a unit of the Portfolio, as the context requires

NAME, FORMATION AND HISTORY OF THE PORTFOLIO

The CC&L Diversified Income Portfolio is an open-end unit trust initially formed under the laws of Ontario. The Portfolio was created by a supplemental trust agreement dated as of January 1, 2006, and the supplemental trust agreement incorporates by reference the master trust agreement dated January 1, 2006, as amended from time to time, containing the standard terms and conditions of the Portfolio formed in connection therewith.

| Name of Portfolio | Date of Formation | Name Changes | Portfolio Manager Changes | Other Changes |
|--|-------------------|---|--|--|
| CC&L Diversified Income Portfolio | January 1, 2006 | <p>As of July 28, 2015 – French name changed from Portefeuille diversifié à revenu CC&L to Portefeuille diversifié de revenu CC&L</p> <p>January 6, 2012 - Name changed from CC&L Balanced Income Portfolio</p> | <p>As of July 25, 2018, changed management for the Global mandate from NS Partners Canada Ltd. to NS Partners Ltd.</p> <p>As of June 30, 2015, changed management for the U.S. equity asset class from Gyrus Investment Management Inc. to NS Partners Canada Ltd., expanding NS Partners Canada Ltd.'s mandate to a Global mandate, including but not limited to both a U.S. and an EAFE component.</p> <p>As of May 23, 2014, retained NS Partners Canada Ltd. to manage EAFE equity asset class, if allocated by Connor, Clark & Lunn Private Capital Ltd. to the Portfolio.</p> <p>As of June 28, 2013, retained Global Alpha Capital Management Ltd. to manage international and U.S. equity asset classes (small capitalization), if allocated by Connor, Clark & Lunn Private Capital Ltd. to the Portfolio.</p> <p>As of January 1, 2010, changed management for the</p> | <p>Second Amendment to the Amended and Restated Supplemental Trust Agreement dated as of July 28, 2015 to change the French name of the Portfolio to Portefeuille diversifié de revenu CC&L</p> <p>Amendment to the Amended and Restated Supplemental Trust Agreement dated January 6, 2012 to change the name of the Portfolio to the CC&L Diversified Income Portfolio</p> <p>Amended and Restated Supplemental Trust Agreement and Master Trust Agreement, both dated October 23, 2011, to evidence change to CIBC Mellon Trust Company from RBC Dexia Investor Services Trust, as the trustee.</p> <p>Amended and Restated Supplemental Trust Agreement and Master Trust Agreement, both dated October 1, 2011, to evidence the change to CC&L PC from Connor, Clark & Lunn Managed Portfolios Inc., as manager and to change the governing law of the Portfolio to British Columbia from Ontario law.</p> <p>Supplemental Trust Agreement dated January 7, 2011 to introduce Canadian First Series.</p> <p>Supplemental Trust Agreement dated January 8, 2010 to introduce PI</p> |

| Name of Portfolio | Date of Formation | Name Changes | Portfolio Manager Changes | Other Changes |
|-------------------|-------------------|--------------|---|---|
| | | | U.S. equity asset class from Connor, Clark & Lunn Private Capital Ltd. to Gyrus Investment Management Inc. March 5, 2009 – changed management for the U.S. equity asset class from New Star Canada Inc. to Connor, Clark & Lunn Private Capital Ltd. | Financial Series and to re-name Verdant Series to Arbour Series. Supplemental Trust Agreement dated as of March 5, 2009 to introduce Reserve Series. |

CC&L PC is the manager of the Portfolio. The principal place of business of the Portfolio and the head office of CC&L PC is located at 2300-1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

CC&L PC is part of the Connor, Clark & Lunn Financial Group Ltd.

INVESTMENT RESTRICTIONS AND PRACTICES

The simplified prospectus contains a detailed description of the investment objective, investment strategy and risk factors relating to the Portfolio. In addition, the Portfolio is subject to certain investment restrictions and practices applicable to mutual funds contained in securities legislation, including NI 81-102. This legislation is designed, in part, to ensure that the investments of the Portfolio are diversified and relatively liquid and to ensure the proper administration of the Portfolio. The Portfolio is managed in accordance with these investment restrictions and practices.

The Portfolio has not sought approval of the IRC, defined under *Fund Governance* on page 20, to vary any of the investment restrictions and practices conducted by the Portfolio nor has it sought the approval of the IRC to implement any reorganization with, or transfer of assets to, another mutual fund or to change the auditor of the Portfolio.

A change to the fundamental investment objectives of the Portfolio cannot be made without obtaining unitholder approval. The Manager may change the Portfolio's investment strategies from time to time at its discretion. Unitholders are not entitled to vote on a change in the fundamental investment objectives of any mutual fund (an "underlying fund") in which the Portfolio invests except if CC&L PC decides to pass through voting rights on shares or units of the underlying funds held by the Portfolio.

General Investment Practices

The Portfolio's assets may be invested in such securities as the Portfolio's portfolio managers see fit, provided such investments do not contravene any investment restrictions or practices adopted, and the Portfolio may retain all or part of its assets in cash or cash equivalents. The proportion of the Portfolio's investment in any type or class of security or country may vary significantly.

Portfolio managers may attempt to protect the net asset values and total returns of the portion of the Portfolio under their management by using derivative instruments for both hedging and non-hedging purposes.

The Portfolio's assets will be invested in the various asset classes as determined by the asset allocation decision of CC&L PC in accordance with the Portfolio's mandate. Generally, it is intended that each asset class will be actively managed by the portfolio manager for such class. The Portfolio may also hold an interest in an underlying fund having portfolio securities of the same asset class and managed by a member of the Connor, Clark & Lunn Financial Group Ltd. The Portfolio may invest in units of an underlying fund if:

- the investment objective of the underlying fund is consistent with the Portfolio's investment objective;
- the portfolio manager does not vote the Portfolio's holdings in the underlying fund;
- at the time the Portfolio purchases securities of the underlying fund, the underlying fund holds no more than 10% of the market value of its net assets in securities of another underlying fund;
- no management fees or portfolio management fees are payable by the Portfolio that would duplicate a fee payable by the underlying fund; and
- no sales fees or redemption fees are payable by the Portfolio in relation to its purchases or redemptions of the securities of the underlying fund.

In anticipation of or in response to adverse market conditions, for cash management purposes, for defensive purposes, for rebalancing purposes or for purposes of a merger or other transactions, the Portfolio may temporarily hold all or a portion of its assets in cash, money market instruments, securities of affiliated money market funds, bonds or other debt securities. As a result, the Portfolio may not be fully invested in accordance with its fundamental investment objectives.

Subject to approval by the IRC of the Portfolio and the requirements of NI 81-107, a portfolio manager can cause the Portfolio to purchase from, or sell portfolio securities to, another fund. In addition, the Manager has received exemptive relief dated October 26, 2011 from the Canadian Securities Administrators which allows the Manager to permit the Portfolio's portfolio manager to purchase from, or sell portfolio securities to, another fund managed by the Manager or an affiliate of the Manager and advised by the same portfolio manager or a managed account advised by the same portfolio manager, subject to approval of the IRC and the terms of such exemptive relief.

Derivative Instruments

The Portfolio may only make use of "specified derivatives" within the meaning of Canadian securities regulatory requirements, which include clearing corporation options, futures contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants. The Portfolio may only use derivatives for hedging purposes in accordance with regulatory requirements.

Investing in and using derivative instruments are subject to certain risks.

The Portfolio may use derivatives with the intention to offset or reduce a risk associated with an investment or group of investments. These risks include currency value fluctuations, stock market risks and interest rate changes.

The Portfolio may also write exchange or over-the-counter put or call options, which will require the Portfolio to post margin.

Derivatives will not be used:

- for speculative trading;
- to create a portfolio with leverage; or
- to purchase for non-hedging purposes options, options on futures, listed warrants and debt-like securities that have an options component if, after making the purchase, more than 10% of the net assets of the Portfolio (taken at market value at the time of such purchase) would consist of these instruments.

Repurchase and reverse repurchase agreements

The Portfolio may enter into repurchase agreements, provided that not more than 50% of the net assets of the Portfolio may be at risk under these repurchase agreements unless Canadian securities regulatory authorities allow the Portfolio to invest in a greater amount. Through a repurchase agreement, the Portfolio sells a security at one price and concurrently agrees to buy it back from the buyer at a fixed price. Investments in repurchase agreements may be subject to certain risks. In the event of bankruptcy of the other party to the repurchase agreement, the Portfolio could experience delays in receiving payment. However, we attempt to minimize the risk of loss to the Portfolio by having risk management policies. See *Securities Lending, Repurchase Transactions and Reverse Repurchase Transactions Risk Management* on page 23.

Securities lending

Securities lending involves lending for a fee portfolio securities held by the Portfolio for a set period of time to willing, qualified borrowers who have posted collateral. The Portfolio may enter into securities lending arrangements from time to time to the extent permitted. In lending its securities, the Portfolio is subject to the risk that the borrower may default on its obligations, including the obligation to return the securities to the Portfolio, in which case the collateral may be insufficient to enable the Portfolio to purchase replacement securities at its original purchase price to the Portfolio. As a result, the Portfolio may suffer a loss for the difference. In addition, initial defaults may also cause the Portfolio to experience delays returning the securities and/or compensation for defaults. However, we attempt to minimize the risk of loss to the Portfolio by having risk management policies. See *Securities Lending, Repurchase Transactions and Reverse Repurchase Transactions Risk Management* on page 23.

DESCRIPTION OF SECURITIES OFFERED BY THE PORTFOLIO

The Portfolio may have an unlimited number of series of units and may issue an unlimited number of units of each series. Except as indicated, the Portfolio currently offers the following series of units:

- | | |
|-----------|---|
| Series A: | Series A units are available to all investors who purchase through dealers and who invest the minimum amount. |
| Series F: | Series F units are available to investors who participate in fee-based programs through their dealer, whose dealer has signed a Series F agreement with us and who invest the minimum amount. |

- Series I:** Series I units are designed for those investors wishing to pay fees directly to the Manager. Series I units are available to institutional and other comparable investors, as the Manager may determine from time to time, who invest \$1 million or such lesser amount as the Manager may agree. In addition, Series I units are available to investors who purchase through dealers, invest the amount described above, pay fees directly to the Manager, have entered into an agreement with their dealer in relation to the payment of fees to their dealer and have authorized that both the Manager's fees and the dealer's fees be paid through a redemption of units.
- Series O:** Series O units are available to investors who purchase through dealers, have entered into an agreement with their dealer in relation to payment of fees through a redemption of units, and who invest the minimum amount.
- Arbour Series:** Arbour Series units are available to investors who purchase through representatives registered with the relevant securities regulator, selected at the discretion of the Manager and who invest the minimum amount.
- Reserve Series:** Reserve Series units are available to investors who purchase through Equity Associates Inc. representatives registered with the relevant securities regulator and who invest the minimum amount. The Reserve Series units may also be made available by the Manager to other authorized dealers acceptable to the Manager.

Distribution Rights

All unitholders of the Portfolio participate in distributions (other than management fee distributions and distributions of a return of capital) and each series of the Portfolio ranks equally with the other series of the Portfolio in the payment of such distributions. Each series of the Portfolio is entitled to its share of adjusted net income of the Portfolio. Adjusted net income is the Portfolio's net income adjusted for specific expenses of the Portfolio attributable to that series. To the extent that distributions made during a year exceed the net income and net realized capital gains available for distributions which are allocated amongst series as described above, such distributions may include a return of capital. A distribution of a return of capital may not be proportionately shared amongst all series of the Portfolio. Distributions will be made at the times set forth in the simplified prospectus in respect of the Portfolio. All distributions are required to be automatically reinvested in additional units of the same series of the Portfolio unless a unitholder specifies that they wish for their distributions to be paid in cash. For information about how distributions can affect your taxes, see *Income Tax Considerations* on page 24.

Liquidation Rights

A series of the Portfolio will generally be entitled to a distribution in the event of dissolution of the Portfolio. The distribution is equal to that series' share of the Portfolio's net assets after adjustment for expenses of the Portfolio attributable to the series.

Redemption

All units of the Portfolio are redeemable at the demand of a unitholder on the basis described under *Purchases, Switches and Redemptions – Redemptions* on page 12.

The Manager may at any time require the redemption of units of the Portfolio held by a unitholder if the Manager determines the continued holding of units by such unitholder would be adverse to the interests of the Portfolio and its unitholders as a whole.

Reclassifications

You can reclassify from one series of units to another series of units of the Portfolio provided that you meet certain criteria that may be established by CC&L PC as manager of the Portfolio to hold such other series.

Voting Rights

Each holder of a whole unit of the Portfolio is entitled to one vote at all unitholder meetings of the Portfolio except meetings at which the holders of another series have a right to vote separately as a series.

The Portfolio does not hold regular meetings. Unitholders are permitted to vote on all matters that require unitholder approval under NI 81-102 or under the constating documents of the Portfolio. These matters are:

- a change in the basis of calculation of a fee or expense that is charged to the Portfolio or directly to its unitholders in a way that could result in an increase in charges to the Portfolio or its unitholders;
- the introduction of a fee or expense that is charged to the Portfolio or directly to its unitholders that could result in an increase in charges to the Portfolio or its unitholders;
- a change in the manager, unless the new manager is an affiliate of CC&L PC;
- a change in the fundamental investment objectives of the Portfolio;
- a decrease in the frequency of the calculation of the net asset value per unit; and
- in certain cases, where the Portfolio undertakes a reorganization with, or transfers its assets to, another mutual fund or acquires another mutual fund's assets (a "merger").

Where permitted by applicable securities laws, change in the basis of calculation of, or an introduction of, a fee or expense that is charged to the Portfolio, a series of the Portfolio or directly to the Portfolio's unitholders by an arm's length person that could result in an increase in charges to the Portfolio, the series of the Portfolio or the unitholders can be effected without unitholder approval provided the unitholders of the portfolio or of the applicable series of the Portfolio have been given written notice of at least 60 days before the effective date thereof. In addition, where permitted by applicable securities laws, a merger of the Portfolio managed by the Manager into another mutual fund managed by the Manager or an affiliate of the Manager can be effected without unitholder approval provided the IRC approves the merger and unitholders of the Portfolio have been given written notice of at least 60 days before the effective date of the merger.

The rights and conditions attaching to the units of the Portfolio may be modified only in accordance with the provisions attaching to such units set forth in the Portfolio's Trust Agreement (as defined below).

NET ASSET VALUE

Calculation of Net Asset Value

The unit price of each series of the Portfolio is called the net asset value per unit of such series. We calculate the unit price of each series of the Portfolio by:

- adding up the assets of the Portfolio and subtracting the aggregate amount of liabilities common to all series;

- allocating the share of the amount determined above associated with each series;
- subtracting any expenses payable that are specific to the series; and
- dividing by the number of units of the series held by unitholders.

When you buy, redeem or switch units of the Portfolio, the price per unit is the next net asset value per unit the Trustee calculates after receiving your order.

We usually calculate the net asset value of each series of the Portfolio at 4:00 p.m. Toronto time on each Business Day; provided that if the Toronto Stock Exchange (“TSX”) closes earlier, the net asset value will be calculated at the close of the TSX. If your buy, redeem or switch order is received before 4:00 p.m. Toronto time on a Business Day, it will be processed based on the net asset value calculated that day. If your order is received after 4:00 p.m. Toronto time on a Business Day, it will be processed on the next Business Day based on that day’s net asset value. If the TSX’s trading hours are shortened on a given day or for other regulatory reasons, we may change the 4:00 p.m. Toronto time deadline.

The net asset value and the net asset value per unit of each series can be obtained by contacting your dealer or on our website at www.cclgroup.com/cclprivatecapital/en and such information will be available at no cost to the public.

Valuation of Portfolio Securities and Liabilities

The Portfolio’s net asset value is calculated using the fair value of the assets and liabilities of the Portfolio. A summary of the valuation principles used to value the assets of the Portfolio are as follows:

| Type of Asset | Method of Valuation |
|---|--|
| Liquid assets, including cash on hand or on deposit, bills, demand notes, accounts receivable and prepaid expenses | Valued at fair value and short term assets such as cash, cash equivalents, receivables/payables, etc. are measured at amortized cost which approximates fair value. |
| Bonds, time notes, shares, subscription rights, swaps and other securities listed or traded on a stock exchange or other market | <ul style="list-style-type: none"> • If a security was traded on the day that the net asset value is determined, closing price is used. • If a security was not traded on the day that the net asset value is being determined, a price which is the average of the closing recorded bid and asked prices. • If no bid or asked price is available, then the price last determined for such security for the purpose of calculating the net asset value. • If the securities are listed or traded on more than one exchange, the Portfolio uses the closing sale price from the principal exchange. • If securities are not traded on an exchange, the Portfolio uses broker quotes, models with observable inputs including yield curves, credit spreads and volatilities, to determine the price. |
| Restricted securities as defined in NI 81-102 | <p>One of the following values, whichever is less:</p> <ul style="list-style-type: none"> • The value based on market quotations in common use; or if quotation not available, |

| Type of Asset | Method of Valuation |
|---|---|
| | <ul style="list-style-type: none"> • A percentage of the market value of unrestricted securities of the same class. This percentage is equal to the percentage of the securities' market value when the Portfolio bought them. If we know the date when the restriction will be lifted, we generally take into account what the actual value of the securities may be when they are no longer restricted. |
| Options on futures, over-the-counter options, debt-like securities and listed warrants | Options – Black Scholes – Industry standard model. Valued at Fair Value: Debt-like securities and warrants – if listed using closing price; broker quotes or models with observable inputs including yield curves, credit spreads, price of underlying, volatilities etc. to determine the price. |
| Premiums received from written clearing corporation options, options on futures or over-the-counter options | Treated as deferred credits and valued at an amount equal to the current market value that would have the effect of closing the position. The deferred credit is deducted when calculating the net asset value of the Portfolio. Any securities that are the subject of a written clearing corporation option or over-the-counter option will be valued as described above. |
| Futures contracts and forward contracts | Valued according to the gain or loss the Portfolio would realize if the position were closed out on the day of the valuation. If daily limits are in effect, the value will be based on the current market value of the underlying interest. Exchange traded futures are valued at closing price. Over the counter future or forward contracts are valued using broker quotes where available and/or models with observable inputs including interest rates, foreign change rates, time to maturity etc. |
| Notes, money market instruments | Notes, money market instruments and other debt securities are valued using market quotations received from independent pricing sources. |
| Underlying funds | Valued at the series net asset value per security held by the Portfolio as of the end of the Business Day. |
| We have not exercised our discretion to deviate from our valuation practices since the Portfolio was created. | |

The liabilities of the Portfolio include, without limitation:

- all bills, notes and accounts payable;
- all management fees payable or accrued;
- all administrative and operating expenses payable or accrued;
- all contractual obligations for the payment of money or property;
- distributions declared payable;
- all allowances authorized or approved by CC&L PC for taxes and contingencies;
- expenses of the IRC established under NI 81-107; and
- all other liabilities of the Portfolio except liabilities to unitholders for outstanding units.

In the event a security becomes illiquid or there is no market activity over an extended period of time, a valuation hierarchy is followed including use of reference values, company and/or administrator information, over the counter (OTC) or Index provider market pricing or research tools.

In accordance with National Instrument 81-106 - *Investment Fund Continuous Disclosure* (“**NI 81-106**”) the fair value of a portfolio security used to determine the net asset value per unit for purchases and redemptions by investors will be determined on the basis of the valuation principles set forth in this annual information form. While these valuation principles comply with the requirements of NI 81-106, they differ in some respects from the requirements of International Financial Reporting Standards (“**IFRS**”), which are used for financial reporting purposes only.

Under NI 81-106, the interim financial reports and annual financial statements of the Portfolio are required to be prepared in compliance with IFRS. The Portfolio calculates the net asset value of the Portfolio’s securities. The Portfolio’s accounting policies for measuring the fair value of its investments are generally the same as those used in measuring its net asset value for purchases and redemptions of units, with the main differences as disclosed below.

For purposes of purchase and redemption of units, the fair value of the Portfolio’s investments traded in active markets is based on quoted market prices at the close of trading. For IFRS purposes, the Portfolio uses the closing price for investments where that price falls within that day’s bid-ask spread. If a closing price does not fall within the bid-ask spread, the closing price will then be adjusted, to a point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

As a result of this potential adjustment, the fair value of the Portfolio’s investments determined under IFRS may differ from the values used to calculate the net asset value of the Portfolio for purchases and redemptions.

PURCHASES, SWITCHES AND REDEMPTIONS

Buying the Portfolio

You can buy units of the Portfolio through your dealer. You can buy them at any time, and there is no limit to the number of units you can buy. Your dealer will forward your completed purchase order to the Trustee for processing:

- on the same day if your order is received before 4:00 p.m. Toronto time on a Business Day, or
- on the next Business Day in all other cases.

The purchase price per series is based on the net asset value per unit next determined after your completed order is received. Your dealer is required to forward your purchase order on the same day it receives your completed purchase order or, on the next Business Day if it receives the order after normal business hours or on any day that is not a Business Day. Whenever practicable, your dealer is required to send your purchase order as soon as possible. It is the responsibility of your dealer to send orders in a timely manner. Your dealer is responsible for any costs associated with sending orders. All orders must be placed through FundSERV.

When you buy units of the Portfolio, your dealer or the Trustee will send you a confirmation notice, which is proof of your purchase.

Minimum Investment

The minimum initial investment in Series A, Series F, Series O or Arbour Series units of the Portfolio is \$25,000 Canadian, in Series I units is \$1,000,000 Canadian, and in Reserve Series units is \$10,000 Canadian. We may waive the minimum initial investment amount in certain circumstances, such as related party accounts. Generally, each additional investment must be at least \$1,000 Canadian for Series A, Series F, Series O, Arbour Series and Reserve Series units, except for certain circumstances in the discretion of CC&L PC. There is no minimum additional investment amount for Series I units.

For investors that hold at least \$25,000 Canadian of units of the Portfolio in an account, you can make regular additional investments bimonthly or monthly on or about the 15th or 30th day of the month in the Portfolio provided each investment is at least \$100 in the Portfolio. See *Optional Services — Pre-authorized Contribution Plans* in the simplified prospectus.

Regulatory Rules for Buying

Here are the rules for buying units. These rules were established by securities regulatory authorities:

- The Trustee must receive payment for the purchase of units within two Business Days of receiving the order.
- If the Trustee does not receive payment within two Business Days, we are required to sell your units at the close of business on the next Business Day. If the proceeds are greater than the payment you owe, the Portfolio keeps the difference. If the proceeds are less than the payment you owe, your dealer is required to pay the Portfolio the difference. Your dealer may in turn collect this amount from you.
- We have the right to refuse any order to buy units within one Business Day of receiving it. If we reject your order, we will return your money immediately, without interest.

Switches

Switching Between Series

Switching between series within the Portfolio is called a reclassification. You can reclassify units of the Portfolio to another series of units of the Portfolio provided that the reclassification satisfies the restrictions set out above with respect to investment minimums and approved dealers.

When you reclassify units, the value of your investment will not change, but the number of units you hold will change. This is because each series has a different unit price. In general, based in part on the administrative practice of the Canada Revenue Agency (“**CRA**”) a reclassification is not considered a disposition for tax purposes. For further discussion of tax consequences, see *Income Tax Considerations* on page 24.

Redemptions

You may redeem your units of the Portfolio by contacting your dealer who will forward your order for processing:

- on the same day if your redemption order is received before 4:00 p.m. Toronto time on a Business Day, or
- on the next Business Day in all other cases.

The redemption price of the units is based on the net asset value per unit of the Portfolio, next determined after we receive your completed redemption order. When you redeem your units, you receive the proceeds of your sale in cash. The Portfolio may also charge you a short-term trading fee if you redeem units or switch to another fund within 30 days of buying them. See *Fees and Expenses – Fees and Expenses Payable Directly By You – Short-term trading fees* in the simplified prospectus.

The redemption of all or part of your units of the Portfolio is considered a disposition for tax purposes. If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable. For further discussion of the tax consequences, see *Income Tax Considerations* on page 24.

Rules for Redemptions

Here are the rules for redeeming units:

- The Portfolio will pay the proceeds of the redemption to you. The Portfolio makes payments by cheque, EFT or wire payment, within two Business Days of receiving a complete redemption order.
- If the proceeds are more than a certain dollar amount, your signature may need to be guaranteed by your bank, trust company or dealer. In some other cases, the Portfolio may require other documents or proof of signing authority.
- If the Portfolio does not receive all the necessary documentation to complete your redemption order within 10 Business Days of receiving your redemption order, under applicable securities regulations and policies, the Manager will be deemed to have received and accepted, as of the 10th Business Day, an order from you to purchase an equal number of units of the relevant series of the Portfolio and the redemption proceeds will be applied to reduce the purchase price of the units of the relevant series of the Portfolio purchased. In these circumstances, the Portfolio will be entitled

to retain any excess of the redemption proceeds over the purchase price and your dealer placing the redemption order will be required to pay to the Portfolio the amount of any deficiency. Your dealer may make provisions in its arrangements with you that you will be required to reimburse your dealer for any losses experienced by your dealer in connection with your failure to satisfy the requirements of the Portfolio or securities legislation in connection with a redemption of units of the Portfolio.

Suspension of Right of Redemption

The law allows us to suspend your right to redeem units when:

- normal trading is suspended on an exchange on which portfolio securities or specified derivatives are traded which, represent more than 50% by value, or underlying market exposure, of the total assets of the Portfolio without allowance for liabilities and if those securities or derivatives are not traded on any other exchange that represents a reasonable practical alternative for the Portfolio; or
- with consent of the Canadian securities regulators.

While your right to redeem units is suspended, we will not accept orders to buy units of the Portfolio. You may withdraw your redemption order before the end of the suspension period. Otherwise, we will redeem your units at the next price calculated after the suspension period ends.

RESPONSIBILITY FOR FUND OPERATIONS

The Manager

CC&L PC, a corporation incorporated under the laws of the Province of British Columbia with offices located at 2300-1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3, is the manager of the Portfolio. Our email address is more_info@cclgroup.com and our website address is www.cclgroup.com/cclprivatecapital/en. Additionally, you can reach us toll-free by phone at 1-800-939-9674.

CC&L PC is responsible for providing or arranging for all services required by the Portfolio, including investment management, marketing and distribution of units of the Portfolio as well as the general day-to-day operations of the Portfolio. We may engage third parties to perform certain services for the Portfolio on our behalf.

CC&L PC may terminate the management agreement at any time on 90 days written notice to the Trustee and the Portfolio. A change in the manager of the Portfolio (other than to an affiliate of the Manager) may be made only with the approval of the unitholders of the Portfolio and of the securities regulatory authorities.

Executive Officers and Directors of CC&L PC

The names, municipalities of residence and principal occupations of the executive directors and senior officers of CC&L PC during the last five years are set out below.

| Name and Municipality of Residence | Position with CC&L PC | Principal Occupation Within the Five Preceding Years |
|--|--|---|
| Tim Griffin Toronto, Ontario | Director and Chairman | Chairman and prior to May 15, 2014 Ultimate Designated Person, CC&L PC |
| Corey MacEachern Newmarket, Ontario | Director, President, Chief Compliance Officer and Ultimate Designated Person | Director, President, Chief Compliance Officer and Ultimate Designated Person, CC&L PC |
| Michael Freund Toronto, Ontario | Director and Chief Financial Officer | Managing Partner, Connor, Clark & Lunn Financial Group Ltd. |
| Jeffrey Guise Vancouver, British Columbia | Director, Chief Investment Officer and Executive Vice President | Chief Investment Officer, CC&L PC |
| Catherine Dorazio West Vancouver, British Columbia | Director and Executive Vice President | Vice President, CC&L PC |

Portfolio Managers

CC&L PC provides asset allocation services to the Portfolio. Mr. Jeffrey Guise, CFA; B.A., University of British Columbia is the Chief Investment Officer of the Manager and a member of the asset allocation team and is responsible for investment policy, asset mix and trading within CC&L PC. Mr. Guise has extensive experience working on asset allocation, risk calculation and trading for both high net worth and institutional clients. In addition, CC&L PC has retained the services of a number of specialized portfolio managers, all of which are affiliates of CC&L PC, to provide investment management services to the Portfolio. Each portfolio manager has a specialized area of investment expertise and may be allocated by CC&L PC to a specific asset class or strategy for the Portfolio. CC&L PC may change the portfolio managers retained by it from time to time but it currently does not intend to make any changes to the portfolio managers.

The portfolio managers are:

- Baker Gilmore & Associates Inc. (Montréal, Québec) – Canadian fixed income (short-term)
- Connor, Clark & Lunn Investment Management Ltd. (Vancouver, British Columbia) – Canadian equities (growth at a reasonable price, known as GARP investment style), fixed income and REITs
- Global Alpha Capital Management Ltd. (Montréal, Québec) – International and U.S. equities (small capitalization)
- NS Partners Ltd (London, England) – Global equities
- PCJ Investment Counsel Ltd. (Toronto, Ontario) – Canadian equities (small capitalization securities)
- Scheer, Rowlett & Associates Investment Management Ltd. (Toronto, Ontario) – Canadian equities (value investment style)

Each of the portfolio managers may manage some portion or the entire investment portfolio of the Portfolio, depending on the asset allocation of the Portfolio. While CC&L PC has retained each of these portfolio

managers, CC&L PC will not use the services of one or more portfolio managers for the Portfolio if CC&L PC is not including an allocation at that time to the asset class in which the portfolio manager specializes. Each of the portfolio managers is an affiliate of Connor, Clark & Lunn Financial Group Ltd. and will provide analysis and make decisions relating to the investment of the Portfolio assets over which they have investment authority.

The individuals employed by the portfolio managers who are principally responsible for the day-to-day management of a particular asset class for the Portfolio, if there is an allocation by CC&L PC to that asset class for the Portfolio, and such individual's business experience during the last five years are as follows:

| Individual | Details of Experience |
|--|--|
| Harold Scheer: CFA; BComm, Concordia University, Diplôme de Hautes Études Internationals, Genève | Mr. Scheer is a director and President of Baker Gilmore & Associates Inc. ("BGA"). As Chief Investment Officer of BGA, Mr. Scheer is responsible for top-down forecasting, credit research and security selection. Mr. Scheer brings to BGA over 20 years of experience in managing fixed income portfolios. |
| Darren Ducharme: CFA; FRM; BA, University of Western Ontario; MA, Queen's University; MBA, Columbia Business School | Mr. Ducharme is a director and Chairman, Chief Executive Officer and Ultimate Designated Person of BGA. Mr. Ducharme is responsible for top-down forecasting, portfolio construction, risk management and trading. |
| Jeremy Velocci: CFA; FRM; BBA, Bishops University | Mr. Velocci is a portfolio manager and is responsible for credit research and security selection at BGA. |
| Martin Gerber: CFA; BComm, University of British Columbia | Mr. Gerber is the President, Ultimate Designated Person, Chief Investment Officer and a director of CCLIM. In addition, Mr. Gerber is leader of the quantitative equity team and chairs the risk management committee. |
| Brian Eby: CFA; MBA; BComm, McMaster University | Mr. Eby is a director of CCLIM and is the co-leader of the fixed income team, responsible for overall strategy and fundamental research and analysis. In addition, Mr. Eby is responsible for derivatives management strategies. |
| Gary Baker: CFA; MBA, University of Toronto; BEng, McMaster University | Mr. Baker is a director of CCLIM and as leader of the fundamental Canadian equity team, he is responsible for fundamental research and analysis and overall portfolio strategy. |
| David George: CFA; BComm, University of British Columbia | Mr. George is a member of the fixed income team at CCLIM and is responsible for fundamental analysis, research and security selection of fixed income securities. |
| Steve Vertes: CFA; Honours Business Administration, University of Western Ontario | Mr. Vertes is a member of the fundamental Canadian equity team at CCLIM and is responsible for fundamental analysis, research and security selection of Canadian equities. |
| Robert Beauregard: CFA; CMA; MBA, McGill University; BSc, Royal Military College | Mr. Beauregard is a founding director of Global Alpha Capital Management Ltd. ("Global Alpha"). Mr. Beauregard is the President, Ultimate Designated Person and Chief Investment Officer for Global Alpha and is lead portfolio manager for their global small cap equity strategies. |

| Individual | Details of Experience |
|---|---|
| David Savignac: <i>CFA; BSc, HEC Montreal</i> | Mr. Savignac is the Chief Compliance Officer for Global Alpha. Mr. Savignac is a portfolio manager and focuses on Europe and the consumer staples, technology and industrials sectors. |
| Qing Ji: <i>CFA; MBA, McGill University; MA, Shanghai University of Finance and Economics; BA, Xiamen University (China)</i> | Ms. Ji is a portfolio manager for and is responsible for the Asia-Pacific region, as well as the consumer discretionary, non-bank financials, telecom and utility sectors for Global Alpha. |
| Tim Bray: <i>BSc Financial Economics, University of London</i> | Mr. Bray joined NS Partners in 1985 having prior experience with Coutts & Company. He is responsible for stock selection in the UK on NS Partners' international products. |
| Ian Beattie: <i>BSc. Economics, City University</i> | Mr. Beattie joined NS Partners in 1992 having prior experience with another U.K. fund manager. Mr. Beattie is the Chief Investment Officer of NS Partners and is responsible for strategy and research. |
| Nereo Piticco: <i>CFA; BComm, Concordia University</i> | Mr. Piticco is a founding director and the President of PCJ Investment Counsel Ltd. ("PCJ") and is responsible for Canadian equity strategy and fundamental research. |
| Heiki Altosaar: <i>CFA; BA, University of Toronto</i> | Mr. Altosaar is the Chief Compliance Officer for PCJ and is a member of the Canadian equity team at PCJ and is responsible for Canadian equity strategy and fundamental research. |
| Adam Posman: <i>MBA, University of Western Ontario; BComm, McGill University</i> | Mr. Posman is a member of the Canadian equity team at PCJ and is responsible for Canadian equity strategy, fundamental research and analysis. |
| Lloyd Rowlett: <i>CFA; BComm, University of Saskatchewan</i> | Mr. Rowlett is a founding director and the President and Ultimate Designated Person of Scheer, Rowlett & Associates Investment Management Ltd. ("SRA"). Mr. Rowlett is the leader of the Canadian equity team of SRA, responsible for strategy and research. Mr. Rowlett brings to SRA over 20 years of experience from a background in venture capital, fixed income and asset/liability management. |
| Robert Dionne: <i>CFA; CMA; BAdmin, University of Regina</i> | Mr. Dionne is a director and a member of the Canadian equity team of SRA, responsible for strategy and research, and also a member of the asset mix team. Mr. Dionne is also a Director of SRA. |
| Drew Thiessen: <i>CFA; BComm, University of Saskatchewan</i> | Mr. Thiessen is a member of the Canadian equity team of SRA, responsible for research and analysis. |

Brokerage Arrangements

The portfolio managers are each responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Portfolio's investments and, when applicable, the negotiation of commissions in connection therewith. The Portfolio is responsible for payment of those commissions.

In evaluating the suitability of a broker, the portfolio managers consider a number of factors such as the broker's reputation, their responsiveness, their ability to provide liquidity, the commission rate, the quality of trade execution and service provided and the range of other services offered by the broker.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services to the portfolio managers, which may include: (a) advice as to the value of securities and the advisability of effecting transactions in securities; and (b) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services ("mixed-use goods and services"), brokerage commissions will only be used to pay for the portion of such goods and services which would qualify as either research goods and services or order execution goods and services. The applicable portfolio manager would pay for the remainder of the costs of such mixed-use goods or services.

The applicable portfolio manager makes a good faith determination that the Portfolio, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions in return for research and order execution goods and services, receives reasonable benefit, considering both the use of the goods and services and the amount of brokerage commissions paid, by conducting extensive trade cost analysis.

Research and order execution goods and services may benefit not only the Portfolio's series whose trades generated the brokerage commission, but may also benefit other funds and clients to whom a portfolio manager provides advice. There are policies and procedures in place to ensure that, over a reasonable period of time, all clients, including the portfolio classes, receive a fair and reasonable benefit in return for the commissions generated.

Research goods and services provided by dealers or vendors to the portfolio managers that have been paid for through commissions or brokerage transactions executed on behalf of the Portfolio encompass economic research and analysis, statistical data about capital markets or securities, analysis or reports on manager or sector performance, issuer performance, industries, economic or political factors and trends, provides real-time news and information or provides a solution for managing corporate disclosure and brokerage event information.

For a list of any dealer, broker or third party which provides research goods and services and/or order execution goods and services, at no cost, contact us toll free at 1-800-939-9674 or email us at more_info@cclgroup.com.

The Trustee

CIBC Mellon Trust Company, Toronto, Ontario, is the trustee of the Portfolio (the "Trustee") and holds title to the securities and other assets owned by the Portfolio. The Trustee also provides other services to the Portfolio, including portfolio valuation and trust accounting.

Custodian

CIBC Mellon Trust Company, Toronto, Ontario, receives and holds all cash, portfolio securities and other assets of the Portfolio for safekeeping. Under the terms of the Trust Agreement and subject to applicable securities legislation, the trustee may appoint one or more sub-custodians to effect portfolio transactions outside of Canada.

Auditor

The auditor conducts an audit of the Portfolio's annual financial statements in accordance with generally accepted auditing standards. The auditor of the Portfolio is PricewaterhouseCoopers LLP, Toronto, Ontario.

Registrar

CIBC Mellon Trust Company is the registrar for the Portfolio. As such, CIBC Mellon Trust Company is responsible for keeping a register of all investors of the Portfolio at their Toronto offices.

CONFLICTS OF INTEREST

Principal Holders of Securities

The following table sets out the persons or companies who, as at July 1, 2019, are the principal owners of record and own beneficially, directly or indirectly, more than 10% of the securities of each series of the Portfolio's units.

| CC&L Diversified Income Portfolio | | | | |
|---|---------------------------|--------------------------|-----------------------------|-----------------------------|
| <i>Name of holder</i> | <i>Series of holdings</i> | <i>Type of Ownership</i> | <i>Number of Securities</i> | <i>Percentage of Series</i> |
| Individual A | F | Beneficial | 19,837.319 | 12.96% |
| Individual B | I | Beneficial | 4,863.157 | 100% |
| Individual C | Arbour | Beneficial | 5,816.72 | 19.35% |
| Individual D | Arbour | Beneficial | 14,795.005 | 49.20% |
| Individual E | Arbour | Beneficial | 7,822.558 | 26.02% |
| WEIGHPACK SYSTEMS INC. & TABZCO Investments Inc. | O | Beneficial | 54,766.868 | 11.45% |

Note: To protect investors' privacy, we omit the names of individual unitholders, if applicable. This information is available on request by contacting us at the telephone number on the back cover of this annual information form.

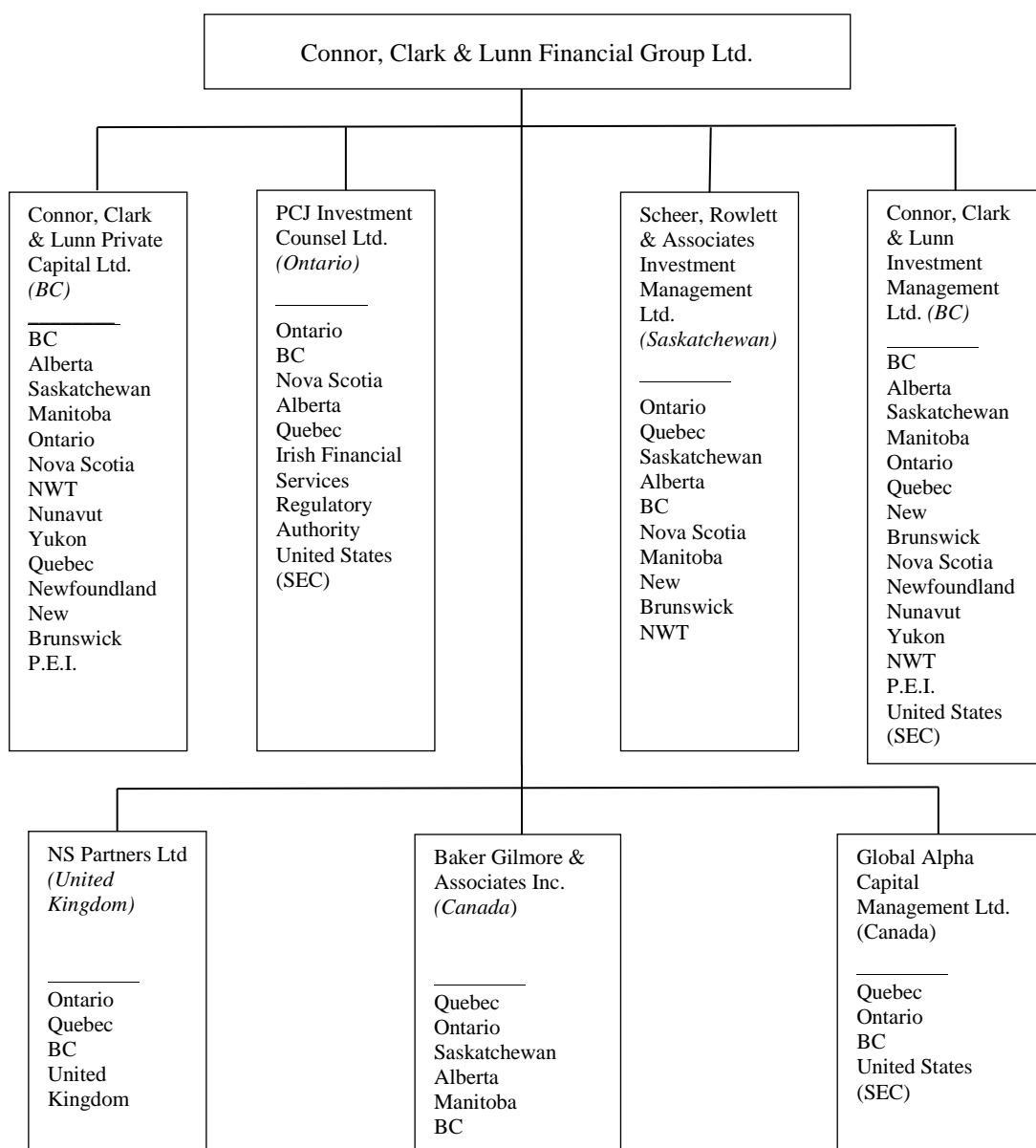
As of July 1, 2019, CC&L Private Capital Partnership owns 100% of the issued and outstanding voting shares of CC&L PC. Connor, Clark & Lunn Financial Group Ltd. indirectly owns and controls approximately 77.8% of CC&L Private Capital Partnership and management and employees of CC&L PC own or control approximately 22.2% of CC&L Private Capital Partnership. As of July 1, 2019, none of CC&L PC, CC&L Private Capital Partnership and Connor, Clark & Lunn Financial Group Ltd, hold any units of the Portfolio. Warren Stoddart and Michael Freund each respectively own approximately 17.7% and 14.3% beneficially and of record of CC&L Private Capital Partnership.

As of July 1, 2019, the directors and officers of CC&L PC directly and indirectly own or control the following voting shares of service providers to the Portfolio: approximately 26.7% in Connor, Clark & Lunn Financial Group Ltd.; approximately 13.4% in BGA; approximately 7.6% in CCLIM; approximately 13.1% in Global Alpha; approximately 13.4% in NS Partners Ltd; approximately 13.4% in PCJ; and approximately 13.4% in SRA.

As of July 1, 2019, none of the members of the IRC hold any voting securities of the Portfolio or CC&L PC. As at July 1, 2019, 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 CC&L PC or the Portfolio.

Affiliated Entities

The following affiliated entities of CC&L PC may provide services to the Portfolio:



Michael Freund, a director of CC&L PC, is also a director and/or officer of the following affiliated entities of CC&L PC which may provide services to the Portfolio:

| Director: | Officer: |
|---|-----------------|
| BGA | N/A |
| CCLIM | N/A |
| Connor, Clark & Lunn Financial Group Ltd. | Co-President |
| Global Alpha | N/A |
| NS Partners Ltd. | N/A |
| PCJ | N/A |
| SRA | Chairman |

Disclosure regarding the amount of fees received from the Portfolio described in this section of this annual information form is contained in the audited financial statements of the Portfolio.

FUND GOVERNANCE

The Portfolio is structured as a trust and is governed by the Trust Agreement. The duties of the Trustee and CC&L PC are separately set out in the Trust Agreement, with CC&L PC having responsibility for arranging for the day-to-day business and affairs of the Portfolio, investment management, marketing and the offering of units. Unlike many mutual funds, the Trustee of the Portfolio is independent from CC&L PC and has an independent responsibility to comply with the terms of the Trust Agreement. The board of directors of CC&L PC is responsible for CC&L PC's compliance with the terms of the Trust Agreement and the requirements of relevant legislation applicable to management, investment management, marketing and the offering of units. Officers of CC&L PC receive from the Trustee reports derived from the Trustee's records relating to such matters as number of unitholders and portfolio securities, including their cost base and market value, to enable the Manager to review and monitor the Portfolio's ongoing compliance with securities legislation.

An IRC has been established for all public investment funds under the management of the Manager or its affiliates, including the Portfolio. The IRC is composed of three members: Howard Atkinson, Anthony Cox and Karen McRae, each of whom is independent from the Manager. Karen McRae is the chair of the IRC. The IRC functions in accordance with NI 81-107. The IRC is required to review conflicts of interest matters brought to it by the Manager and, in most cases, make recommendations to the Manager, or in certain cases such as inter-fund trades, investing in securities of related parties and investing in securities underwritten by a related party, make a decision whether or not to approve the Manager's proposal.

As described herein, CC&L PC is an affiliate of Connor, Clark & Lunn Financial Group Ltd. As such, CC&L PC adheres to the Connor, Clark & Lunn Financial Group Ltd. code of personal conduct (the "Code"), which establishes guidelines relating to business practices, risk management controls, personal trading by employees, and conflicts of interest. The Code addresses confidentiality, fiduciary duties, enforcement of rules of conduct and sanctions for violations. The investment activities of the Portfolio's portfolio managers are monitored by or on behalf of CC&L PC.

CC&L PC markets the Portfolio sponsored by it to dealers. In doing so, CC&L PC requires employees involved in the marketing function to become knowledgeable regarding regulatory limitations and requires marketing material to be reviewed by its compliance team.

PROXY VOTING POLICIES AND PROCEDURES

CC&L PC, as manager of the Portfolio, has established policies and procedures in relation to voting on matters for which the Portfolio receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer. CC&L PC has delegated the responsibility to vote issuer proxy solicitations to the portfolio managers of the Portfolio as part of their obligations in the general management of the securities held by the Portfolio. Should a conflict of interest arise, the compliance officer of CC&L PC will be involved with the proxy vote to ensure proxies are voted in the Portfolio's best interest.

The guidelines established by CC&L PC provide a framework for each portfolio manager, on how to approach the voting of securities held by the Portfolio to create a disciplined approach to voting.

Under the guidelines, the primary responsibility of each portfolio manager in respect of proxy voting is to maximize positive economic effect on the Portfolio's value and to protect the Portfolio's rights as a securityholder in the best interests of the Portfolio. The guidelines include discussion regarding particular matters brought to a vote but the guidelines are not exhaustive. A portfolio manager may depart from the guidelines on specific matters addressed in the policy where the portfolio manager believes it is necessary to do so in the best interests of the Portfolio and its securityholders.

The Portfolio is considered to have received a solicitation at the time it has received notice at its offices. In the event a portfolio manager does not receive a solicitation within sufficient time to execute a vote or the proxy is not submitted to the issuer in the time required, the Portfolio will not be able to vote on the matters solicited.

The policies and procedures that the Portfolio follows when voting proxies relating to portfolio securities are available on request, at no cost, by e-mailing us at more_info@cclgroup.com or by writing to us at:

Connor, Clark & Lunn Private Capital Ltd.
2300-1111 West Georgia Street
Vancouver, British Columbia
V6E 4M3

1-800-939-9674

The following are the guidelines on commonly raised matters:

- **Election of Directors:** Unless there is a proxy fight for seats on the relevant board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favour of the management proposed slate of directors. We may withhold votes for directors who fail to act on key issues, who fail to regularly attend board meetings or for any director nominee deemed to be an insider who also serves on the board's audit or compensation committees.
- **Appointment of Auditors:** We believe that an issuer remains in the best position to choose the auditor and will generally support management's recommendation. We may vote against the appointment of an auditor if the fees for non-audit related services are disproportionate to the total audit fees paid by the issuer or there are other reasons to question the independence of the issuer's auditor.
- **Changes in Capital Structure:** Changes in an issuer's constating documents are often technical and administrative in nature. Absent a compelling reason to the contrary, we will cast our votes in accordance with the issuer's management on such proposals. However, we will review and analyze

on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the issuer or have a material economic effect on the issuer.

- **Issuer Reorganizations, Restructuring, Mergers and Acquisitions:** We believe proxy votes dealing with reorganizations, restructuring and mergers and acquisitions are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, weighing heavily the views of the research analysts that cover the issuer and the investment professionals managing the Portfolio in which the security is held.
- **Proposals Affecting Securityholder Rights:** We believe that certain fundamental rights of securityholders must be protected. We will generally vote in favour of proposals that give securityholders a greater voice in the affairs of the issuer and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of securityholder rights.
- **Corporate Governance:** We recognize the importance of good corporate governance in ensuring that management and the board of directors fulfill their obligations to the securityholders. We favour proposals promoting transparency and accountability within an issuer.
- **Anti-Takeover Measures:** We believe that measures that impede takeovers or entrench management not only infringe on the rights of securityholders but may also have a detrimental effect on the value of the issuer. We will generally oppose proposals, regardless of whether they are advanced by management or securityholders, the purpose or effect of which is to entrench management or dilute securityholder ownership. Conversely, we support proposals that would restrict or otherwise eliminate anti-takeover measures that have already been adopted by issuers.
- **Executive Compensation:** We believe that an issuer's management and compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a securityholder or management, we will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and securityholders are properly aligned. We will analyze the proposed plans to ensure that securityholder equity will not be excessively diluted, the option exercise price is not below market price on the date of grant and an acceptable number of employees are eligible to participate in such programs.
- **Social and Corporate Responsibility:** We will review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on securityholder value. We will vote against proposals that are unduly burdensome or result in unnecessary and excessive costs to the issuer. We may abstain from voting on social proposals that do not have a readily determinable financial impact on securityholder value.
- **Fund of Fund Voting:** If the Portfolio invests in securities of another mutual fund, the portfolio manager will vote the securities the Portfolio holds in the mutual fund unless the mutual fund is managed by CC&L PC or one of its affiliates.

Proxy Voting Record

As manager, CC&L PC will compile and maintain the Portfolio's annual proxy voting record for the annual periods beginning July 1 in a year and ending June 30 of the following year. The proxy voting record will be made available on the CC&L PC website at www.cclgroup.com/cclprivatecapital/en by August 31 in

any year. CC&L PC will deliver a copy of the Portfolio's proxy voting record free of charge to unitholders of the Portfolio upon request.

POLICY ON THE USE OF DERIVATIVES

The Portfolio may use derivatives solely for hedging purposes and in accordance with the requirements for hedging under the Canadian securities regulatory rules. See *Investment Restrictions and Practices – Derivative Instruments* on page 4 of this annual information form for more details. CC&L PC has adopted a written derivatives policy to aim to ensure that the use of derivatives by the Portfolio complies with applicable regulatory requirements for hedging and address any risk associated with the derivative instruments. Compliance personnel at CC&L PC review the use of derivatives as part of their ongoing review of portfolio activity. Given that derivatives activity is limited to hedging, CC&L PC does not simulate stress conditions to measure risk in connection with the use of derivatives. In addition, the portfolio managers have their own policies and procedures relating to derivatives trading.

SECURITIES LENDING, REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS RISK MANAGEMENT

The Portfolio may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions in accordance with applicable securities legislation.

CC&L PC will appoint the Portfolio's custodian or sub-custodian to act as the agent of the Portfolio to enter into securities lending transactions, repurchase transactions and reverse repurchase transactions on behalf of the Portfolio. The agency agreement will provide for the types of transactions that may be entered into by the Portfolio, types of portfolio assets that may be used, collateral requirements, limits on transaction sizes, permitted counterparties to the transactions and investment of any cash collateral. The agency agreement will provide for, and the agent will develop, policies and procedures which provide that securities lending, repurchase and reverse repurchase transactions will be entered into in accordance with the standard investment restrictions and practices set out in this annual information form. Further, the agent will:

- ensure that collateral is provided in the form of cash, qualified securities or securities that can be converted into the securities which are the subject of the securities lending, repurchase or reverse repurchase transactions;
- value the loaned or purchased securities and the collateral every day to ensure that the collateral is worth at least 105% of the value of the securities;
- invest any cash collateral in accordance with the investment restrictions specified in the agency agreement;
- invest no more than 50% of the total assets of the Portfolio in securities lending or repurchase agreements at any one time; and
- assess the creditworthiness of the counterparties to securities lending, repurchase transactions and reverse repurchase transactions.

The securities lending transactions of the Portfolio may be terminated by the Portfolio at any time. Repurchase and reverse repurchase transactions of the Portfolio will have a maximum term of 30 days.

CC&L PC and the custodian of the Portfolio will review the agency agreement and the agent's policies and procedures on an annual basis to ensure that they comply with applicable laws.

CC&L PC is responsible for managing the risks associated with securities lending, repurchase and reverse repurchase transactions.

FEES AND EXPENSES

CC&L PC reserves the right to charge a reduced management fee as compared to the fee that CC&L PC otherwise would be entitled to charge the Portfolio with respect to the investments in the Portfolio by certain unitholders. An amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable by the Portfolio will be distributed by the Portfolio to affected unitholders as a management fee distribution. The management fee distribution is negotiated between CC&L PC and the investor's registered representative and may be based on factors such as the series of units and the total net asset value of units held by the investor. For example, see *Fees and Expenses – Fees and Expenses Payable by the Portfolio — Management fee distributions in respect of the Reserve Series units* in the simplified prospectus. As a result of the Portfolio paying a reduced management fee to CC&L PC, there will be fewer expenses to offset net income from the Portfolio. As a result, the amount of the distributions will increase. However, the excess amount will be distributed solely to the particular unitholder. That unitholder will incur tax on any net income and net realized capital gains received in the form of management fee distributions.

SHORT-TERM TRADING

Frequent trading can hurt the Portfolio's performance, affecting all unitholders in the Portfolio, by forcing the Portfolio to keep cash or sell investments to meet redemptions. We have implemented policies to deter short-term trading from taking place within the Portfolio. Monitoring processes are in place to detect short-term trading. CIBC Mellon Trust Company in its capacity as custodian to the Portfolio monitors frequent trading activity with a view to detecting and deterring market-timing activity. If you redeem or switch to another fund within 30 days of purchase, we reserve the right to charge you a short-term trading fee of 2.0%. This short-term trading fee is charged on behalf of, and is paid to, the Portfolio. The fee will not be applied in circumstances which do not involve inappropriate trading activity and will not apply to: (a) transactions not exceeding a certain minimum dollar amount, as determined by the Manager from time to time; (b) trade corrections or any other action initiated by the Manager; (c) transfers of units of the Portfolio between two accounts belonging to the same unitholder; (d) regularly scheduled RRIF or LIF payments; and regularly scheduled automatic withdrawal plan payments.

INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Portfolio, the following general summary fairly presents the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "Tax Act"), as of the date hereof, for the Portfolio and for investors who, for purposes of the Tax Act, are individuals (other than trusts) resident or deemed to be resident in Canada, deal at arm's length and are not affiliated with the Portfolio, and hold their units as capital property. This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and counsel's understanding of the current published administrative practices and assessment policies of the CRA. Except for the Tax Proposals, this summary does not take into account or anticipate any change in law or administrative practice, whether by legislative, administrative or judicial action, and it does not take into account provincial or foreign income tax legislation or considerations. Based on information provided to counsel by the Portfolio, the Portfolio currently qualifies and is expected to continue to qualify as a "mutual fund trust", as such term is defined in the Tax Act. This summary assumes that the Portfolio will qualify as a "mutual fund trust" or a "registered investment" as such terms are defined under the Tax Act effective at all material times.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Therefore, prospective investors are advised to consult their own tax advisors about their individual circumstances.

Taxation of the Portfolio

The Portfolio will distribute to unitholders its net income and net realized capital gains to such an extent that it will not be liable in any year for ordinary income tax under Part I of the Tax Act, after taking into account any applicable losses, tax refunds or credits. All of the Portfolio's deductible expenses, including expenses common to all series of the Portfolio and management fees and other expenses specific to a particular series of the Portfolio, will be taken into account in determining the income or loss of the Portfolio as a whole and applicable taxes payable by the Portfolio as a whole. Losses incurred by the Portfolio cannot be allocated to unitholders, but may, subject to certain limitations under the Tax Act, be deducted by the Portfolio from capital gains or net income realized in subsequent years. Where the Portfolio has been a mutual fund trust throughout a taxation year, the Portfolio will be allowed for such year to reduce its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on various factors, including the redemption of its units during the year and capital gains realized by the Portfolio.

The Portfolio is required to compute its income and gains for tax purposes in Canadian dollars and may therefore realize foreign exchange gains or losses that will be taken into account in computing its income for tax purposes. Also, where the Portfolio accepts subscriptions or makes payments for redemptions or distributions in U.S. dollars or another foreign currency, it may experience a foreign exchange gain or loss as a result of changes in the value of the U.S. dollar or another foreign currency, as applicable, relative to the Canadian dollar between the date the order is accepted or the distribution is calculated and the date the Portfolio receives or makes payment.

Subject to the DFA Rules (as defined below), where the Portfolio uses derivatives to closely hedge gains or losses on underlying capital investments held by the Portfolio, the Portfolio intends to treat these gains or losses on capital account. The "derivative forward agreement rules" in the Tax Act (the "DFA Rules") target certain financial arrangements that seek to reduce tax by converting, through the use of derivative contracts, the return on investments that would have the character of ordinary income to capital gains. The DFA Rules will generally not apply to derivatives used to closely hedge gains or losses due to currency fluctuations on underlying capital investments of the Portfolio. Hedging other than currency hedging on underlying capital investments that reduces tax by converting the return on investments that would have the character of ordinary income to capital gains through the use of derivative contracts will be treated by the DFA Rules as on income account.

The "suspended loss" rules in the Tax Act may prevent the Portfolio from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of net realized capital gains of the Portfolio to be paid to unitholders.

In certain circumstances, the Portfolio may experience a "loss restriction event" for purposes of the Tax Act, which generally will occur each time any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires units of the Portfolio having a fair market value that is greater than 50% of the fair market value of all the units of the Portfolio. If such circumstances occur, the Portfolio will have a deemed taxation year end and any undistributed income and realized capital gains (net of applicable losses) would be expected to be made payable to all unitholders of the Portfolio as a distribution on their units (or tax thereon paid by the Portfolio in respect of such year). In addition, accrued capital losses and certain other realized losses of the Portfolio would be unavailable for use by the Portfolio in future years. The Tax Act will in many circumstances

provide relief from the application of the loss restriction event rules to trusts that are “investment funds” as defined in the Tax Act for purposes of the loss restriction event rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including maintaining a reasonable level of asset diversification. CC&L PC expects that the Portfolio will qualify as an “investment fund” as defined in the Tax Act for purposes of the “loss restriction event” rules.

The Portfolio may be subject to section 94.1 of the Tax Act if the Portfolio holds or has an interest in an “offshore investment fund property”. In order for section 94.1 of the Tax Act to apply to the Portfolio, the value of the interests must reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments of the offshore investment fund property. If applicable, these rules can result in the Portfolio including an amount in its income based on the cost of the Portfolio’s offshore investment fund property multiplied by a prescribed interest rate. These rules would apply in a taxation year to the Portfolio if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Portfolio acquiring, holding or having the investment in the entity that is an offshore investment fund property, was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom, for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Portfolio. CC&L PC has advised counsel that none of the reasons for the Portfolio acquiring an interest in “offshore investment fund property” may reasonably be considered to be as stated above. As a result, section 94.1 should not apply to the Portfolio.

Taxation of the Unitholders

Unitholders are required to include in their income for tax purposes, for a particular year, the amount (computed in Canadian dollars) of net income and net taxable capital gains (including management fee distributions), if any, paid or payable to them by the Portfolio and deducted by the Portfolio in computing its income for tax purposes, whether or not reinvested in additional units. Any amount in excess of the net income and net realized taxable capital gains of the Portfolio that is paid or payable to a unitholder in a year should not generally be included in computing such unitholder’s income for the year. However, the payment by the Portfolio of such excess amount, other than as proceeds of disposition of a unit or part thereof and other than the portion, if any, of that excess amount that represents the non-taxable portion of net realized capital gains of the Portfolio, will reduce the adjusted cost base of a unitholder’s units. If the adjusted cost base of a unitholder’s units would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the unitholder from the disposition of units and the adjusted cost base of the units will then be increased by the amount of such gain to zero.

The Portfolio will designate to the extent permitted by the Tax Act and the CRA’s administrative practice, the portion, if any, of the net income distributed to unitholders as may reasonably be considered to consist of, respectively, (i) “taxable dividends” received by the Portfolio on shares of “taxable Canadian corporations”, (ii) “eligible dividends” and (iii) net taxable capital gains of the Portfolio (all within the meaning of the Tax Act). Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend, eligible dividend and taxable capital gain, respectively. Amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be eligible for the normal dividend gross-up and tax credit rules under the Tax Act. An enhanced dividend gross-up and tax credit is available on eligible dividends so designated by a taxable Canadian corporation in accordance with the Tax Act. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains, which are described below.

In addition, the Portfolio may similarly make designations in respect of its income from foreign sources so that, for the purpose of allocating any foreign tax credit to a unitholder, the unitholder will be deemed, for purposes of the foreign tax credit rules in the Tax Act, to have paid as tax to the government of a foreign

country that portion of the taxes paid by the Portfolio to that country that is equal to the unitholder's share of the Portfolio's income from sources in that country.

Unitholders will be advised each year of the composition of amounts distributed to them.

Based in part on the administrative practice of the CRA, the reclassification of units of a particular series of the Portfolio as units of another series of the Portfolio will generally not be considered to be a disposition for tax purposes and accordingly, the unitholder will realize neither a gain nor a loss as a result of a reclassification. The unitholder's adjusted cost base of the units received for the units of another series will equal the adjusted cost base of the latter units.

Upon the actual or deemed disposition of a unit, including the redemption of a unit by the Portfolio, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the unit exceed (or are exceeded by) the aggregate adjusted cost base to the unitholder of the unit and any reasonable costs of disposition. The portion of capital gains included in income as taxable capital gains and the portion of capital losses that are allowable capital losses is one-half, subject to and in accordance with the detailed rules of the Tax Act. Unitholders should consult their own advisors with respect to provisions of the Tax Act which reduce any such losses by the amount of certain distributions received on the investments in the Portfolio.

In general, management fees paid directly by you in respect of units of the Portfolio held outside a Registered Plan should be deductible for income tax purposes to the extent that such fees are reasonable and represent fees for advice to you regarding the purchase or sale of units of the Portfolio or for services provided to you in respect of the administration or management of your units of the Portfolio. The portion of the fees that represent services provided by the manager to the Portfolio, rather than directly to you, are not deductible for income tax purposes. You should consult your own tax advisor with respect to the deductibility of management fees in your own particular circumstances.

Alternative Minimum Tax

Individuals are subject to an alternative minimum tax. Such individuals may be liable for this alternative minimum tax in respect of realized capital gains and/or dividends from taxable Canadian corporations.

Registered Plans and Eligibility for Investment

In general, the amount of distributions paid or payable to a Registered Plan from the Portfolio in a particular year or the amount of any capital gains realized by the Registered Plan from redeeming or otherwise disposing of units will not be taxable under the Tax Act until it is withdrawn from the Registered Plan (other than a withdrawal from a TFSA and certain permitted withdrawals from an RESP or RDSP).

Provided that the Portfolio qualifies as a mutual fund trust or is registered as a registered investment, units will be "qualified investments" (as defined in the Tax Act) for Registered Plans. CC&L PC has advised counsel that the Portfolio qualifies and is expected to continue to qualify as a mutual fund trust.

Notwithstanding that units may be qualified investments for a trust governed by an RRSP, RRIF, TFSA, RDSP or RESP (each, a "Plan" and collectively, the "Plans"), the annuitant under an RRSP or RRIF, the holder of a TFSA or RDSP or the subscriber of an RESP (each, a "Plan Holder"), as the case may be, will be subject to a penalty tax in respect of the units if they are a "prohibited investment" for the Plans within the meaning of the Tax Act. Generally, Units would be a "prohibited investment" for a Plan if the Plan Holder (i) does not deal at arm's length with the Portfolio for purposes of the Tax Act, or (ii) alone or

together with persons with whom the Plan Holder does not deal at arm's length, holds 10% or more of the value of all units.

Units will not be a "prohibited investment" for a Plan if the units are "excluded property" as defined in the Tax Act for purposes of the prohibited investment rules. Generally, units will be "excluded property" for a Plan if, at the relevant time,: (i) at least 90% of the value of all equity of the Portfolio is owned by persons dealing at arm's length with the Plan Holder; (ii) the Plan Holder deals at arm's length with the Portfolio; and (iii) certain other criteria set forth in the Tax Act are met.

Investors who choose to purchase units through a Registered Plan should consult their own tax advisors regarding the tax treatment of contributions to, and acquisitions of property by, such Registered Plans.

REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEE

No remuneration, fees or reimbursement of expenses is paid by the Portfolio to the directors or officers of CC&L PC.

The fees and other reasonable expenses of members of the IRC, as well as premiums for insurance coverage for such members, will be paid by the Portfolio and certain other investment funds managed by Connor, Clark & Lunn Funds Inc., an affiliate of the Manager, that use the same IRC. The Portfolio pays its pro rata share. As of the date of this annual information form, each member of the IRC is entitled to receive an annual fee of \$10,000 while the Chair receives an annual fee of \$15,000. These fees include an annual meeting. The IRC members receive \$1,500 per additional meeting of the IRC that they attend during a calendar year. Each member of the IRC will also be reimbursed for expenses in connection with performing his or her duties in this regard. The aggregate compensation paid by the Portfolio to the IRC for the year ended December 31, 2018 was \$8,628 (including applicable taxes).

The Trustee is remunerated at market rates for providing its services to the Portfolio and is reimbursed for expenses as they are incurred while discharging its functions as trustee.

MATERIAL CONTRACTS

The material contracts that have been entered into by the Portfolio are as follows:

Trust Agreement

The Portfolio is governed by an amended and restated supplemental trust agreement dated October 23, 2011, which incorporates the amended and restated master trust agreement dated October 23, 2011, as amended from time to time, entered into by CC&L PC, in its capacity as manager of the Portfolio and CIBC Mellon Trust Company, as trustee and custodian of the Portfolio (the supplemental trust agreement and the master trust agreement are collectively, the "Trust Agreement"). CC&L PC as manager of the Portfolio may terminate the Portfolio at any time by giving written notice to each unitholder of its intention to terminate in accordance with applicable securities legislation.

Management Agreement

The Master Management Agreement, as amended from time to time, in respect of the Portfolio was entered into between CC&L PC, and CIBC Mellon Trust Company as trustee on behalf of the Portfolio as of October 21, 2011. CC&L PC may terminate the management agreement at any time by giving 90 days written notice to the trustee of the Portfolio. If the trustee of the Portfolio wishes to terminate the agreement,

it must first consult with CC&L PC and upon approval by CC&L PC, it must then call a meeting of unitholders of the Portfolio to obtain unitholder approval.

Investment Advisor Agreements

CC&L PC has entered into investment advisor agreements with each of the portfolio managers. Each such agreement outlines the Portfolio's mandate as well as the duties and responsibilities of the portfolio managers and the manager, including but not limited to record keeping and voting policies.

Copies of the agreements described above may be inspected during regular business hours on any Business Day at the office of the Portfolio.

Legal and Administrative Proceedings

As of the date of this Annual Information Form, we are not aware of any legal or administrative proceedings to which the Portfolio or the Manager are a party or to which any of its property is subject and no such proceedings are known to be contemplated.

**CERTIFICATE OF THE PORTFOLIO
AND OF
CONNOR, CLARK & LUNN PRIVATE CAPITAL LTD. AS MANAGER**

OF

**CC&L Diversified Income Portfolio
(the “Portfolio”)**

July 24, 2019

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

| | |
|--|--|
| (Signed) _____ Corey MacEachern President, in the capacity of Chief Executive Officer Connor, Clark & Lunn Private Capital Ltd., as Manager of the Portfolio and on behalf of the Portfolio | (Signed) _____ Michael Freund Chief Financial Officer Connor, Clark & Lunn Private Capital Ltd., as Manager of the Portfolio and on behalf of the Portfolio |
|--|--|

On behalf of the Board of Directors of Connor, Clark & Lunn Private Capital Ltd., as Manager of the Portfolio and on behalf of the Portfolio:

| | |
|---|--|
| (Signed) _____ Catherine Dorazio Director | (Signed) _____ Jeffrey Guise Director and Chief Investment Officer |
|---|--|

Annual Information Form

CC&L Diversified Income Portfolio

Additional information about the Portfolio is available in the Portfolio's simplified prospectus, most recently filed fund facts, most recently filed annual financial statements and any interim financial report filed thereafter, most recently filed annual management report of fund performance and any interim management report of fund performance filed thereafter. You can get a copy of these documents, including a statement of portfolio transactions, at no charge by contacting your registered representative, calling us toll free at 1-800-939-9674, emailing us at more_info@cclgroup.com. You may also find these documents and other information about the Portfolio at www.cclgroup.com/cclprivatecapital/en or at www.sedar.com. Unless otherwise indicated herein, information about the Portfolio which may otherwise be obtained on our website is not, and shall not be deemed to be, incorporated in this annual information form.

Manager of the Connor, Clark & Lunn Managed Portfolios:

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