PCJ Absolute Return II Fund

Interim Management Report of Fund Performance

For the period ended
June 30, 2023

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling us directly at 1.800.939.9674, by writing to us at 1400 – 130 King St. W., P.O. Box 240, Toronto, ON, M5X 1C8 or by visiting our website at www.cclfundsinc.com, or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Results of Operations

As at June 30, 2023 PCJ Absolute Return II Fund (the "Fund") held $58.1 million in total net assets. During the period investors in Series A units in the Fund experienced a return of -0.14%. The benchmark for the Fund (FTSE Canada 91 Day T-bill Index) returned 2.14% over the period. The performance of the different series within the funds will vary due to the differences in their expense structures. For specific returns by series, please refer to the "Past Performance" section of this report.

After selling off in 2022, North American equity markets rose in the first half of 2023, with elevated volatility in both Canada and the US. Despite rising interest rates, slowing economic indicators and a few large US bank failures during the period, equity markets were able to advance higher on the back of inflation data coming in lower as well as a resilient labour market.

Equity markets rallied to begin the first quarter, supported by reduced fears of inflation as well as the re-opening of China's economy. US economic data such as nonfarm payrolls, retail sales and the producer price index all came in strong in February despite a widely anticipated recession and as a result of this strength, equities sold off on increased expectations for additional rates hikes. Multiple US bank failures in March contributed to a spike in the gold price along with elevated volatility in equities as investors considered whether the rapid increase in interest rates would cause stresses elsewhere. After increasing rates in 2022 both the Bank of Canada and the US Fed continued to hike during the quarter, but the magnitude of the increases declined as inflation finally began to moderate.

In the second quarter, markets continued to rally with US equities and more specifically mega-cap technology significantly outperforming Canadian equities. Market breadth was narrow, with a few mega-cap technology stocks exposed to artificial intelligence experiencing extreme short-term increases in market capitalization. Market breadth improved in June as continued resilience in employment data along with cooling inflation supported the narrative for an economic soft landing. Despite inflation coming in lower, central banks continued to tighten on the basis of strength in employment but the US Fed left its policy rate unchanged at its June meeting marking a pause.

The PCJ Absolute Return strategy had modestly positive performance in the first half of 2023. The portfolio was able to protect capital during a period of extreme volatility and uncertainty in equity markets.

Notable contributions during the period came from the industrials and information technology sectors. Within industrials, long positions in GFL Environmental Inc., United Rentals Inc. and Stantec Inc. all contributed, partially offset by short positions within the sector. Within information technology, a long position in Absolute Software Corp. contributed as the company was acquired during the period. A long position in Constellation Software Inc. also contributed, partially offset by short positions within the sector.

The most notable detractions came from the consumer discretionary sector as well as the portfolio's index shorts in a rising market. Within consumer discretionary, a short position in a US automotive company and a US home builder both detracted, partially offset by long positions within the sector.

Leverage

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that is greater than the amount invested.

The Fund's leverage is determined by calculating the aggregate exposure through the sum of following: (i) the market value of the Fund's short positions; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. The Fund's exposure to leverage must not exceed 300% of the Fund's Net Asset Value ("NAV").

During the period ended June 30, 2023, the Fund's aggregate exposure ranged from 59.1% to 81.0% of the Fund's NAV. The aggregate exposure to leverage was within the expected range as outlined in the simplified prospectus. As at June 30, 2023, the Fund's aggregate exposure was 64.6% of the Fund's NAV. The primary sources of leverage were short positions in equity securities and cash borrowings.

A component of the Fund's leverage is cash borrowing, comprised of bank indebtedness with prime brokers. Such facilities are repayable on demand. During the period ended June 30, 2023, the Fund's range of bank indebtedness was $Nil to $6,741,306 with an average interest rate of 5.01%. As at June 30, 2023, the borrowing represented 4.2% of the Fund's NAV.

Recent Developments

The economic backdrop in North America continues to be challenging due to sustained (albeit slowing) inflation, increasing rates and lowered growth expectations. Central banks continue to tighten at a rapid pace and it remains to be seen if further risks will emerge as a result of the higher rate environment. Bank failures in the US have subsided for now, but we continue to closely monitor this sector for deposit flows and credit exposures. The labour market in both the US and Canada has been resilient but signs of a potential slowdown are beginning to emerge. As inflation data continues to slow we will be watching for this trend to continue along with subsequent policy responses.

Portfolio leverage decreased slightly during the period and remains below the strategy's long-term average. The portfolio's cyclical exposure is balanced as the current rate environment is dynamic. The portfolio has biases towards names benefitting from infrastructure spending, banks with strong deposit bases and quality loan portfolios, names exposed to the aerospace cycle, Canadian multi-family housing and a number of special situations.

Caution regarding forward-looking statements

Certain portions of this report, including, but not limited to, "Results of Operations" and "Recent Developments", may contain forward looking statements including, but not limited to, statements relating to the Fund, its strategy, risks, expected performance and condition. The use of any of the words "anticipate", "may", "will", "expect", "estimate", "should", "believe" and similar expressions are intended to identify forward-looking statements. In addition, any statement that is predictive in nature, that depends upon or refers to future events or conditions, or that may be made concerning future performance, strategies or prospects, and possible future action to be made by the Fund, the Manager and the Fund's portfolio manager, is also a forward-looking statement.

Such statements reflect the opinion of CFI and the Fund's portfolio manager, PCJ Investment Counsel Ltd. (PCJ), regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund, and are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, regulatory framework and the general business environment and other relevant information available at the time of this report. Changes in these factors may cause actual results to differ materially from the forward-looking information.

CFI believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable, but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements.

We stress that the above mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing any undue reliance on forward-looking statements. Further, you should be aware of the fact that there is no specific intention of updating any forward-looking statements contained therein whether as a result of new information, future events or otherwise.

Related Party Transactions

CFI is affiliated with Connor, Clark & Lunn Financial Group Ltd. As disclosed in the prospectus and annual information form, the portfolio manager retained by the Fund, PCJ Investment Counsel Ltd. (PCJ), is also affiliated with Connor, Clark & Lunn Financial Group Ltd. During the period ended June 30, 2023, no additions or deletions were made to the portfolio managers providing services to the Fund.

As Manager, CFI receives management fees with respect to the day-to-day business and operations of the Fund, calculated based on the net asset value of each respective series of units of the Fund, as described in the section entitled "Management and Performance Fees". As portfolio manager, PCJ may receive a quarterly incentive fee, as described in the section entitled "Management and Performance Fees". These management and performance fees are charged in the normal course of business and are measured at their exchange amount, which approximates that of an arm's length transaction.

Recommendations or reports by the Independent Review Committee

The Independent Review Committee tabled no special reports and made no reportable material recommendations to the manager of the Fund during the period ended June 30, 2023.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception. This information is derived from the Fund's audited annual financial statements and previous audited financial statements.

The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit[1]

Series A	Jun 30'23	Dec 31'22	Dec 31'21 [4]
Net Assets, beginning of period [1]	$9.25	$9.50	$10.00
Increase (decrease) from operations:			
Total revenues	0.18	0.05	(0.07)
Total expenses	(0.15)	(0.32)	(0.26)
Realized gains (losses) for the period	(0.03)	0.13	(0.52)
Unrealized gains (losses) for the period	(0.01)	(0.09)	0.53
Total increase (decrease) from operations [2]	(0.01)	(0.23)	(0.32)
Distributions:			
From net investment income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total distributions[2,3]	-	-	-
Net assets at June 30 or December 31 of year shown[1,2]	$9.23	$9.25	$9.50

Series A inception date: March 5, 2021

Series F	Jun 30'23	Dec 31'22	Dec 31'21 [4]
Net Assets, beginning of period [1]	$9.41	$9.57	$10.00
Increase (decrease) from operations:			
Total revenues	0.18	0.05	(0.07)
Total expenses	(0.10)	(0.21)	(0.18)
Realized gains (losses) for the period	(0.03)	0.09	(0.52)
Unrealized gains (losses) for the period	(0.01)	(0.04)	0.48
Total increase (decrease) from operations [2]	0.04	(0.11)	(0.29)
Distributions:			
From net investment income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total distributions[2,3]	-	-	-
Net assets at June 30 or December 31 of year shown[1,2]	$9.44	$9.41	$9.57

Series F inception date: March 5, 2021

Series I	Jun 30'23	Dec 31'22	Dec 31'21 [4]
Net Assets, beginning of period [1]	$9.62	$9.69	$10.00
Increase (decrease) from operations:			
Total revenues	0.18	0.05	(0.08)
Total expenses	(0.05)	(0.12)	(0.09)
Realized gains (losses) for the period	(0.03)	0.11	(0.49)
Unrealized gains (losses) for the period	(0.01)	(0.10)	0.35
Total increase (decrease) from operations [2]	0.09	(0.06)	(0.31)
Distributions:			
From net investment income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total distributions[2,3]	-	-	-
Net assets at June 30 or December 31 of year shown[1,2]	$9.71	$9.62	$9.69

Series I inception date: March 5, 2021

(1) This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not meant to be a reconciliation of beginning to ending net assets per share.

(3) Distributions were paid to unitholders by way of a combination of both cash payments and reinvestments in additional units of the Fund.

(4) For the period from March 5, 2021 (date of commencment of operations) to December 31, 2021.

FINANCIAL HIGHLIGHTS

Ratios & Supplemental Data:

Series A	Jun 30'23	Dec 31'22	Dec 31'21 (6)
Total net asset value ('000s)(1)	$1,786	$1,949	$1,717
Number of units outstanding(1)	193,430	210,804	180,637
Management expense ratio(2)	2.33%	2.48%	2.43%
Management expense ratio before waivers or absorptions (3)	2.33%	2.48%	2.43%
Portfolio turnover rate(4)	156.74%	450.26%	292.77%
Trading expense ratio(5)	0.83%	0.80%	0.85%
Net asset value per unit	$9.23	$9.25	$9.50

Series A inception date: March 5, 2021

Series F	Jun 30'23	Dec 31'22	Dec 31'21 (6)
Total net asset value ('000s)(1)	$52,026	$46,401	$31,877
Number of units outstanding(1)	5,511,312	4,933,501	3,330,483
Management expense ratio(2)	1.29%	1.46%	1.40%
Management expense ratio before waivers or absorptions (3)	1.29%	1.46%	1.40%
Portfolio turnover rate(4)	156.74%	450.26%	292.77%
Trading expense ratio(5)	0.83%	0.80%	0.85%
Net asset value per unit	$9.44	$9.41	$9.57

Series F inception date: March 5, 2021

Series I	Jun 30'23	Dec 31'22	Dec 31'21 (6)
Total net asset value ('000s)(1)	$4,272	$4,234	$4,263
Number of units outstanding(1)	440,000	440,000	440,000
Management expense ratio(2)	0.64%	0.39%	0.35%
Management expense ratio before waivers or absorptions (3)	0.64%	0.39%	0.35%
Portfolio turnover rate(4)	156.74%	450.26%	292.77%
Trading expense ratio(5)	0.83%	0.80%	0.85%
Net asset value per unit	$9.71	$9.62	$9.69

Series I inception date: March 5, 2021

(1) This information is provided as at June 30 or December 31 for the years shown.

(2) Management expense ratio is based on total expenses (excluding margin interest, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The manager of the Fund, CC&L Funds Inc., may waive certain fees or absorb certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is determined periodically on a series by series basis at the discretion of the manager and the manager can terminate the waiver or absorption at any time.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) The trading expense ratio represents margin interest, borrow fees on investments sold short, total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(6) As at December 31, 2021 or for the period from March 5, 2021 (date of commencement of operations) to December 31, 2021, as applicable.

Management Fees

The Fund is managed by CFI. As consideration for providing investment advisory and management services, CFI receives a management fee from the Fund, based on the net asset value of the respective series, calculated daily and payable monthly in arrears. In respect of units of all series of the Fund other than Series I, the management fee is paid by the Portfolio to CFI. Management fees in respect of Series I units are arranged directly and charged outside the Portfolio. Management fees on Series I units are not expenses of the Portfolio. CFI uses a portion of management fees to pay for trailing commissions to registered dealers (if applicable) based on amounts invested in the Fund. CFI uses the remaining portion of the management fees to pay for investment advice, including fees charged by the Fund's portfolio manager, and general administration expenses and retains the balance for profit. The following table summarizes the annual management fee rates (excluding GST and HST) of each series of the Fund, expressed as a percentage of the Fund's value, and the portion used for dealer compensation and the portion used for or attributed to investment advice, general administration and profit.

		As a percentage of management fees	
	Annual Rates	**Dealer Compensation**	**Investment advice, administration and profit**
Series A	2.00%	50.00%	50.00%
Series F	1.00%	0.00%	100.00%
Series I	0.00%	0.00%	0.00%

Performance Fees

The Fund may pay a quarterly performance fee to the portfolio manager, PCJ, calculated and accrued daily. The performance fee is based on the performance of a Series of the Fund relative to the performance of the Fund's hurdle and is equal to 20% of the amount by which the Fund outperforms the hurdle. The performance fee is applicable to Series A and Series F units. Unitholders of Series I units may negotiate a performance fee to be paid by the investor directly to the Manager. The hurdle rate for Series A and F units of the Fund is 2.0% per annum.

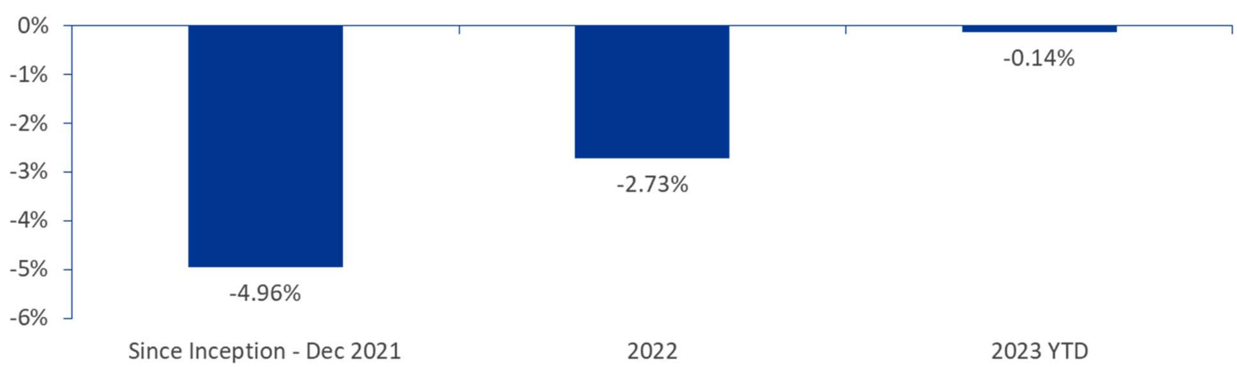
Past Performance

The performance information shown below assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-year Returns

The following bar charts show the Fund's annual performance for each of the years shown and illustrate how the Fund's performance has changed from year to year, for each series of the Fund. The charts show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

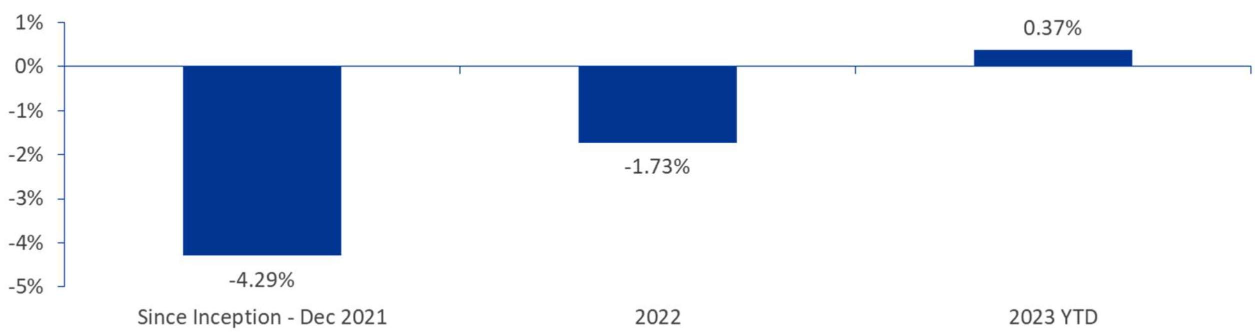
Series A



Performance for Since Inception to Dec 2021 represents returns from March 5 to December 31, 2021.

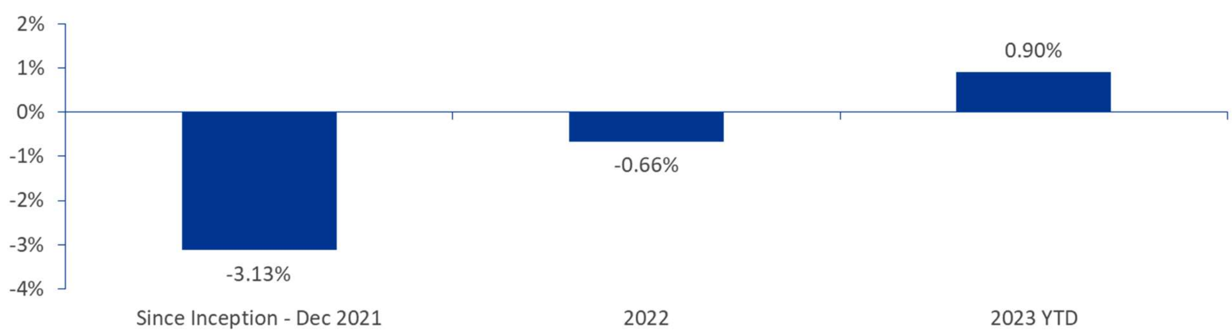
PAST PERFORMANCE

Series F



Performance for Since Inception to Dec 2021 represents returns from March 5 to December 31, 2021.

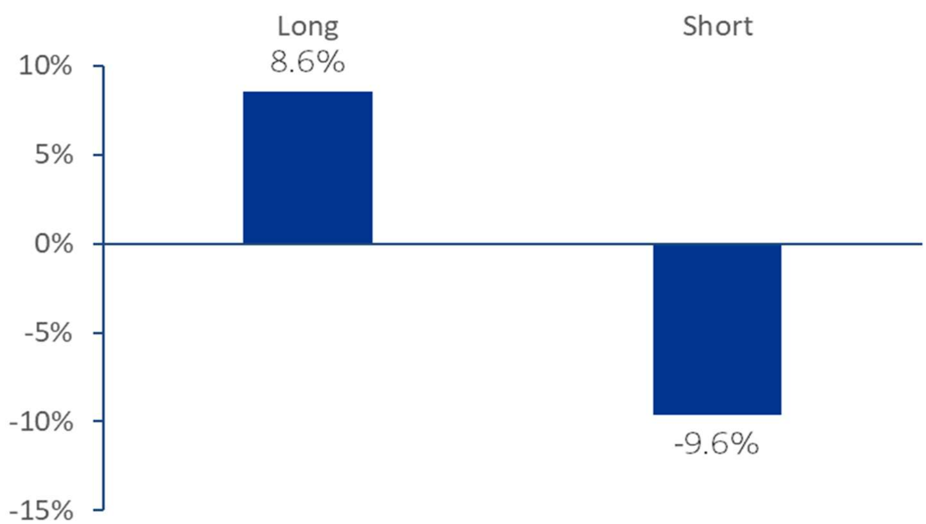
Series I



Performance for Since Inception to Dec 2021 represents returns from March 5 to December 31, 2021.

PAST PERFORMANCE

The following bar chart shows the performance of the Fund's long and short portfolio positions for the period from January 1, 2023 to June 30, 2023 before deducting fees and expenses and before the impact of other assets less liabilities.



SUMMARY OF INVESTMENT PORTFOLIO

Below is a breakdown of the Fund's investment holdings as at June 30, 2023. The individual holdings and their relative percentage of the overall fund will change between reporting periods as markets change and the portfolio manager buys and sells individual securities.

	Top 25 Investments - Long	% of Net Asset Value
1	Canadian Pacific Kansas City Ltd	5.7
2	Rogers Communication Inc.- Class B	3.8
3	Canadian Apt Pptys REIT	3.7
4	United Rentals Inc	3.6
5	Fairfax Financial Holdings Ltd.	3.5
6	RB Global Inc	3.3
7	Cae Inc	2.6
8	George Weston Ltd.	2.4
9	TC Energy Corp	2.2
10	SNC-Lavalin Group Inc.	2.0
11	Chorus Aviation 6.00% 2026.06.30	1.7
12	InterRent REIT	1.7
13	Black Diamond Group	1.4
14	Brookfield Infrastructure Partners LP	1.3
15	Advantage Energy Ltd	1.3
16	Uber Technologies Inc	1.3
17	Howmet Aerospace Inc	1.3
18	Valvoline Inc	1.2
19	Element Fleet Management Corp	1.2
20	Docebo Inc	1.0
21	Boardwalk Real Estate Investment Trust	1.0
22	MEG Energy Corp.	1.0
23	Bank of America Corp.	1.0
24	West Fraser Timber Co Ltd	1.0
25	Stantec Inc.	1.0
	Top long positions as a percentage of total net asset value	51.2

	Top 25 Investments - Short	% of Net Asset Value
1	iShares Core S&P/TSX Capped Composite Index ETF	(4.4)
2	Canadian National Railway	(3.5)
3	Polaris Inc	(2.0)
4	Telus Corp.	(1.8)
5	Invesco QQQ Trust Series 1	(1.7)
6	SPDR Bloomberg High Yield Bond ETF	(1.7)
7	SPDR DJIA Trust	(1.5)
8	iShares Russell 2000 ETF	(1.3)
9	Riocan REIT Units	(1.3)
10	Oshkosh Truck Corp	(1.3)
11	BMO S&P 500 Index ETF	(1.2)
12	Enbridge Inc.	(1.2)
13	Descartes Systems Group	(1.1)
14	Birchcliff Energy Ltd.	(1.1)
15	Industrial Select Sect SPDR	(1.0)
16	Maple Leaf Foods Inc.	(1.0)
17	BCE Inc.	(0.9)
18	Northwest Healthcare Property REIT	(0.9)
19	Gibson Energy	(0.9)
20	Scp Pool Corp	(0.9)
21	Canadian Tire Corp. Ltd. Class A	(0.9)
22	Whitecap Resources Inc.	(0.9)
23	Price (T. Rowe) Associates	(0.8)
24	Expeditors Intl Wash Inc	(0.8)
25	Home Depot	(0.7)
	Top short positions as a percentage of total net asset value	(34.9)

	% of Net Asset Value		
Portfolio Allocation	Long	Short	Net
Short-term investments	95.2		95.2
Canadian equities	53.8	(24.9)	28.9
U.S equities	11.8	(21.9)	(10.1)
Foreign equities	2.2	(0.3)	1.9
Exchange-traded funds		(13.3)	(13.3)
Fixed income	1.7		1.7
Other assets less liabilities		(4.3)	(4.3)
	164.7	(64.7)	100.0

Net Currency Exposure	% of Net Asset Value
Canadian dollar	105.1
U.S. dollar	(5.1)
	100.0

Debt instruments by Credit Rating*	% of Net Asset Value
AAA	95.2
Not rated	1.7
	96.9

	% of Net Asset Value		
Sector Allocation	Long	Short	Net
Communication services	3.8	(2.7)	1.1
Consumer discretionary	2.2	(7.6)	(5.5)
Consumer staples	2.7	(1.7)	1.0
Energy	8.5	(5.2)	3.2
Financials	6.8	(7.1)	(0.3)
Health care	0.0	0.0	0.0
Industrials	31.2	(15.1)	16.1
Information technology	2.2	(1.1)	1.1
Materials	1.5	(0.5)	1.0
Real estate	7.5	(5.4)	2.1
Utilities	1.6	(0.7)	0.9
Short-term investments	95.2		95.2
Fixed income	1.7		1.7
Exchange-traded funds		(13.3)	(13.3)
Other assets less liabilities		(4.3)	(4.3)
	164.7	(64.7)	100.0

Note: The investments and percentages may have changed by the time you purchase units of this Fund. The top 25 investment holdings are made available quarterly, 60 days after quarter end.

* - Credit ratings are determined from a composite of bond rating services such as Standard & Poor's, Moody's and Dominion Bond Rating Services.