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CAPITAL MARKETS

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**Build America Investment  
Grade Bond Fund**

Semi-Annual Report  
March 31, 2011

## Build America Investment Grade Bond Fund Message to Unitholders

May 30, 2011

Dear Investor,

We are pleased to provide you with the semi-annual report for the Build America Investment Grade Bond Fund (the "Fund"). The Fund commenced operations on February 18, 2010. It was designed to provide investors with exposure to a portfolio comprised primarily of Investment Grade Build America Bonds actively managed by Nuveen Asset Management (the "Sub-Advisor"). The Fund's investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders while seeking to reduce risk. Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 5.75% per annum.

We are pleased with the performance of the Fund during the reporting period. The total return (change in NAV plus distributions) was 6.0% which compares favourably with the -3.68% for the Barclays Build America Bond Index. While the majority of this outperformance was due to the interest rate and foreign currency hedges, Nuveen has done a good job managing the portfolio. The net asset value ("NAV") for Class A and F units at March 31, 2011 was \$23.15 and \$24.04 respectively, in addition to \$0.72 in distributions paid. This compares to the opening NAV of \$23.31 for Class A units after the deduction of agents' fees and issuance expenses.

Build America Bonds experienced a relatively wild ride leading into the end of 2010 and through the first part of 2011. In the last quarter of 2010, although investor demand continued to be robust, the supply side of the equation proved to be the dominant theme. The uncertainty regarding the extension of the BABs program caused record issuance in the fourth quarter (\$47.8 billion, more than double the previous quarter). Once the deadline passed without an extension of the BABs program, investors clamoured for exposure for long duration BABs names in the secondary market. The beginning of 2011 was met with intensified investor demand, particularly in index-eligible names. Spread contraction was also notable in the first several months of 2011, after cheapening to historically wide levels in late 2010 as heavy new issue supply saturated the market, spreads began a steady march tighter in 2011 as investors faced a scarcity of new bonds.

While state revenues plummeted sharply during the recession due to the volatility of income and sales taxes, we have started to see a recovery in 2010. The focus will now shift to local tax revenues. They are largely derived from property taxes which have a lagged response to changes in housing values. All levels of government continue their effort to cut expenditures.

When the Fund was launched the common view in the marketplace was that long term interest rates were going to go up. We (the Manager and the Sub-Advisor) concurred with this view and put in place an interest rate hedge to protect against rising interest rates. Since launch long interest rates have dropped considerably and the hedge has caused a mark to market loss of approximately \$0.92 per unit. As noted above, interest rates increased during the reporting period and the mark to market loss dropped from \$3.07 in the previous report. If long interest rates continue to go up then this mark to market loss will continue to become smaller.

Please check our website for future updates. We appreciate your investment in the Fund and look forward to continued strong performance by the Fund.

Yours truly,



W. Neil Murdoch  
Chief Executive Officer  
Connor, Clark & Lunn Capital Markets

# Management Report of Fund Performance

This semi-annual management report of fund performance for Build America Investment Grade Bond Fund (the “Fund”) contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. **The semi-annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the semi-annual financial statements at no cost by writing to the Manager to the following address: Connor, Clark & Lunn Capital Markets Inc. (the “Manager”), Suite 300, 181 University Avenue, Toronto, Ontario M5H 3M7, or calling (416) 862-2020 or visiting the Manager’s website at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com) or by visiting [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Note that any reference to “Net Assets” or “Net Assets per Unit” or “GAAP Net Assets” means that the value was determined in accordance with the Canadian Generally Accounting Principles “GAAP” for financial statements purposes. Also any reference to “Net Asset Value” or “Net Asset Value per Unit” or “Transactional NAV” means that the value was determined for valuation and transactional purposes. An explanation of the difference between both values can be found in note 3 to the financial statements.

## Investment Objectives and Strategy

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement between the Manager of the Fund and RBC Dexia Investor Services Trust (the “Trustee”) dated January 28, 2010. The Fund’s principal office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund is September 30. Beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units (“the Class A Units”) and Class F Units (the “Class F Units”). Class A Units are listed on the Toronto Stock Exchange under the symbol BAB.UN. Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The principal differences between the Class A Units and the Class F Units are that the agents’ fees payable with respect to the original issuance of the units were lower for the Class F Units, and that the service fee component of the manager’s fee and the TSX listing fees are not paid by Class F Units.

The Fund’s investment objectives are to:

- (i) provide Unitholders with monthly tax-advantaged cash distributions, and
- (ii) maximize total return for Unitholders, while seeking to reduce risk.

Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the issue price of 5.75% per annum.

In order to achieve the Fund’s investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the “Portfolio”) held by BAB Trust (the “BAB Trust” or the “Trust”). Nuveen Asset Management (the “Sub-Advisor”), the Trust’s Sub-Advisor, actively manages the Portfolio.

The Portfolio includes a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other permissible securities. The Fund may also use derivatives for hedging purposes only.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the

governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income.

The Fund does not invest directly in the BAB Trust, the Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with The Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund will receive, on or before February 27, 2015, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of the BAB Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by BAB Trust. A fee of 0.35% per annum, calculated with reference to the NAV of the BAB Trust, is payable to BMO under the Forward Agreement.

## **Risk**

Changes in the risk exposure of the Fund occurred in the following areas:

### ***Use of leverage***

The Fund is entitled to employ leverage of up to 25% of the total Portfolio held by BAB Trust. The Fund applied leverage in the range from 23.6% to 24.7% during the six month period ended March 31, 2011 (nil% to 24% during the period from inception to March 31, 2010). The leverage factor as of March 31, 2011 was 23.8% (March 31, 2010 – 22.9%).

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated January 28, 2010.

## **Recent Developments**

### ***Future accounting changes***

In February 2008, the Canadian Accounting Standards Board (the "AcSB") confirmed that the International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. At its January 12, 2011 meeting, the AcSB decided to defer the mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

The Fund's Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on NAV of the Funds. Management has presently determined that there will be no significant impact to NAV per Unit as a result of the changeover to IFRS but will continue to assess based on any changes to existing IFRS.

## Results of Operations

### *The Sub-Advisor's Commentary (May 2011)*

#### *Market Conditions*

Build America Bonds (“BABs”) experienced a relatively wild ride leading into the end of 2010 and through the first part of 2011. In the last quarter of 2010, although investor demand continued to be robust, the supply side of the equation proved to be dominant theme. Indeed, as we approached the end of 2010 without an extension of the BABs program, the uncertainty led to a very heavy new issue supply as a large number of issuers sought to take advantage of the relative cost savings versus traditional tax-free municipal debt. Colourful terms such as “BABalanche” and “BABathon” were used frequently in the market at the end of 2010 to describe the heavy supply to hit the market as each month brought yet more issuance than the previous month. Consider that for October, a new monthly record was set for taxable municipal bond market share (as a percentage of the overall municipal market), with 38%, or \$14.2 billion of issuance. Each of November and December then proceeded to break the newly established monthly records, with \$16.8 billion and \$16.9 billion of new issuance, respectively.

Total issuance for the fourth quarter of 2010 was \$47.8 billion, more than double the issuance of the prior quarter and, by far, the largest issuance quarter for the program. Over the short life of the BABs program, issuance totalled \$187.4 billion. As of year-end 2010, taxable municipal bonds such as BABs comprised 11.5% of the Barclays Capital Long Credit Index.

Once the deadline passed without extension of the BABs program, investors clamoured for exposure for long duration BABs names in the secondary market. The beginning of 2011 was met with intensified investor demand, particularly in index-eligible names. Spread contraction was also notable in the first several months of 2011. After cheapening to historically wide levels in late 2010 as heavy new issue supply saturated the market, spreads began a steady march tighter in 2011 as investors faced a scarcity of new bonds.

#### *Fund Performance*

The Fund sought to take advantage of the unprecedented new issue supply in late 2010 and the oftentimes significant spread concessions which were required for these deals to clear the market. As the fund participated in the new issue market, it also sought to reposition itself into more liquid, index-eligible credits: credits that fund management believed would outperform if the BABs program was not renewed. Following the end of 2010 and leading into 2011, trading activity in the Fund was more muted. Nonetheless, we continued our strategy of focusing on acquiring more liquid, index-eligible credits.

While the Fund did move to more liquid, index-eligible names, the overall sector and rating exposure remained relatively unchanged. Indeed, the Fund continues to have significant exposure to general obligation / appropriation bonds. Water/sewer, public power and dedicated tax bonds comprise the other large sector exposures for the Fund, while higher education, toll roads, and airport bonds constitute smaller relative positions. With respect to credit quality, on a weighted average basis and using the highest published rating of Moody's, S&P and Fitch, the Fund continues to carry a rating of AA.

Despite persistent headlines surrounding the US municipal market, the Fund's net asset value at six month period ending March 31, 2011 performed well. The net asset value of the Fund's Class A Units increased in value from \$22.54 to \$23.15 with unitholders receiving \$0.72/unit in distributions – a total return of 6.00% for the period.

By way of comparison, the Barclays Build America Bond Index experienced mixed returns over the same period, with spreads widening significantly in late 2010, before tightened following the discontinuation of the program. With no new issuance in the primary market, spreads in the secondary rallied meaningfully in early 2011 as BABs enjoyed a scarcity premium. The Barclays BAB index posted a 6 month return of -3.68%, which compares well with Long Corporates and U.S. Government Long:

- Barclays U.S. Long Corporates: -2.47%
- Barclays U.S. Gov't Long: -8.34%

The Fund's outperformance versus the index 6.00% vs. -3.68% was attributable to a number of factors, most notably the currency hedge and the duration shortening hedge. The U.S. long bond yield increased by 79bps during the quarter, causing the Fund's duration hedge to gain value over the performance period.

*Future Outlook*

Although the BAB program was not extended by Congress and expired on December 31, 2010, there continued to be debate on the merits of the program and whether or not it will be reauthorized. A number of members of Congress floated ideas or specific legislation in support of the BABs program in early 2011. Representative John Mica of Florida, who is the new chairman of the U.S. House Transportation and Infrastructure Committee, has said he plans to introduce a 'reincarnation' of the BABs program. In January, Mica announced that he planned to reintroduce BABs as part of a multi-year surface transportation bill. Although there is uncertainty about the timing of such a bill, this is nonetheless a positive sign that BABs remains a part of the discourse on infrastructure finance in the United States. We expect that any future version of BABs will come with a lower subsidy than the 35% that supports all BABs issued to date.

*Municipal Credit Conditions*

While state revenues plummeted sharply during the recession due to the volatility of income and sales taxes, local tax revenues have continued to increase through the recession owing to the stability of property taxes. As demonstrated in the following table, during calendar year 2010, local tax revenues were 0.2% higher than in 2009 and 12.4% higher than in 2007. Even state tax revenues have begun to improve. During calendar year 2010, total state tax revenues were 4.3% higher than in 2009, although they were still down -7.8% compared to 2008. This upturn in revenues comes at a crucial time as the extra support that state governments received from the federal government under the American Recovery and Reinvestment Act comes to an end.

	Change in Tax Revenue from Prior Years				
	State Tax Revenue			Local Tax Revenue	
	Total	Income	Sales	Total	Property
CY 2010 / 2009	4.3%	4.9%	4.1%	0.2%	-0.1%
CY 2010 / 2008	-7.8%	-13.7%	-4.6%	6.0%	9.0%
CY 2010 / 2007	-6.0%	-10.6%	-4.4%	12.4%	17.6%

As local revenue from property taxes have levelled off in the last year, the question arises as to whether property tax revenue will begin to fall as property values are reassessed to reflect the decline in housing values. For example, according to the Standard & Poor's Case-Shiller, seasonally-adjusted index of housing prices in 10 metropolitan areas, average house prices fell by 30.6% from July 2006 to December 2010. While one might expect property tax revenues to fall by a similar proportion, when we compare longer-term trends, we find that property tax revenues had not risen as quickly as housing prices in the years preceding the recession. Tax revenues did not experience the same bubble as housing prices. From July 1996 to July 2006 house prices rose at a rate of 11.2% per year, while over the same period property tax revenues rose by 6.1% per year. If we adjust for the increase in property tax bases due to new construction, property tax revenue increased by 99% from 1996 to 2010, while housing prices have increased by 107%. This analysis suggests that the ratio of property tax revenues to property values is about where it was in 1996, before the boom in housing prices.

Pensions and collective bargaining rights for state and local government employees have become a focus of intense controversy in several states, most notably Wisconsin, Indiana and Ohio, as legislatures in some cases have fled to other states to avoiding denying a quorum to those legislators seeking to make major changes. A report late last year by the Center for Retirement Research at Boston College helps to put the issue of pension costs into perspective. In this report, the authors note that, while conditions vary from state to state, in the aggregate state and local spending on pensions currently accounts for 3.4% of total spending. To amortize the existing unfunded liability over 30 years would boost spending on pensions to somewhere between 5% and 9.1% of spending (depending on whether one uses an 8% or 5% discount rate). For states that have unusually large unfunded liabilities, the cost could rise to 12.5% (assuming a 5% discount rate).

***Capital transactions***

On February 18, 2010, the Fund completed an initial public offering pursuant to the prospectus dated January 28, 2010 (the "Prospectus"). \$30,000,000 was raised through the issue of 1,200,000 Class A Units and \$1,767,500 was raised through the issue of 70,700 Class F Units.

On March 11, 2010, the Agents exercised an over-allotment option in respect of 73,820 Class A Units, raising a further \$1,845,500.

Agents' fees and other issue expenses totalled \$2,294,936. The Manager reimbursed the fund with the amount \$73,815 to account for issue expenses above the 1.5% limit of gross proceeds of the offering (as per the Fund's Prospectus terms and conditions).

No Units were redeemed during the six month period ended March 31, 2011 (no Units were redeemed during the period from February 18, 2010 (commencement of operation) to March 31, 2010). During the six month period ended March 31, 2011, 1,100 Class F Units were converted into 1,141 Class A Units for the amount of \$26,512 (no Units were converted during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

### ***Net Assets***

The net assets per unit is calculated as the value of the prepaid amount to the counterparty under the forward agreement plus any other investments held by the Fund, plus the value of any gain or loss on the Forward Agreement, less any net liabilities of the Fund, divided by the number of units outstanding.

On March 31, 2011, the prepaid amount to counterparty under forward agreement was \$38,594,261. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of the BAB Trust, the value of the Forward Agreement to the Fund is equal to the value of the BAB Trust less the value of the prepaid amount to counterparty under forward agreement. On March 31, 2011 the value of the unrealized gain on forward agreement was \$2,644,464. Other liabilities net of other assets in the Fund totalled \$10,066,257 leaving net assets of \$31,181,828. This amount is assigned to Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2011 the GAAP Net assets per unit was \$23.15 per Class A Units and \$24.04 per Class F Units.

### ***Leverage***

The Fund's exposure to the securities in the BAB Trust's Portfolio through the Forward Agreement may be increased to 25% of the NAV (being the aggregate value of the assets of BAB Trust) (tested daily) for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

During the six month period ended March 31, 2011, the Fund had bank indebtedness balance of \$9,820,000 or 23.6% to 24.7% of the NAV of BAB Trust (\$nil and \$9,500,000 or 0.0% to 24.0% of the NAV of BAB Trust during the period from February 18, 2010 (commencement of operation) to March 31, 2010). The related interest expense during the same period was \$98,447 (\$9,551 during the period from February 18, 2010 (commencement of operation) to March 31, 2010). At March 31, 2011, the borrowed balance was \$9,820,000 (\$9,500,000 at March 31, 2011).

### ***Market repurchases***

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

During the six month period ended March 31, 2011, the Fund did not purchase any units for cancellation (no units were purchased for cancellation during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

### **Distributions**

The Fund pays monthly distributions initially at \$0.1198 per Unit. The Fund paid an initial distribution of \$0.1669 for unitholders with record date March 31, 2010 for the period from February 18, 2010 (commencement of operation) to March 31, 2010.

The Fund has made all its scheduled distributions during the six month period ended March 31, 2011, paying \$0.72 per

Class A Unit and \$0.72 per Class F Unit (\$0.17 per Class A Unit and \$0.17 per Class F Unit for the period from February 18, 2010 (commencement of operation) to March 31, 2010).

## Recommendations or Reports by the Independent Review Committee

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the six month period ended March 31, 2011.

## Related Party Transactions

### Management Fees

The Manager receives a Management Fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value, (0.30% from the Fund and 0.50% from the BAB Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and BAB Trust on a combined basis during the six month period ended March 31, 2011 were \$132,005 (\$32,730 during the period from February 18, 2010 (commencement of operation) to March 31, 2010). The Manager is responsible for payment of the sub-advisory fees out of these management fees.

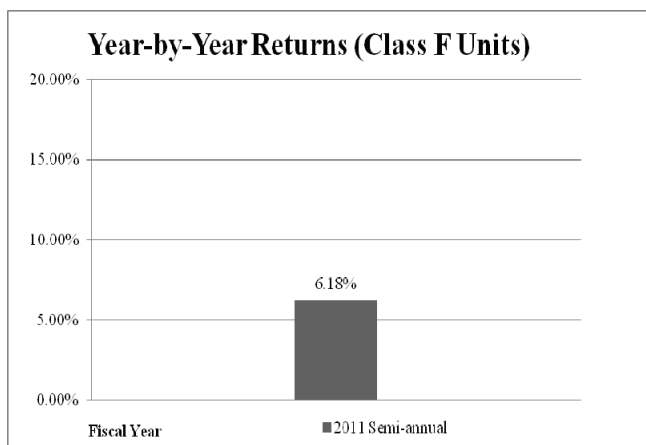
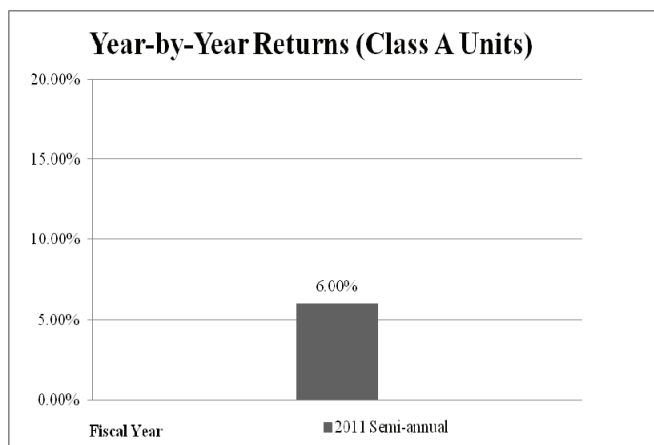
### Service Fees

The Fund pays to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee is applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the six month period ended March 31, 2010 were \$53,355 (\$10,575 during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

## Past Performance

The following bar charts show the Fund's semi-annual performance for the six month period ended March 31, 2011 assuming all the distributions made by the fund during the period shown were reinvested. These bar charts show, in percentage terms, how much investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements:

### Class A Units:

The Fund's Net Assets per Class A Unit:

	March 31, 2011 <sup>(2)</sup>	September 30, 2010 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	22.54	25.00
<b>Increase (decrease) from operations:</b>		
Total revenues	0.01	–
Total expenses	(0.26)	(0.32)
Unit issue expense <sup>(3)</sup>	–	(1.70)
Realized gains (losses) for the period	0.04	0.02
Unrealized gains (losses) for the period	1.54	0.42
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>1.33</b>	<b>(1.58)</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	(0.72)	(0.89)
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.72)</b>	<b>(0.89)</b>
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>23.15</b>	<b>22.54</b>

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2011.

<sup>(3)</sup> Issue expenses of \$2,223,027 were incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager reimbursed the fund with the amount \$73,815 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as prescribed in the Fund's prospectus dated January 28, 2010.

<sup>(4)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units outstanding of 1,281,260 over the financial period (2010 - 1,269,340).

<sup>(5)</sup> The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

<sup>(6)</sup> This is not reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	March 31, 2011 <sup>(2)</sup>	September 30, 2010 <sup>(1)</sup>
Net asset value (000's)	31,182	28,871
Number of units outstanding	1,282,302	1,281,161
Base management expense ratio (annualized) <sup>(3)(4)</sup>	1.64%	1.77%
Issue expenses ratio <sup>(3)(4)</sup>	–	7.27%
Interest expense ratio (annualized) <sup>(3)(4)</sup>	0.66%	0.47%
Management expense ratio (annualized) <sup>(4)</sup>	2.30%	9.52%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	2.30%	9.52%
Portfolio turnover rate <sup>(5)</sup>	0.00%	0.00%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%
Net asset value per unit <sup>(7)</sup>	23.15	22.54
Closing market price (TSX)	23.00	22.37

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2011.

<sup>(3)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the issue expense ratio: representing all agents' fees and unit issue expenses, and interest expense ratio: representing cost of leverage.

<sup>(4)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(5)</sup> The Fund's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

<sup>(6)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>(7)</sup> The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

## Class F Units:

The Fund's Net Assets per Class F Unit:

	March 31, 2011 <sup>(2)</sup>	September 30, 2010 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	23.34	25.00
<b>Increase (decrease) from operations:</b>		
Total revenues	0.01	—
Total expenses	(0.23)	(0.29)
Unit issue expense <sup>(3)</sup>	—	(0.99)
Realized gains (losses) for the period	0.04	0.02
Unrealized gains (losses) for the period	1.60	0.44
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>1.42</b>	<b>(0.82)</b>
<b>Distributions:</b>		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	(0.72)	(0.89)
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.72)</b>	<b>(0.89)</b>
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>24.04</b>	<b>23.34</b>

(1) Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

(2) Results for the six month period ended March 31, 2011.

(3) Issue expenses of \$71,909 were incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager reimbursed the fund with the amount \$73,815 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as prescribed in the Fund's prospectus dated January 28, 2010.

(4) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units outstanding of 63,505 over the financial period (2010 – 68,368).

(5) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

(6) This is not reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class F Units):

	March 31, 2011 <sup>(2)</sup>	September 30, 2010 <sup>(1)</sup>
Net asset value (000's)	1,502	1,484
Number of units outstanding	62,500	63,600
Base management expense ratio (annualized) <sup>(3)(4)</sup>	1.28%	1.46%
Issue expenses ratio <sup>(3)(4)</sup>	0.00%	4.11%
Interest expense ratio (annualized) <sup>(3)(4)</sup>	0.66%	0.47%
Management expense ratio (annualized) <sup>(4)</sup>	1.94%	6.04%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	1.94%	6.04%
Portfolio turnover rate <sup>(5)</sup>	0.00%	0.00%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%
Net asset value per unit <sup>(7)</sup>	24.04	23.34

(1) Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

(2) Results for the six month period ended March 31, 2011.

(3) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses, and Interest expense ratio: representing cost of leverage.

(4) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, are not annualized.

(5) The Fund's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(7) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

## Summary of Investment Portfolio as of March 31, 2011

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com) and at [www.sedar.com](http://www.sedar.com).

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### *Investment portfolio of the Build America Investment Grade Bond Fund*

	Fair value \$	% of NAV
<b>Portfolio by Category</b>		
Derivative contracts	41,238,725	132.3%
Cash and Short Term Notes	9,376	0.0%
Information Technology	9,360	0.0%
Other Liabilities of the Fund	(10,075,633)	(32.2%)
<b>Top 25 Holdings</b>		
Prepaid forward agreement	41,238,725	132.3%
Cash and Short Term Notes	9,376	0.0%
Celestica Inc.	9,360	0.0%
Other liabilities of the Fund	(10,075,633)	(32.2%)
<b>Net asset value</b>	<b>31,181,828</b>	

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The Fund obtained exposure to the performance of the portfolio held by BAB Trust through the Forward Agreement (see Investment Objective and Strategy). The following is the summary of investment portfolio for BAB Trust as of March 31, 2011:

<b><i>Investment portfolio of the BAB Trust</i></b>				
	<b>Coupon Rate %</b>	<b>Maturity date</b>	<b>Fair value \$</b>	<b>% of NAV</b>
<b>Portfolio by Category</b>				
United States of America Municipal Bonds			36,055,341	87.6 %
Foreign currency forward contracts			3,045,500	7.4 %
Cash and short-term notes			2,592,825	6.3 %
Other assets net of other liabilities			770,790	1.9 %
Interest rate swap			(1,235,897)	(3.0%)
<b>Top 25 Holdings</b>				
Foreign currency forward contracts			3,045,500	7.4 %
Cash and short-term notes			2,592,825	6.3 %
Los Angeles County California Public Works Financing	7.62%	8/1/2040	1,462,325	3.4 %
South Carolina State Public Services	6.45%	1/1/2050	1,033,550	2.5 %
City of Las Vegas NV	7.75%	9/1/2029	1,023,220	2.5 %
New York City Transitional Finance Authority	6.83%	7/15/2040	1,021,089	2.5 %
Los Angeles California Department Water & Power	6.60%	7/1/2050	1,016,527	2.5 %
Detroit City School District	7.75%	5/1/2039	1,013,940	2.5 %
California State Public Works Board	8.36%	10/1/2034	1,011,663	2.5 %
City of New York NY	6.65%	12/1/2031	1,007,101	2.4 %
County of Washoe NV	7.21%	2/1/2039	1,006,498	2.4 %
Coffee County Public Building Authority/TN	7.20%	6/1/2044	997,529	2.4 %
Virgin Islands Water and Power Authority	6.85%	7/1/2035	992,510	2.4 %
City of Chicago IL	6.74%	11/1/2040	987,043	2.4 %
City of Knoxville TN	6.30%	4/1/2045	986,430	2.4 %
Chicago Illinois Wastewater Transmission	6.90%	1/1/2040	985,671	2.4 %
Metropolitan Water District of Southern California	6.54%	7/1/2039	985,068	2.4 %
Metropolitan Transportation Authority	6.65%	11/15/2039	983,239	2.4 %
County of Seminole FL	6.44%	10/1/2040	979,592	2.4 %
Contra Costa California Community College	6.50%	8/1/2034	976,557	2.4 %
University Idaho	6.52%	4/1/2041	973,668	2.4 %
New York City Municipal Water Finance Authority	6.45%	6/15/2041	971,839	2.4 %
Henry Hospital District	6.90%	12/1/2034	971,693	2.4 %
County of Clark NV	6.82%	7/1/2045	961,654	2.3 %
New Jersey Transportation Trust Fund Authority	6.10%	12/15/2028	949,047	2.3 %
<b>Net asset value</b>			<b>41,238,725</b>	

# **Build America Investment Grade Bond Fund**

Financial Statements (Unaudited)

**March 31, 2011**

***Notice to Reader:***

*These interim financial statements and related notes for the six month period ended March 31, 2011 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Fund have not audited or reviewed these interim financial statements.*

# Build America Investment Grade Bond Fund

Statements of Net Assets (Unaudited)

As at March 31, 2011 and September 30, 2010

	2011	2010
	\$	\$
<b>Assets</b>		
Cash	9,376	28,327
Investments at fair value (cost - \$10,089; 2010 - \$10,089)	9,360	7,776
Prepaid forward agreement (note 8)	41,238,725	40,423,387
	<u>41,257,461</u>	<u>40,459,490</u>
<b>Liabilities</b>		
Bank indebtedness (note 5)	9,820,000	9,820,000
Interest payable	17,235	16,041
Distributions payable	161,107	161,102
Accounts payable and accrued liabilities	63,185	79,020
Issue expense payable	8,568	21,185
Management fees payable	5,538	6,571
	<u>10,075,633</u>	<u>10,103,919</u>
<b>Net assets and unitholders' equity</b>	<u>31,181,828</u>	<u>30,355,571</u>
<b>Net Assets</b>		
Class A Units	29,679,608	28,871,351
Class F Units	<u>1,502,220</u>	<u>1,484,220</u>
	<u>31,181,828</u>	<u>30,355,571</u>
<b>Units issued and outstanding (note 6)</b>		
Class A Units	1,282,302	1,281,161
Class F Units	62,500	63,600
<b>Net assets per unit</b>		
Class A Units	23.15	22.54
Class F Units	24.04	23.34
<b>Unitholders' equity</b>		
Capital (note 6)	29,234,652	30,201,272
Surplus	<u>1,947,176</u>	<u>154,299</u>
	<u>31,181,828</u>	<u>30,355,571</u>

Approved on behalf of the Manager,  
Connor, Clark & Lunn Capital Markets Inc.



Director



Director

# Build America Investment Grade Bond Fund

Statements of Operations (Unaudited)

For the six month period ended March 31, 2011 and for the period from February 18, 2010 (commencement of operations) to March 31, 2010

	2011	2010
	\$	\$
<b>Income</b>		
Interest income	9	76
Other income	12,619	-
	<u>12,628</u>	<u>76</u>
<b>Expenses</b>		
Interest expense (note 5)	98,447	9,551
Forward fees (note 8)	71,309	15,041
Service fees (note 11)	53,355	10,575
Management fees (note 10)	50,527	10,985
Administration fees	12,119	2,939
Custodial and other unitholder fees	12,019	2,243
Legal fees	11,494	7,725
Audit fees	10,407	2,791
Transfer agent fees	7,803	1,609
Other	7,168	-
Filing fees	4,443	1,036
TSX fees	4,274	997
Printing and mailing fees	3,700	604
IRC fees	1,608	375
	<u>348,673</u>	<u>66,471</u>
<b>Investment income (loss)</b>	<u>(336,045)</u>	<u>(66,395)</u>
<b>Unrealized gain (loss) on investments</b>		
Unrealized gain (loss) on investments	1,584	(99)
Unrealized gain (loss) on forward agreement (note 8)	2,078,256	598,257
	<u>2,079,840</u>	<u>598,158</u>
<b>Realized gain (loss) on investments</b>		
Net realized gain (loss) on forward agreement (note 8)	49,082	-
	<u>49,082</u>	<u>-</u>
<b>Net gain (loss) on investments</b>	<u>2,128,922</u>	<u>598,158</u>
<b>Increase (decrease) in net assets from operations</b>	<u>1,792,877</u>	<u>531,763</u>
<b>Increase (decrease) in net assets from operations</b>		
Class A Units	1,702,781	500,968
Class F Units	90,096	30,795
<b>Increase (decrease) in net assets from operations per unit <sup>(*)</sup></b>		
Class A Units	1.33	0.41
Class F Unit	1.42	0.42

<sup>(\*)</sup>based on average number of units of 1,281,260 for Class A Units (2010-1,236,910) and 63,505 for Class F Units (2010-70,700) outstanding during the period

## Build America Investment Grade Bond Fund

Statements of Changes in Net Assets and Surplus (Deficit) (Unaudited)

For the six month period ended March 31, 2011 and for the period from February 18, 2010 (commencement of operations) to March 31, 2010

	Class A		Class F		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<b>Increase (decrease) in net assets from operations</b>	<u>1,702,781</u>	<u>500,968</u>	<u>90,096</u>	<u>30,795</u>	<u>1,792,877</u>	<u>531,763</u>
<b>Distributions to unitholders from:</b>						
Return of capital	<u>(921,036)</u>	<u>(212,550)</u>	<u>(45,584)</u>	<u>(11,797)</u>	<u>(966,620)</u>	<u>(224,347)</u>
	<u>(921,036)</u>	<u>(212,550)</u>	<u>(45,584)</u>	<u>(11,797)</u>	<u>(966,620)</u>	<u>(224,347)</u>
<b>Unitholders' transactions (note 6)</b>						
Proceeds from issuance of units	-	31,845,770	-	1,767,500	-	33,613,270
Agents' fees and issue expenses	-	(2,122,159)	-	(66,281)	-	(2,188,440)
Class F units converted to Class A	<u>26,512</u>	<u>-</u>	<u>(26,512)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,512</u>	<u>29,723,611</u>	<u>(26,512)</u>	<u>1,701,219</u>	<u>-</u>	<u>31,424,830</u>
<b>Change in net assets during the period</b>	<u>808,257</u>	<u>30,012,029</u>	<u>18,000</u>	<u>1,720,217</u>	<u>826,257</u>	<u>31,732,246</u>
<b>Net assets - Beginning of period</b>	<u>28,871,351</u>	<u>-</u>	<u>1,484,220</u>	<u>-</u>	<u>30,355,571</u>	<u>-</u>
<b>Net assets - End of period</b>	<u>29,679,608</u>	<u>30,012,029</u>	<u>1,502,220</u>	<u>1,720,217</u>	<u>31,181,828</u>	<u>31,732,246</u>
<b>Surplus (deficit), beginning of period</b>	138,685	-	15,614	-	154,299	-
Increase (decrease) in net assets from operations	<u>1,702,781</u>	<u>500,968</u>	<u>90,096</u>	<u>30,795</u>	<u>1,792,877</u>	<u>531,763</u>
<b>Surplus (deficit), end of period</b>	<u>1,841,466</u>	<u>500,968</u>	<u>105,710</u>	<u>30,795</u>	<u>1,947,176</u>	<u>531,763</u>

## Build America Investment Grade Bond Fund

### Statements of Cash Flow (Unaudited)

For the six month period ended March 31, 2011 and for the period from February 18, 2010 (commencement of operations) to March 31, 2010

	2011	2010
	\$	\$
<b>Operating Activities</b>		
Increase (decrease) in net assets from operations	1,792,877	531,763
Items not affecting cash:		
Unrealized (gain) loss on investments	(1,584)	99
Unrealized (gain) loss on forward agreement	(2,078,256)	(598,257)
Net realized gain (loss) on forward agreement	(49,082)	-
Changes in non-cash working capital:		
Increase (decrease) in interest payable	1,194	9,547
Increase (decrease) in accounts payable and accrued liabilities	(15,835)	475,687
Increase (decrease) in management fees payable	(1,033)	8,389
Increase (decrease) in issue expense payable	(12,617)	-
Settlement (investment) in forward agreement	-	(40,914,830)
Market value of Canadian Securities delivered by Counterparty under the forward agreement through partial pre-settlement	1,312,000	-
Purchase of investment portfolio	-	(10,089)
	<u>947,664</u>	<u>(40,497,691)</u>
<b>Net cash flow provided by (used in) operating activities</b>		
<b>Financing Activities</b>		
Proceeds from issuance of units	-	33,613,270
Unit issue costs	-	(2,188,440)
Distributions paid to unitholders	(966,615)	-
Proceeds from bank indebtedness	-	9,500,000
	<u>(966,615)</u>	<u>40,924,830</u>
<b>Net cash flow provided by (used in) financing activities</b>		
<b>Net increase (decrease) in cash</b>	(18,951)	427,139
<b>Cash - beginning of period</b>	<u>28,327</u>	<u>-</u>
<b>Cash - end of period</b>	<u>9,376</u>	<u>427,139</u>

## Build America Investment Grade Bond Fund

Statement of Investments (Unaudited)

As at March 31, 2011

	Coupon Rate %	Maturity date	Number of shares / par value \$	Average cost \$	Fair value \$	% of Net Assets
<b>Investments</b>						
<b>Canadian common stocks</b>						
<b>Information Technology</b>						
Celestica Inc.			900	10,089	9,360	0.0%
<b>Total Canadian common stocks</b>				<b>10,089</b>	<b>9,360</b>	<b>0.0%</b>
<b>Forward agreement:</b>						
<b>Investments held in BAB Trust under the forward agreement</b>						
<b>Foreign short-term notes</b>						
U.S. Treasury Bills		11/17/2011	2,083,000	2,049,805	2,023,164	6.5%
				<b>2,049,805</b>	<b>2,023,164</b>	<b>6.5%</b>
<b>Fixed Income</b>						
<b>United States of America Municipal Bonds (US\$)</b>						
County of Cook, IL	6.23%	11/15/2034	110,000	102,279	102,054	0.3%
Metropolitan Washington Airports Authority	7.46%	10/1/2046	200,000	218,118	189,930	0.6%
Mesa State College	6.75%	5/15/2042	250,000	253,637	242,162	0.8%
Los Angeles California Department of Water & Power	5.72%	7/1/2039	500,000	534,925	450,584	1.4%
North Texas Tollway Authority	6.72%	1/1/2049	500,000	577,882	482,500	1.5%
Board of Governors of the University of North Carolina	6.73%	10/1/2039	500,000	511,200	492,685	1.6%
Crawford Hospital District	6.75%	1/1/2031	500,000	509,601	494,129	1.6%
Colorado Bridge Enterprise	6.08%	12/1/2040	500,000	502,582	502,641	1.6%
Metropolitan Government of Nashville & Davidson County	7.43%	7/1/2043	500,000	498,773	511,153	1.6%
City of Marco Island FL	6.79%	10/1/2033	940,000	950,532	905,528	2.9%
American Municipal Power - Ohio Inc.	6.05%	2/15/2043	1,040,000	1,021,706	909,232	2.9%
Municipal Electric Authority of Georgia	6.66%	4/1/2057	1,000,000	1,037,450	912,190	2.9%
State of Illinois	6.63%	2/1/2035	1,000,000	1,019,506	924,135	3.0%
Philadelphia School District	6.77%	6/1/2040	990,000	1,012,177	930,071	3.0%
Franklin County Convention Facilities Authority	6.64%	12/1/2042	1,000,000	1,007,248	930,808	3.0%
Florida State Board of Education	5.90%	6/1/2039	1,000,000	1,003,708	943,726	3.0%
Vista California Community Development Commission	8.57%	9/1/2037	1,000,000	1,028,849	943,726	3.0%
Metropolitan Washington Airports Authority	8.00%	10/1/2047	1,000,000	1,031,151	945,088	3.0%
Missouri Joint Municipal Utility Commission	6.89%	1/1/2042	1,000,000	1,076,247	945,545	3.0%
New Jersey Transportation Trust Fund Authority	6.10%	12/15/2028	1,000,000	1,032,412	949,047	3.0%
County of Clark NV	6.82%	7/1/2045	1,000,000	1,034,701	961,654	3.1%
Henry Hospital District	6.90%	12/1/2034	1,000,000	1,026,852	971,693	3.1%
New York City Municipal Water Finance Authority	6.45%	6/15/2041	1,000,000	1,036,253	971,839	3.1%
University Idaho	6.52%	4/1/2041	1,000,000	1,028,849	973,668	3.1%
Contra Costa California Community College	6.50%	8/1/2034	1,000,000	1,011,204	976,557	3.1%
County of Seminole FL	6.44%	10/1/2040	1,000,000	1,028,849	979,592	3.1%
Metropolitan Transportation Authority	6.65%	11/15/2039	1,000,000	1,018,038	983,239	3.2%
Metropolitan Water District of Southern California	6.54%	7/1/2039	1,000,000	1,073,962	985,068	3.2%
Chicago Illinois Wastewater Transmission	6.90%	1/1/2040	1,000,000	1,016,807	985,671	3.2%
City of Knoxville TN	6.30%	4/1/2045	1,000,000	1,019,890	986,430	3.2%
City of Chicago IL	6.74%	11/1/2040	1,000,000	993,092	987,043	3.2%
Virgin Islands Water and Power Authority	6.85%	7/1/2035	1,000,000	1,011,204	992,510	3.2%
Coffee County Public Building Authority/TN	7.20%	6/1/2044	1,000,000	1,072,485	997,529	3.2%
County of Washoe NV	7.21%	2/1/2039	1,000,000	1,065,950	1,006,498	3.2%
City of New York NY	6.65%	12/1/2031	1,000,000	1,003,351	1,007,101	3.2%
California State Public Works Board	8.36%	10/1/2034	1,000,000	1,070,008	1,011,663	3.2%
Detroit City School District	7.75%	5/1/2039	1,000,000	1,098,305	1,013,940	3.3%
Los Angeles California Department Water & Power	6.60%	7/1/2050	1,000,000	1,019,597	1,016,527	3.3%
New York City Transitional Finance Authority	6.83%	7/15/2040	1,000,000	1,021,054	1,021,089	3.3%
City of Las Vegas NV	7.75%	9/1/2029	1,000,000	1,080,449	1,023,220	3.3%
South Carolina State Public Services	6.45%	1/1/2050	1,000,000	1,012,438	1,033,550	3.4%
Los Angeles County California Public Works Financing	7.62%	8/1/2040	1,500,000	1,507,280	1,462,325	4.8%
				<b>38,180,602</b>	<b>36,055,341</b>	<b>115.7%</b>
<b>Total investments held in BAB Trust under the Forward Agreement</b>				<b>40,230,408</b>	<b>38,078,505</b>	<b>122.2%</b>

(See accompanying notes to financial statements)

## Build America Investment Grade Bond Fund

Statement of Investment Portfolio (Unaudited) ..... Continued

As at March 31, 2011

	Number of contracts	Maturity date	Contract price / rate \$	Fair value \$	Unrealized gain (loss) \$	% of Net Assets
<b>Foreign currency forward contracts</b>						
Counterparty: Bank of Montreal (S&P credit rating: A+)						
Bought CAD 42,186,015 sold USD 40,500,000	1	5/19/2011	1.0452	45,377,720	3,045,500	9.8 %
<b>Total foreign currency forward contracts</b>					<u>3,045,500</u>	<u>9.8 %</u>
<b>Interest rate swap</b>						
Counterparty	Notional Amount US \$	Fund receives floating rate index	Fund pays Fixed rate (Annualized)	Termination Date	Unrealized gain (loss) \$	% of Net Assets
Bank of Montreal (S&P credit rating: A+)	(16,000,000)	3-Month USD-LIBOR	4.77%	5/16/2040	(1,235,897)	(04.0)%
					<u>(1,235,897)</u>	<u>(04.0)%</u>
					<b>Fair value \$</b>	<b>% of Net Assets</b>
<b>Other assets net of other liabilities</b>					<u>1,350,617</u>	<u>4.3 %</u>
<b>Net assets of the BAB Trust</b>					<u>41,238,725</u>	<u>125.8 %</u>
<b>Forward agreement <sup>(*)</sup></b>					<u>41,238,725</u>	<u>125.8 %</u>
<b>Other liabilities net of other assets of the Fund</b>					<u>(10,066,257)</u>	<u>(32.3)%</u>
<b>Net assets of the Fund</b>					<u>31,181,828</u>	<u>93.5%</u>

<sup>(\*)</sup> Equal to the total Net Assets of the BAB Trust

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2011

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### 1 Corporate activities

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement between Connor, Clark & Lunn Capital Markets Inc. (the "Manager") the Manager of the Fund and RBC Dexia Investor Services Trust (the "Trustee") dated January 28, 2010. The Fund's principal office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The Fund commenced operation on February 18, 2010. The fiscal year-end of the Fund is September 30. The Fund is divided into units of two classes, Class A Units and Class F Units. Class A Units are listed on the Toronto Stock Exchange under the symbol BAB.UN. Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

### 2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated January 28, 2010 are to:

- (i) provide Unitholders with monthly tax-advantaged cash distributions, and
- (ii) maximize total return for Unitholders, while seeking to reduce risk.

Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital. In order to achieve the Fund's investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by BAB Trust (the "BAB Trust" or the "Trust"). Nuveen Asset Management (the "Sub-Advisor"), the Trust's Sub-Advisor, actively manages the Portfolio.

The Portfolio includes a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other Permissible Securities. The Fund may also use derivatives for hedging purposes only.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income.

### 3 Summary of significant accounting policies

#### Basis of presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Fund.

#### International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board (the "AcSB") confirmed that the International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. At its January 12, 2011 meeting, the AcSB decided to defer the mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

The Fund's Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on NAV of the Funds. Management has presently determined that there will be no significant impact to NAV per Unit as a result of the changeover to IFRS but will continue to assess based on any changes to existing IFRS.

#### Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. The fund calculates its daily Net Asset Value for the purchase and redemption of units ("Transactional NAV") based on the fair value of the investment fund's assets and liabilities (being the last traded price for the day).

There were no differences between the Transactional NAV and the GAAP Net assets as a result of the application of Section 3855.

#### Cash

Cash includes cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

#### Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash) are attributable to investments and derivatives which are deemed held for trading.

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

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### Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the year. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

### Forward contract

Forward contracts entered into by the Fund are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, which is equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in the value of a forward contract or the assets deliverable under such a contract are included as unrealized gains or losses on investments.

### Increase (decrease) in net assets from operations per unit

This calculation is based on the increase (decrease) in net assets from operations attributable to each class divided by the weighted average number of units of that class outstanding during the period.

### Valuation of series

A separate net assets per unit is calculated for each class. The net assets of a class are computed by calculating the class' proportionate share of the assets and liabilities to all classes, less the liabilities attributable only to that class. Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses are allocated proportionately to each class based upon the relative net assets of each class.

## 4 Custodian

Pursuant to the Trust Agreement RBC Dexia Investor Services Trust ("the Custodian") (whose credit rating is AA- by S&P as of March 31, 2011) acts as custodian of the assets of the Fund. The Custodian is also responsible for certain aspects of the Fund's day-to-day operations, including calculating the Net Asset Value ("NAV"), net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian.

## 5 Bank indebtedness

The Fund's exposure to the securities in the Portfolio, through the Forward Agreement, may be increased to 25% of the NAV of BAB Trust (being the aggregate value of the assets of BAB Trust) (tested daily) for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns. Initially, the Fund is expected to employ leverage of 25% of NAV of BAB Trust.

The Fund entered into a letter of agreement (the "Credit Agreement"), between the Manager and the Bank of Montreal (the "Counterparty" or "BMO"), to borrow amounts up to 25% of the NAV of the BAB Trust as being part of the Forward Agreement (see note 8). Under the provisions of the Credit Agreement the Counterparty will also charge the Fund a fee of 0.25% of any unfunded leverage amount (the difference between the maximum allowable leveraged amount and the actual funded leverage amount).

During the six month period ended March 31, 2011, the Fund had bank indebtedness balance of \$9,820,000 or 23.6% to 24.7% of the NAV of BAB Trust (Snit to \$9,500,000 or 0.0% to 24.0% of the NAV of BAB Trust during the period from February 18, 2010 (commencement of operation) to March 31, 2010). The related interest expense during the same period was \$98,447 (\$9,551 during the period from February 18, 2010 (commencement of operation) to March 31, 2010). At March 31, 2011, the borrowed balance was \$9,820,000 (\$9,500,000 at March 31, 2011). The leverage factor as of March 31, 2011 was 23.8% (March 31, 2010 – 22.9%).

## 6 Unitholders' equity

The Fund is authorized to issue an unlimited number of redeemable, transferable units of Class A and Class F Units, each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement.

On February 18, 2010, the Fund completed an initial public offering pursuant to the prospectus dated January 28, 2010. \$30,000,000 was raised through the issue of 1,200,000 Class A Units and \$1,767,500 was raised through the issue of 70,700 Class F Units.

On March 11, 2010, the Agents exercised an over-allotment option in respect of 73,820 Class A Units, raising a further \$1,845,500.

Agents' fees and other issue expenses totalled \$2,294,936. The Manager reimbursed the fund with the amount \$73,815 to account for other issue expenses above the 1.5% limit of gross proceeds of the offering (as per the Fund's Prospectus terms and conditions).

No Units were redeemed during the six month period ended March 31, 2011 (no Units were redeemed during the period from February 18, 2010 (commencement of operation) to September 30, 2010). During the six month period ended March 31, 2011, 1,100 Class F Units were converted into 1,141 Class A Units for the amount of \$26,512 (7,100 Class F Units were converted to 7,341 Class A Units for the amount of \$170,905 during the period from February 18, 2010 (commencement of operation) to September 30, 2010).

Class A Units and Class F Units may be redeemed on an Annual Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of June in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

In addition to the annual redemption right, Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount. Unitholders surrendering a

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

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Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Class A Unit.

Changes in outstanding units during the six month period ended March 31, 2011 and during the period from February 18, 2010 (commencement of operation) to September 30, 2010 are summarized as follows:

	Class A Units		Class F Units	
	March 31, 2011	September 30, 2010	March 31, 2011	September 30, 2010
Opening balance	1,281,161	–	63,600	–
Units issued	–	1,273,820	–	70,700
Class F Units converted to Class A Units	1,141	(7,341)	(1,100)	(7,100)
	<hr/>	<hr/>	<hr/>	<hr/>
Ending balance	<u>1,282,302</u>	<u>1,281,161</u>	<u>62,500</u>	<u>63,600</u>

The Fund considers capital to include all units issued and outstanding. The Fund manages its capital in accordance with the objectives outlined in Note 2.

### 7 Market purchase program

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

During the six month period ended March 31, 2011, the Fund did not purchase any units for cancellation (no units were purchased for cancellation during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

### 8 Forward agreement

The Fund does not invest directly in the BAB Trust, the Fund used the net proceeds of the initial public offering of its Class A and Class F Units and bank borrowing to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with The Bank of Montreal (the "Counterparty" or "BMO") (whose credit rating is A+ by S&P as of March 31, 2011). Under the Forward Agreement, the Fund will receive, on or before February 27, 2015, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of the BAB Trust on or before February 27, 2015. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by BAB Trust. A fee of 0.35% per annum, calculated with reference to the NAV of the BAB Trust, is payable monthly to BMO under the Forward Agreement. The Forward fees charged to the fund during the six month period ended March 31, 2011 were \$71,309 (\$15,041 during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

On March 31, 2011, the prepaid amount to counterparty under forward agreement was \$38,594,261. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of the BAB Trust, the value of the Forward Agreement to the Fund is equal to the value of the BAB Trust less the value of the prepaid amount to counterparty under forward agreement. On March 31, 2011 the value of the unrealized gain on forward agreement was \$2,644,464. Other liabilities net of other assets in the Fund totalled \$10,066,257 leaving net assets of \$31,181,828. This amount is assigned to Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2011 the GAAP Net assets per unit was \$23.15 per Class A Units and \$24.04 per Class F Units.

### 9 Distributions

The Fund pays monthly distributions initially at \$0.1198 per Unit. The Fund paid an initial distribution of \$0.1669 for unitholders with record date March 31, 2010 for the period from February 18, 2010 (commencement of operation) to March 31, 2010.

The Fund has made all its scheduled distributions during the six month period ended March 31, 2011, paying \$0.72 per Class A Unit and \$0.72 per Class F Unit (\$0.17 per Class A Unit and \$0.17 per Class F Unit for the period from February 18, 2010 (commencement of operation) to March 31, 2010).

### 10 Management fees

The Manager receives a Management Fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value, (0.30% from the Fund and 0.50% from the BAB Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and BAB Trust on a combined basis during the six month period ended March 31, 2011 were \$132,005 (\$32,730 during the period from February 18, 2010 (commencement of operation) to March 31, 2010). The Manager is responsible for payment of the sub-advisory fees out of these management fees.

# Build America Investment Grade Bond Fund

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### 11 Service fee

The Fund pays to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.30% per annum of the Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee is applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the six month period ended March 31, 2010 were \$53,355 (\$10,575 during the period from February 18, 2010 (commencement of operation) to March 31, 2010).

### 12 Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its investment income, including net realized capital gains, for any calendar year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of the calendar year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a calendar year basis such that Canadian income taxes payable by the Fund under present legislation will be minimized. As a result thereof, and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

### 13 Broker commission charges and soft dollar services

There were \$nil of broker commissions paid during the six month period ended March 31, 2011 (\$nil during the period from February 18, 2010 (commencement of operation) to March 31, 2010) in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

### 14 Financial instruments

	March 31, 2011	September 30, 2010
<u>Assets</u>	\$	\$
Cash	9,376	28,327
Held for trading	41,248,085	40,431,163
<b>Total assets</b>	<b>41,257,461</b>	<b>40,459,490</b>
<u>Liabilities</u>		
Financial liabilities at amortized cost	10,075,633	10,103,919
<b>Total liabilities</b>	<b>10,075,633</b>	<b>10,103,919</b>

For the purposes of categorization in accordance with CICA Section 3862, Financial Instruments - Disclosures, bank indebtedness, interest payable, distributions payable, management fees payable and accounts payable and accrued liabilities are deemed to be financial liabilities and reported at amortized cost.

The following table illustrates the classification of the BAB Trust's financial instruments within the fair value hierarchy as at March 31, 2011 and September 30, 2010:

Assets at fair value as at March 31, 2011	Level 1	Level 2	Level 3	Total
Equity	9,360	-	-	9,360
Short-term investments	-	2,023,164	-	2,023,164
Bonds	-	36,055,341	-	36,055,341
Interest rate swaps	-	(1,235,897)	-	(1,235,897)
Foreign currency forward contracts	-	3,045,500	-	3,045,500
<b>Total</b>	<b>9,360</b>	<b>39,888,108</b>	<b>-</b>	<b>39,897,468</b>

Assets at fair value as at September 30, 2010	Level 1	Level 2	Level 3	Total
Equity	7,776	-	-	7,776
Short-term investments	-	4,640,600	-	4,640,600
Bonds	-	38,523,613	-	38,523,613
Interest rate swaps	-	(4,127,581)	-	(4,127,581)
Foreign currency forward contracts	-	493,161	-	493,161
<b>Total</b>	<b>7,776</b>	<b>39,529,793</b>	<b>-</b>	<b>39,537,569</b>

# Build America Investment Grade Bond Fund

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Financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

*Equities:* The Fund's long equity positions are classified as Level 1 as the security held is actively traded and a reliable quote is observable.

*Bonds and short-term investments:* Bonds and short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities.

*Interest rate swaps and foreign currency forward contracts:* contracts for which inputs, including interest rates, forward market rates and credit spreads are observable and reliable, or for which unobservable inputs are determined not to be significant to fair value, are classified as Level 2.

There were no transfers among the three levels during the six month period ended March 31, 2011 and during the period from February 18, 2010 (commencement of operation) to September 30, 2010.

### 15 Financial instrument risk

The Fund obtained exposure to the performance of the portfolio held by BAB Trust through the Forward Agreement (see note 8) and therefore the risks associated with an investment in the Fund's units are best defined by describing the financial risks associated with an investment in the BAB Trust's portfolio.

#### Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short term notes. The Fund is exposed to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

#### March 31, 2011:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	2,023,164	–	–	36,055,341	3,054,860	41,133,365
Cash	579,037	–	–	–	–	579,037
Other assets	–	–	–	–	817,876	817,876
Liabilities	–	–	(9,820,000)	(1,235,897)	(292,553)	(11,348,450)
Net assets						31,181,828

#### September 30, 2010:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	4,640,600	–	–	38,523,613	500,937	43,665,150
Cash	183,304	–	–	–	–	183,304
Other assets	–	–	–	–	765,523	765,523
Liabilities	–	–	(9,820,000)	(4,127,581)	(310,825)	(14,258,406)
Net assets						30,355,571

As at March 31, 2011, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,756,000 (September 30, 2010 - \$1,221,000 or \$588,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

#### Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investments identifies all securities denominated in foreign currencies.

The tables below summarize the Fund's exposure to foreign currencies as at March 31, 2011 and September 30, 2010. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets and liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk. The table below summarizes the Fund's significant exposure to foreign currencies and the approximate impact on net assets had the Canadian Dollar ("CAD") weakened by 5% in relation to these currencies. If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### March 31, 2011:

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Total \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
US Dollar	38,078,505	–	(39,396,504)	(1,317,999)	(4.2%)	(66,000)

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

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September 30, 2010:

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Total \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
US Dollar	43,164,213	–	(41,546,984)	1,617,229	5.3%	81,000

### Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at March 31, 2011.

The tables below summarize the Fund's exposure to credit risk as of March 31, 2011 and September 30, 2010. Amounts shown are based on the carrying value of short term notes and bonds and the unrealized gain on derivative instruments outstanding with counterparties.

March 31, 2011	
Rating <sup>(1)</sup>	(% of NAV)
AAA	2.2%
AA+	23.3%
AA	16.6%
AA-	24.8%
A+	30.5%
A	8.2%
A-	7.9%
BBB+	3.9%
BBB	3.2%
Not rated	7.1%
<b>Total</b>	<b>127.9%</b>

September 30, 2010	
Rating <sup>(1)</sup>	(% of NAV)
AAA	24.3%
AA+	21.9%
AA	6.9%
AA-	38.8%
A+	5.4%
A	16.2%
A-	5.4%
BBB+	5.5%
Not rated	5.5%
<b>Total</b>	<b>129.9%</b>

As at March 31, 2011 and September 30, 2010, no debt securities were contractually past due and no longer meeting interest payment obligations.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

### Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from to its market purchase program which is limited to certain conditions (see note 7). The Fund is also exposed to unlimited annual anniversary redemptions on June 30 of every year (see note 6). Therefore, the Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities excluding the bank indebtedness are due within three months.