Connor, Clark & Lunn Balanced Portfolio Class

CONNOR, CLARK & LUNN
CAPITAL MARKETS

JUNE 2011 UPDATE

INVESTMENT APPROACH

The Connor, Clark & Lunn Balanced Portfolio Class seeks to generate modest growth of capital by investing in a broadly diversified portfolio of equity and fixed income

REPORTS FROM THE PORTFOLIO MANAGERS

Bonds - Portfolio Allocation 31%
Connor, Clark & Lunn Investment Management Ltd.

As we expected, the global economy hit a significant soft patch during the second quarter as the effects from the Japanese supply-chain disruption, continued woes from the European sovereign debt crisis and severe weather all negatively impacted the pace of growth. In the US growth moderated as strong business spending was mitigated by the headwind created by rising food and energy prices and a loss of momentum in job creation. Canada fared better with strong business spending and strong employment growth despite pressure from an appreciating dollar and a softening manufacturing sector. The DEX Universe Bond Index provided a strong positive return for the quarter. The portfolio outperformed its benchmark due to positive contributions from interest rate strategies. Credit decisions were essentially neutral as the overweight in credit contributed slightly while security selection underperformed modestly. Weaker-than-expected economic growth and European debt concerns caused longer-term yields to approach their previous lows. Canada 10- and 30-year yields declined by over 50 basis points before beginning to reverse due to some better-than-expected news towards the end of the quarter. Nevertheless, long-term rates finished the quarter at the bottom of our forecast range. The yield curve was volatile but ended basically unchanged. Credit was less volatile and both provincial and corporate spreads drifted slightly higher.

US Equities - Portfolio Allocation 15.7%
Connor, Clark & Lunn Investment Management Ltd.

The S&P 500 was flat during the second quarter. Clearly this continues to be a substandard recovery in the U.S. economy. US GDP in the first quarter came in at 1.9% and economists are expecting it to remain at that level for Q2. Many economic indicators are moderating as well including the oft-watched ISM Index. While it has remained above an economic expansion level of 50 since August 2009 the Index has fallen lower from earlier this year. We continue to believe that a moderate growth trajectory is the most likely scenario as inflation remains low and central banks will keep interest rates low to stimulate growth. Employment growth is the key to the sustainability of the recovery. Recent weak employment data can be explained by supply chain issues arising from Japan, severe weather in Q1, and uncertainty engendered by the sovereign debt crisis in Europe. Markets globally have been responding to the continuing debt issues in Europe. Some budget austerity actions were taken by the Greek government but it is unlikely to be sufficient to solve the problem. The day of reckoning has

TOTAL RETURNS

	Q2	1 Year	Annualized Since Inception*
Total Returns to June 30, 2011	-2.9%	7.8%	3.2%

* Inception Date: April 22/10

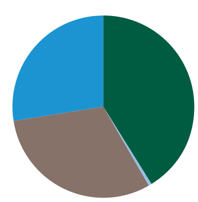
SUMMARY (JUNE 30, 2011)

FundServ Code:	CCL200
Inception Date:	April 22, 2010
Net Asset Value:	$10.38
Net Asset Value at Inception:	$10.00

TOP 10 PORTFOLIO HOLDINGS

	% of Portfolio
iShares US High Yield Bond Index Fund CAD Hedged	7.54%
Toronto-Dominion Bank	1.96%
Bank of Nova Scotia	1.63%
Royal Bank of Canada	1.60%
Canadian Imperial Bank of Commerce 3.15% 2015.11.02	1.35%
Suncor Energy Inc.	1.34%
Ontario 7.60% 2027.06.02	1.26%
TD Capital Trust (CATS III) 7.24% 2018.12.31	1.14%
Alberta 4.00% 2019.12.01	1.11%
Royal Bank of Canada 4.35% 2015.06.15	1.10%
Total	100.0%

PORTFOLIO MIX



Bond	41.2%
Cash	0.6%
Canadian Equity	30.8%
Global Equity	27.4%

merely been postponed as Greece, Ireland, and probably Portugal will have to restructure their debt. In contrast, American companies continue to post strong earnings that will add to their already healthy balance sheets. Capital management through dividend increases and share buybacks with selective mergers and acquisitions activity should provide continued support to the market. Health care and utilities sectors had strong quarters while financials and energy lagged behind. During the quarter, the portfolio initiated a position in Transocean and sold Hewlett Packard. Our approach is to maintain a portfolio that has value characteristics that are similar to the S&P 500 while exhibiting superior growth metrics and remaining sector neutral.

International (EAFE) Equities - Portfolio Allocation 11.7%
New Star Institutional Managers

Global equity markets were impacted by several macro events that led to softening global growth and lower investor confidence. Performance across the Eurozone countries was diverse and included both the best and worst performing markets globally: Ireland, Germany and France ranked at the top while Greece, Denmark and Finland were the laggards. The consumer discretionary, staples and healthcare sectors provided substantial gains while the energy sector fell the most as the price of crude oil declined. The portfolio outperformed its benchmark thanks to added value from country/ sector basket decisions and security selection within the EAFE component while the allocation to emerging markets detracted slightly. The overweight in France as well as the underweights to Japan and Australia added a significant amount of value. The overweights in the consumer discretionary and healthcare sectors also added value. Security selection within health care was a significant source of added value. GlaxoSmithKline, a UK-based pharmaceutical company, was the largest positive contributor as the stock rose 12% on the sale of their stake in Quest Diagnostics and the North American rights for Zovirax. Another contributor to performance was the French company Sanofi. Its stock rose15% helped by strong profits from the recently acquired US

The size of the country level exposures within the portfolio continued to be reduced. The underweight in Germany was reduced through new positions in health care company Bayer and energy services conglomerate E. On as well as an increase in Deutsche Telekom. In Japan, country level macroeconomic signals improved as many companies were successful at restoring production much earlier than anticipated and the underweight in Japan was cut in half thanks in part to a purchase in cell phone service provider Softbank. Meanwhile, because of weakening earnings signals, the underweight in Switzerland was increased with the sale of insurer Zurich Financial Services. At the sector level, the portfolio shifted away from cyclical stocks as the exposures to energy, materials, industrials and technology were all reduced. Within the energy sector, Norwegian Statoil, Italian Eni and British Petroleum were all exited. The proceeds were re-invested mostly in the health care, telecom and consumer staples sectors. The largest purchase in the health care sector was in French pharmaceutical company Sanofi.

Canadian Equity - Portfolio Allocation 9.9%
Connor, Clark & Lunn Investment Management Ltd.

From its peak in mid-April, the S&P/TSX Composite Index declined by more than ten percent as the combination of weak US economic data, the unfolding of another chapter in the Greek debt crisis and monetary tightening in China caused investors to reconsider their enthusiasm for risky assets. Late in June, with all the bad news priced into the market, positive news on the Greek crisis and some slightly better economic news resulted in a market rally that cut the decline in half. The S&P/TSX Composite finished down 5.1% for the quarter and is now flat year to date. The changes in sentiment had a significant impact on market leadership as investors shifted from risk taking to risk aversion,depending on the currently prevailing outlook for growth. One area where this has been evident is in the performance of smaller capitalization companies which have underperformed their large cap peers by almost 5% for the year after more than eighteen months of outperformance. We have been steadily reducing the overweight to this area over the past six months as the valuation discount for smaller companies disappeared. The portfolio underperformed the index due to weak stock and sector selection. Early in the quarter, as the shorter-term outlook deteriorated, a number of the pro-cyclical exposures in the portfolio were reduced. However, the overweight in the technology sector and the underweights in the financials (specifically REITs), telecom and health care (defensive) sectors all proved to be a drag on performance. Positive security selection within the technology and energy sectors was more than offset by weak performance in consumer discretionary, consumer staples and materials.

Canadian Value Equity - Portfolio Allocation 9.9%
Scheer, Rowlett & Associates Investment Management Ltd.

The second quarter was challenging for equity markets as fears on several fronts gripped the markets. These included continued debt challenges amongst debt-laden countries in Europe, the end of the quantitative easing stimulus ("QE2") in the US, concerns about the weak US housing and labour markets, and the vulnerability in China's economic growth. All global equity markets except Japan and Germany finished lower during the quarter. The portfolio (-6.9%) underperformed the TSX Composite (-5.1%) benchmark with security selection in energy, financials, information technology detracting from performance while the overweight in telecom added value. The overweight in energy producers hurt performance as share prices fell in conjunction with oil prices during the quarter.

Research In Motion was a drag on performance as they continue to face a number of challenges. We believe these challenges are product specific, their valuation remains attractive, and we maintain our overweight. When fear grips the market, not only are the overpriced stocks hit hard, but the reasonably valued ones are as well. We expect volatility to continue as the global economic recovery hits speed bumps along the way. But that volatility does not change the longer term earnings ability of companies. The patience of the broader market will likely be tested as investors focus and react (or overreact) to every bit of financial or political news making headlines. Overall we are positioned for an economic recovery because of the longer term values that reside in many of the portfolio's names in materials and energy, with diversification and dividend support through our overweights in the banks, consumer discretionary, and telecom sectors

Income & Growth - Portfolio Allocation 5.6%
Connor, Clark & Lunn Investment Management Ltd.

Expectations for growth turned negative during the second quarter as economic releases confirmed that the global economy was entering a "soft patch". The moderating global growth outlook and well-anchored inflation expectations pressured the Canadian equity market which fell 5.1% as economy sensitive sectors such as technology, energy and materials all posted significant losses. The telecom sector stood out as the best performing sector as investors were drawn to the attractive yields of telecom stocks. The portfolio posted a small negative return for the quarter but outperformed its benchmark by a wide margin. The portfolio's limited exposure to economically-sensitive sectors and emphasis on income-oriented securities helped to preserve capital within the equity component. The fund's strong outperformance relative to the benchmark was also due to successful security selection within the energy and utilities sectors. During the quarter, we took profits in several dividend paying stocks and REITS that had performed strongly during the first quarter and redeployed the assets into securities with more attractive outlooks. For example, Cineplex was exited because of its rich valuation and reduced growth outlook due to increased competition. Our target price discipline also suggested more muted returns for several REITS which led us to trim Chartwell, CAP REIT and Killam Properties. Meanwhile, we added Primaris Retail REIT as it should benefit from the arrival of a number of American retailers in the Canadian market.

Canadian Small Cap Equities - Portfolio Allocation 5.4%
PCJ Investment Counsel Ltd.

Another challenging month in June led to a difficult quarter for equities. A nearly 6% retreat for Canadian small cap equities during the month capped off an 8% decline for the second quarter. The continuation of negative macroeconomic factors led to the decline, in particular, the continued weakness in the U.S employment picture and the relative weakness of Chinese GDP growth. Underlying these trends, metal prices, oil prices, and agricultural products declined in June largely due to the impact of the potential slowdown in global economic growth. Add in the uncertainty surrounding the end of the quantitative easing program in the US and market participants were clearly signaling their bearish view towards equities. Small caps underperformed large caps during the quarter as relatively higher risk assets tend to underperform during falling markets.

The portfolio trailed the benchmark for the quarter. Stock selection in the materials sector was the prime detractor from added-value. Specifically, stocks with gold, silver, and precious metals exposure were the hardest hit during the quarter. On the positive side, security selection in the information technology sector added value to performance. The range of returns within the portfolio and benchmark continues to be very wide allowing for stock selection gains albeit with increased volatility. Despite the market pullback, we're still confident that small caps represent excellent potential. While some investor pessimism is warranted given the tepid macro environment, equity valuations continue to be very attractive. Working through this soft period will require some patience but there is considerable upside considering equity valuations and forecast earnings growth. Our strategic direction continues to favour economically sensitive industry groups.

Short Term Bonds & Money Market - Portfolio Allocation 3.2%
Scheer, Rowlett & Associates Investment Management Ltd.

Interest rates remain at very low levels globally, especially in Canada, where solid business confidence is expected to drive investment and hiring gains. We expect the BoC will begin raising overnight rates again in the latter half of the year. For the period, yields on two-year Government of Canada (GoC) bonds fell 27 basis points to 1.60%, while yields on five-year GoC bonds fell 41 basis points to 2.36%. The portfolio (+1.4%) underperformed the benchmark (+1.5%) during the quarter. For the period, the yield on 3-month Canadian treasury bills rose 2 basis points to 0.99%. The portfolio (+0.3%) outperformed its benchmark (+0.2%) during the second quarter and remains conservatively positioned with overweight exposures to high-grade financials and AAA-rated securities. The portfolio continues to not hold any BBB-rated securities as we believe that risks to the economy remain and in this environment we prefer higher quality issues.

PORTFOLIO MANAGERS

To achieve these objectives, Balanced Portfolio employs the services of a number of specialized portfolio managers, each with its own specialized area of investment expertise.

- **Connor, Clark & Lunn Private Capital Ltd.**, was established in 1997 and focuses on serving the particular needs of individuals, foundations and First Nations. As of December 31, 2010, Connor, Clark & Lunn Private Capital Ltd. had over $2.3 billion in assets under management.
- **Baker Gilmore & Associates Inc.**, founded in 1988 in Montreal, is one of Canada's largest specialty fixed income managers. As of December 31, 2010, Baker Gilmore & Associates Inc. had over $3.4 billion in assets under management.
- **Connor, Clark & Lunn Investment Management Ltd.**, established in 1982, is one of Canada's largest independent investment management companies. As of December 31, 2010, Connor, Clark & Lunn Investment Management Ltd. had approximately $22 billion in assets under management.
- **Gyrus Investment Management Inc.**, (formerly part of CC&L Private Capital) was established in Toronto in 2008 and is focused exclusively on the active management of US equities. As of December 31, 2010, Gyrus Investment Management Inc. had over $288 million in assets under management.
- **New Star Institutional Managers Limited**, has been providing foreign equities management services to Canadian institutions since 1996. As of December 31, 2010, New Star Institutional Managers Limited had over $1.7 billion in assets under management.
- **PCJ Investment Counsel Ltd.**, was established in 1996 and manages growth-oriented Canadian equities. As of December 31, 2010, PCJ Investment Counsel Ltd. had over $2.4 billion in assets under management.
- **Scheer, Rowlett & Associates Investment Management Ltd.**, established in 1998, is a value-oriented Canadian equity manager. As of December 31, 2010, Scheer, Rowlett & Associates Investment Management Ltd. had over $7.2 billion in assets under management.