



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn
Conservative Income Fund**

Semi-Annual Report

April 30, 2009

Connor, Clark & Lunn Conservative Income Fund Message to Unitholders

June 12, 2009

Dear Investor,

These semi-annual financial statements are in respect of the six month period ended April 30, 2009. We welcome the opportunity to provide you with an update. The past year has been a very challenging one, perhaps the toughest in our lifetimes. While the performance of the Fund has not been immune to these market conditions, its conservative approach has resulted in strong relative performance in comparison to the S&P/TSX Income Trust Index (the "Index"). Over the past six months the Fund's total return was -3.8% compared to -21.9% for the Index. Since inception in December 2004, the Fund has had an annualised return of 0.1% versus -7.0% for the Index. Distributions have totalled \$3.06.

Connor, Clark & Lunn Investment Management Ltd's (the "Investment Manager") prime objective is to deliver a yield to investors that is both attractive and sustainable. Therefore the prime focus of their team is to find solid companies that have demonstrated the ability and commitment to return a predictable level of capital to shareholders and bondholders in all market conditions, whether it is a business trust, REIT or corporate bond. They have done a good job in this regard. Since July 2008, 104 out of 185 income trusts have cut their distributions versus only four of the trusts held in the Fund.

During the year the mix of assets in the Fund changed slightly. The weighting of business trusts was up 0.7% to 45.9%. Bonds were up to 30.8% from 29.1% and REITs were down by 4.7% to 20.8%. The Fund has retained a lower-than-normal weighting in REITs since mid-year as the impact of credit spreads has had a severe negative impact on valuations. The conservatism of the Canadian REIT structure (max 50-60% debt-gross book value) is serving them well, but market valuations have compressed a fair deal. The Investment Manager has continued to focus on REITs with access to CMHC-insured debt (apartments, seniors housing) and believe this will be a relative advantage for quite some time.

As we move further into 2009 the equity markets have been responding favourably to signs that the economy may be bottoming. It may be early to call an end to the recession but the Fund continues to focus on strong companies that can produce predictable cash flows and deliver stable distributions and a solid yield to clients. The current yield on the portfolio is very attractive, particularly in relation to other current investment alternatives.

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 Connor, Clark & Lunn Conservative Income 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.**

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 Accepted 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 Connor, Clark & Lunn Conservative Income Fund (the “Fund”) is a closed-end investment Fund that is listed on the Toronto Stock Exchange under the symbol CCQ.UN.

The Fund’s investment objectives are to:

- (i) provide a stable stream of monthly cash distributions targeted to yield approximately 7.0% per annum on the issue price of \$10.00 per Unit; preserve the net asset value per Unit in order to return at least \$10.00 per Unit on or about December 15, 2014; and
- (ii) provide an opportunity for capital appreciation above the original issue price.

In order to achieve the Fund’s investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”), the Fund’s investment manager, invests the net proceeds of the Offering, together with any borrowings under the Fund’s loan facility or other leverage transactions, in a portfolio (the “Portfolio”) consisting of income producing securities including Canadian business income trusts, real estate investment trusts, utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents.

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 15% of its total assets. Leverage has not been used since early October 2006.

Use of Derivatives

The Fund has employed derivatives for the purpose of hedging interest rate exposure. Such exposure has involved the use of short U.S. and Canadian 10-year Bond Futures and has been limited to less than 10% of the portfolio.

The Fund has also actively hedged foreign currency exposure, in particular the market value exposure associated with the positions in US dollar-denominated bonds.

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated November 29, 2004 and to the Fund's most recent Annual Information Form.

Results of Operations

Investment Manager Commentary

We continue to meet the Fund's objective of delivering stable income. While losses have been unavoidable in the unprecedented market sell-off of recent months, the Fund continues to try to mitigate these headwinds with its defensive asset mix and focus on non-cyclical sectors. The Fund's strong cash flow serves as a significant cushion in difficult markets.

Income Trusts

Many income trusts have been cutting distributions fairly dramatically in recent months across the income trust universe, particularly in the Energy Trust space. In contrast, the Fund has had very few distribution cuts outside of conversions (such as CI Financial), speaking to the conservatism of the investment process.

Our prime objective is to deliver a yield to investors that is both attractive and sustainable. Therefore the prime focus of our team is to find solid companies that have demonstrated the ability and commitment to return a predictable level of capital to shareholders and bondholders in all market conditions, whether it is a business trust, REIT or corporate bond. Since July 2008, 104 out of 185 income trusts have cut their distributions versus only four of the trusts held in the Fund.

There were a number of factors that enabled our team to avoid the vast sea of companies that were forced to cut their distributions and guide our portfolio towards trusts with sustainable yields, namely:

1. **Avoiding Energy/Commodity-Based Securities** – Essentially every energy and commodity trust has cut distributions; many more than once and in several cases distributions have been suspended completely. Many energy trusts operated with unsustainably high payout levels and inferior business fundamentals which were masked by a high and rising commodity price. Though we missed out on the performance when oil was rising, we were able to avoid the fallout when it plummeted in the latter half of 2008.
2. **Staying Close to Management** – We meet regularly with the management teams of all of our holdings to keep on top of trends in their businesses. This enables us to identify potential catalysts for future distribution cuts well in advance. It is also essential to determine the company's plan to deal with taxation beginning in 2011. Poorly planned or communicated strategies in this regard leads to underperformance in the market.
3. **Focus on Fundamentals** – It is imperative, particularly in this economic environment, that companies have strong balance sheets. Many recent cuts have been related to concerns about the ability of a company to withstand the current climate.
4. **Focus on Payout Ratio** – We certainly want to avoid companies with unsustainable payout ratios. This means not simply investing in the highest yielding securities in the market, which has been a sign in many cases that a distribution cut is coming.

The Federal Government's introduction of the Tax Fairness Plan in October 2006 significantly altered the course of the income trust universe, with all non-REIT trusts facing full taxation in 2011. Following that announcement, many institutional and retail investors put aside the asset class. We have, however, continued to selectively find attractive businesses in the trust sector that provide stable and mature cash flows and a commitment to return capital to shareholders in a consistent manner. As 2011 approaches, we expect many of these trusts to convert to corporations where they will likely continue business in the normal course, though operating as high dividend-paying equities. We will continue to evaluate each of these trusts to ensure we are comfortable holding the company, regardless of which structure it operates under. In the meantime, we remain comfortable with our trust holdings and like the flexibility to take advantage of some very compelling opportunities.

Recent activity in the portfolio holdings during the period included:

IBI Income Fund: We feel positive on infrastructure and IBI is another asset light engineering company that stands to benefit from government stimulus packages;

CI Financial: Converted to Corporation and slashed payout. Rather than speculate on a potential takeover by Bank of Nova Scotia, we decided to move on to higher yielding alternatives;

Liquor Stores Income Fund: We believe that this fund is fundamentally fine, but we are concerned about re-financing risk later in 2009 and a management team that seems to want to pursue an acquisition roll-up strategy even in a difficult credit environment.

REITs

We have retained a lower-than-normal weighting in REITs since mid-year as the impact of credit spreads has had a severe negative impact on cap rates (a commonly used indicator of valuation in the real estate industry). The conservatism of the Canadian REIT structure (max 50-60% debt-gross book value) is serving them well, but market valuations have compressed a fair deal. We have continued to focus on REITs with access to CMHC-insured debt (apartments, seniors housing) and we believe this will be a relative advantage for quite some time.

Bonds

From the beginning of the year, we had seen a good improvement in the credit markets other than early March, where the market was beginning to retest wide spreads in credit seen at the end of 2008. However, more recently, consistent with the equity markets, we've again seen a substantial improvement, particularly in the financial sector.

Recent sales in the portfolio holdings were primarily due to increased valuations.

New additions during the period included: Sally Holdings which is a company that produces and supplies hair care products to hair care professionals which has proven very resilient in the current environment; Loblaw which has strong asset coverage, and looks to be seeing some signs of improvement in the operating model; Citigroup where we believe bondholders will ultimately benefit from government support even under a nationalization scenario and therefore purchased the bonds at a steep discount to par value.

Global growth is still declining, but the rate of descent appears to have moderated. Equity markets around the world have had powerful rallies: North American markets are up 35% to 40% off their March lows as investors are starting to look past the current recession to better times and focusing on positives, what Fed Chairman Bernanke has dubbed "green shoots" (economic indicators whose rate of deterioration is slowing). Three of the most important and reliable indicators now signalling that the US economy has seen its worst and that the cyclical bear market in stocks is over. Signs of increased economic activity have also surfaced in China as new orders and industrial production numbers have recently firmed up.

Much of this has come about as a result of the massive amount of monetary and fiscal stimulus that is being deployed to fight the worst recession since the Great Depression. Normally this would signal a more bullish outlook for equities. However, before getting too enthusiastic, with equities now close to fair value there are still a number of milestones that need to be reached. The rate of decline in housing, employment, earnings and credit spreads still remains on our watch list for some signs of meaningful improvement.

In the meantime, we remain mindful that most asset prices have been discounting a severe recession accompanied by debt deflation, and therefore any improvement in the economic landscape should lead to a further lift in equity values and improvement to corporate spreads. Consequently, we continue to focus on strong companies that can produce predictable cash flows and deliver stable dividends and a solid yield to clients. The yield on the Fund's portfolio is currently 9.9%, which we think is extremely attractive, particularly in relation to other current investment alternatives.

Liquidity and Capital Resources

As at April 30, 2009, the Fund had current assets of \$2,225,876. Current liabilities, including distributions accrued but not yet paid, totalled \$458,518.

Leverage

The Investment Manager employs leverage in the Portfolio to enhance returns when it considers market conditions appropriate. The Fund has entered into a Revolving Term Credit Facility Agreement with Bank of Montreal (“BMO”). The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the gross asset value of the Fund.

Leverage has not been used since early October 2006.

Capital transactions

On December 15, 2004, the Fund completed an initial public offering pursuant to the prospectus dated November 29, 2004. \$140,000,000 was raised through the issue of 14 million Units at \$10.00 per Unit. On December 23, 2004, the Agents exercised an over-allotment option in respect of 0.375 million Units, raising a further \$3,750,000. Total proceeds from these two transactions after Agents’ fees and issue expense were \$135,573,135.

During January 2009 the Fund had its annual redemption date. A total of \$8,310,962 was paid to redeem 1,182,195 units at the January 31, 2009 NAV per unit price minus the costs of funding the redemption including all brokerage fees, commissions and other costs incurred in liquidating the securities held in the Portfolio (\$19,168,910 was paid to redeem 1,989,219 in January 2008).

Market repurchases

As set out in the Prospectus, the Fund is obligated, under certain conditions, to purchase Units in the market for cancellation. If, on any day, the Units closing price is less than 95% of the net asset value per unit determined on the most recent valuation date, the Fund must purchase any units offered in the market the following day at 95% of net asset value per unit or less.

Pursuant to this obligation, the Fund purchased 58,200 Units during the six-month period ended April 30, 2009 for a total cost of \$366,074 (17,700 Units during the six-month period ended April 30, 2008 for a total cost of \$159,206). All units purchased by the Fund were subsequently cancelled.

Distributions

The Fund has made all its scheduled distributions during the six-month period ended April 30, 2009 paying regular monthly distributions of \$0.0583 to holders of record on the last business day of each month totalling \$0.3498 per unit.

Related Party Transactions

Management Fees

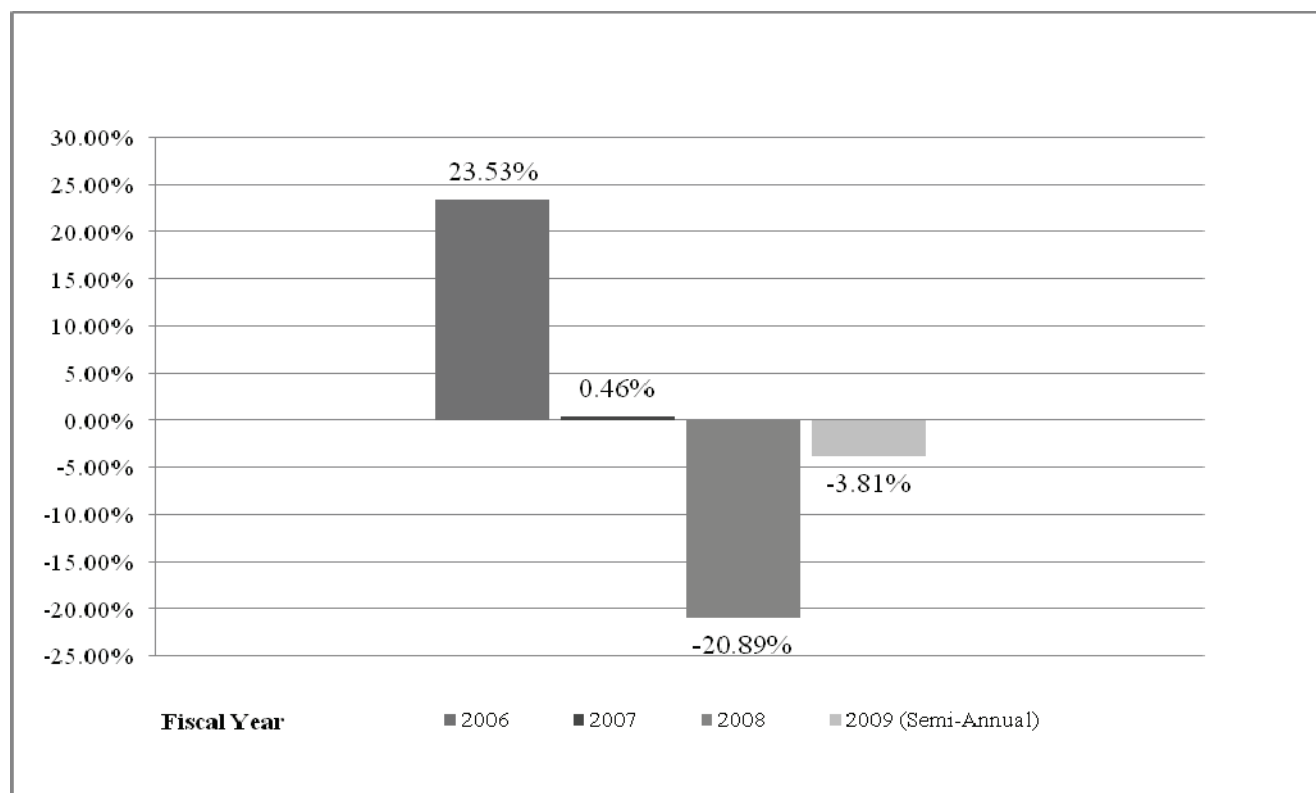
Pursuant to a trust agreement (“the Trust Agreement”) the Fund retained Connor, Clark & Lunn Capital Markets Inc. (“the Manager”) to act as manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Fund, the Manager is entitled to an annual management fee in an amount equal to 1.10% per annum of the net asset value of the Fund to be calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Fund during the six-month period ended April 30, 2009 were \$225,538 (\$439,435 during the six-month period ended April 30, 2008).

The Manager pays the Investment Manager out of the above management fees.

Past Performance

The following bar chart shows the Fund's annual performance for the years ended October 31, 2006, 2007 and 2008. It also shows the semi-annual performance for the six-month period ended April 30, 2009 assuming all the distributions made by the Fund during the period shown were reinvested. This bar chart shows, in percentage terms, how much an 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 audited annual and unaudited semi annual financial statements:

The Fund's Net Assets per unit:

	April 30, 2009 ⁽¹⁾	October 31, 2008	October 31, 2007	October 31, 2006	October 31, 2005 ⁽²⁾
Net Assets, beginning of period	7.45	10.17	10.89	9.43	10.00
Increase (decrease) from operations:					
Total revenues	0.27	0.61	0.57	0.69	0.64
Total expenses	(0.07)	(0.19)	(0.22)	(0.20)	(0.15)
Share issue expense ⁽³⁾	—	—	—	—	(0.57)
Realized gains (losses) for the period	(0.65)	(0.17)	0.28	0.52	0.63
Unrealized gains (losses) for the period	0.15	(2.24)	(0.81)	1.23	(0.51)
Total increase (decrease) from operations ⁽⁴⁾	(0.30)	(1.99)	(0.18)	2.24	0.04
Distributions:					
From income (excluding dividends)	(0.09)	(0.32)	(0.41)	(0.34)	(0.29)
From dividends	(0.01)	(0.01)	(0.04)	(0.06)	(0.05)
From capital gains	(0.25)	(0.11)	(0.25)	(0.28)	(0.27)
Return of capital	—	(0.26)	—	(0.02)	—
Total Distributions ⁽⁵⁾	(0.35)	(0.70)	(0.70)	(0.70)	(0.61)
Net Assets, end of period ⁽⁶⁾	6.83	7.45	10.17	10.89	9.43

⁽¹⁾ Results for the six month period ended April 30, 2009.

⁽²⁾ Results for the period December 15, 2004 (commencement of operations) to October 31, 2005.

⁽³⁾ Issue expense of \$8,176,865 incurred in connection with the share issuance, which has been treated as a reduction of capital.

⁽⁴⁾ Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of shares outstanding over the financial period.

⁽⁵⁾ Distributions were paid in cash.

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

Ratios and Supplemental Data:

	April 30, 2009 ⁽¹⁾	October 31, 2008	October 31, 2007	October 31, 2006	October 31, 2005 ⁽²⁾
Net asset value (\$000's)	\$37,680	\$50,514	\$89,524	\$128,239	\$134,697
Number of units outstanding	5,496,239	6,736,634	8,764,853	11,779,213	14,290,300
Base management expense ratio ⁽³⁾⁽⁴⁾	1.96%	1.80%	1.74%	1.75%	1.71%
Issue expenses ratio ⁽³⁾⁽⁴⁾	—	—	—	—	5.69%
Interest expense ratio (annualized) ⁽³⁾⁽⁴⁾	—	—	—	0.18%	—
Management expense ratio (annualized) ⁽⁴⁾	1.96%	1.80%	1.74%	1.93%	7.40%
Management expense ratio before waivers or absorptions (annualized) ⁽⁴⁾	1.96%	1.80%	1.74%	1.93%	7.40%
Portfolio turnover rate ⁽⁵⁾	7.51%	68.14%	117.87%	80.30%	67.31%
Trading expense ratio ⁽⁶⁾	0.18%	0.38%	0.44%	0.30%	0.16%
Net asset value per unit	\$6.85	\$7.50	\$10.21	\$10.89	\$9.43
Closing market price (TSX)	\$6.53	\$7.05	\$9.95	\$10.61	\$9.01

⁽¹⁾ Results for the six month period ended April 30, 2009.

⁽²⁾ Results for the period December 15, 2004 (commencement of operations) to October 31, 2005.

⁽³⁾ A separate base management expense ratio has been presented to include the normal operating expenses and exclude (i) Issue expense ratio: representing all agents fees and unit issue expenses; (ii) Interest expense ratio: representing interest expense on bank indebtedness.

⁽⁴⁾ Management expense ratio is based on total expenses (including interest expense on bank indebtedness) for the stated period and is expressed as an annualized percentage of daily average net assets 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 in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Company.

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

Summary of Investment Portfolio as of April 30, 2009

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.cclcapitalmarkets.com and at www.sedar.com.

	Rate %	Maturity Date	Market Value \$	% of NAV
Portfolio by Category				
Corporate Bonds			10,338,143	27.6%
Financials			8,014,537	21.2%
Energy			5,825,469	15.3%
Industrials			5,660,255	15.0%
Health Care			2,397,300	6.4%
Consumer Discretionary			2,107,260	5.6%
Cash & Cash Equivalents			1,640,139	4.4%
Telecommunication Services			1,199,655	3.2%
Foreign currency forward contracts			210,105	0.5%
Materials			153,400	0.4%
Fixed income derivatives			(12,016)	0.0%
Top 25 Holdings				
CML Healthcare Income Fund			2,397,300	6.4%
Boardwalk Real Estate Investment Trust			2,316,545	6.1%
Cash & Cash Equivalents			1,640,139	4.4%
Enerflex Systems Income Fund			1,542,288	4.0%
New Flyer Limited Income Deposit Securities			1,499,172	4.0%
Chartwell Seniors Housing Real Estate Investment Trust			1,395,275	3.7%
Calloway Real Estate Investment Trust			1,373,318	3.6%
Mullen Group Income Fund			1,330,218	3.5%
Dundee Real Estate Investment Trust			1,306,701	3.5%
Westshore Terminals Income Fund			1,245,375	3.3%
Yellow Pages Income Fund			1,233,412	3.3%
Bell Aliant Regional Communications Income Fund			1,199,655	3.2%
Keyera Facilities Inc.			1,109,818	2.9%
Altagas Income Trust			905,650	2.4%
Reliance LP	7.30%	4/3/2013	804,436	2.1%
Armtec Infrastructure Income Fund			787,760	2.1%
Groupe Aeroplan Inc.			761,795	2.0%
Genivar Income Fund			755,174	2.0%
Jazz Air Income Fund			754,822	2.0%
Tesoro Corp. (U.S. Dollars)	6.50%	6/1/2017	684,747	1.8%
Athabasca Oil Sands Corp.	13.00%	7/30/2011	680,850	1.8%
H&R Real Estate Investment Trust			637,160	1.7%
Toronto Dominion Bank (CGR III)	5.76%	12/18/2017	630,791	1.7%
IBI Income Fund Unit Trust			617,952	1.6%
Morgan Stanley	4.90%	2/23/2017	597,362	1.6%
Transactional NAV			37,679,691	

Connor, Clark & Lunn Conservative Income Fund

Financial Statements (Unaudited)

April 30, 2009

Notice to Reader:

These interim financial statements and related notes for the six month period ended April 30, 2009 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.

Connor, Clark & Lunn Conservative Income Fund

Statements of Net Assets (Unaudited)

As at April 30, 2009 and October 31, 2008

	April 30, 2009	October 31, 2008
	\$	\$
Assets		
Cash	291,363	72,899
Short-term investments	1,348,776	1,193,301
Investments at market value (cost - \$51,054,085; 2008 - \$65,324,012)	35,566,644	49,675,339
Interest and dividends receivable	482,603	668,697
Unrealized gain on forward currency contracts	210,105	-
Receivable from investment sales	92,164	817,202
Unrealized gain on future contracts	-	22,798
Prepaid expenses	7,843	3,981
Variation margin receivable	3,127	5,189
	<u>38,002,625</u>	<u>52,459,406</u>
Liabilities		
Payable for investment purchases	18,225	1,120,646
Distributions payable	320,594	392,827
Accounts payable and accrued liabilities	85,386	95,013
Management fees payable	34,313	62,419
Unrealized loss on forward currency contracts	-	618,950
Unrealized loss on future contracts	12,016	-
	<u>470,534</u>	<u>2,289,855</u>
Net Assets and Unitholders' Equity	<u>37,532,091</u>	<u>50,169,551</u>
Units issued and outstanding (note 6)	<u>5,496,239</u>	<u>6,736,634</u>
Net assets per unit	<u>6.83</u>	<u>7.45</u>
Unitholders' Equity		
Unit capital	53,450,498	65,513,243
Contributed surplus	4,174,448	788,739
Surplus (deficit)	<u>(20,092,855)</u>	<u>(16,132,431)</u>
Total Unitholders' Equity	<u>37,532,091</u>	<u>50,169,551</u>

Approved by the Manager



Director



Director

Connor, Clark & Lunn Conservative Income Fund

Statements of Operations (Unaudited)

For the six-month period ended April 30, 2009 and 2008

	2009	2008
	\$	\$
Income		
Distributions received from income trusts	1,140,624	1,018,363
Interest	533,595	817,025
	<u>1,674,219</u>	<u>1,835,388</u>
Expenses		
Management fees	225,538	439,435
Service fees	83,280	141,131
Transaction costs	38,265	74,461
Custodial and other unitholders' fees	26,746	22,078
Audit Fees	10,512	10,571
Advisory board fees	10,297	11,662
Legal fees	9,917	9,972
Administration fees	9,783	8,820
Transfer agent fees	9,105	7,152
Listing fees	7,499	8,390
Interest expenses	4,201	6,777
Filing fees	4,063	4,086
Printing fees	2,115	5,279
Other	228	258
	<u>441,549</u>	<u>750,072</u>
Investment income (loss) for the period	<u>1,232,670</u>	<u>1,085,316</u>
Net realized gain (loss) on investments		
Net realized gain (loss) on investments	(3,135,278)	(354,814)
Net realized gain (loss) on foreign exchange	(15,573)	(107,581)
Net realized gain (loss) on future contracts	(62,063)	(213,756)
Net realized gain (loss) on forward currency contracts	(794,943)	306,085
	<u>(4,007,857)</u>	<u>(370,066)</u>
Net unrealized gain (loss) on investments		
Change in unrealized gain (loss) on investments	161,232	(2,482,514)
Change in unrealized gain (loss) on future contracts	(34,813)	71,966
Change in unrealized gain (loss) on forward currency contracts	829,056	(608,237)
	<u>955,475</u>	<u>(3,018,785)</u>
Net gain (loss) on investments	<u>(3,052,382)</u>	<u>(3,388,851)</u>
Increase (decrease) in net assets from operations	<u>(1,819,712)</u>	<u>(2,303,535)</u>
Increase (decrease) in net assets from operations per unit *	<u>(0.30)</u>	<u>(0.30)</u>
Distributions per unit	<u>0.35</u>	<u>0.35</u>

* (based on average number of units outstanding during the period)

Connor, Clark & Lunn Conservative Income Fund

Statements of Changes in Net Assets, Surplus and Contributed Surplus (Unaudited)

For the six-month period ended April 30, 2009 and 2008

	2009	2008
	\$	\$
Increase (decrease) in net assets from operations	<u>(1,819,712)</u>	<u>(2,303,535)</u>
Distributions to unitholders from:		
Net investment income	(622,385)	(881,295)
Net realized gain on investments	<u>(1,518,327)</u>	<u>(1,832,888)</u>
	<u>(2,140,712)</u>	<u>(2,714,183)</u>
Unitholders' transactions:		
Payments on redemption and cancellation of units (note 5 and 6)	<u>(8,677,036)</u>	<u>(19,323,256)</u>
Change in net assets during the period	<u>(12,637,460)</u>	<u>(24,340,974)</u>
Net assets - Beginning of period	<u>50,169,551</u>	<u>89,153,834</u>
Net assets - End of period	<u>37,532,091</u>	<u>64,812,860</u>
Surplus (deficit), beginning of period	(16,132,431)	1,505,304
Increase (decrease) in net assets from operations	(1,819,712)	(2,303,535)
Distributions to unitholders	<u>(2,140,712)</u>	<u>(2,714,183)</u>
Surplus (deficit), end of period	<u>(20,092,855)</u>	<u>(3,512,414)</u>
Contributed surplus, beginning of period	788,739	-
Cost of shares repurchased at less than original issue price	<u>3,385,709</u>	<u>745,935</u>
Contributed surplus, end of period	<u>4,174,448</u>	<u>745,935</u>

Connor, Clark & Lunn Conservative Income Fund

Statements of Cash Flow (Unaudited)

For the six-month period ended April 30, 2009 and 2008

	2009	2008
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	(1,819,712)	(2,303,535)
Items not affecting cash:		
Net realized (gain) loss on investments	3,135,278	354,814
Change in unrealized (gain) loss on investments	(161,232)	2,482,514
Change in unrealized (gain) loss on future contracts	34,813	(71,966)
Change in unrealized (gain) loss on forward currency contracts	(829,056)	608,237
Changes in non-cash working capital		
(Increase) decrease in interest and dividends receivable	186,094	200,504
(Increase) decrease in prepaid expenses	(3,862)	(6,775)
(Increase) decrease in variation margin receivable	2,062	(68,732)
Increase (decrease) in accounts payable and accrued liabilities	(9,627)	(12,749)
Increase (decrease) in management fees payable	(28,106)	(24,723)
Increase (decrease) in variation margin payable	-	(66,902)
Cost of investments purchased	(4,185,119)	(20,153,685)
Proceeds from investments sold	14,942,387	39,752,832
	<u>11,263,920</u>	<u>20,689,834</u>
Financing Activities		
Payments on redemption and cancellation of units	(8,677,036)	(19,323,256)
Distributions to unitholders	(2,212,945)	(2,831,186)
	<u>(10,889,981)</u>	<u>(22,154,442)</u>
Net cash flow provided by (used in) operating activities	<u>11,263,920</u>	<u>20,689,834</u>
Net cash flow provided by (used in) financing activities	<u>(10,889,981)</u>	<u>(22,154,442)</u>
Net increase (decrease) in cash and short-term investments	373,939	(1,464,608)
Cash and short-term investments - beginning of period	<u>1,266,200</u>	<u>1,597,542</u>
Cash, bank overdraft and short-term investments - end of period	<u>1,640,139</u>	<u>132,934</u>

Connor, Clark & Lunn Conservative Income Fund

Statement of Investment Portfolio (Unaudited)

As at April 30, 2008

	Rate %	Maturity Date	Par Value / Quantity	Average Cost \$	Fair Value \$	% of Net Assets
Short Term Paper						
Treasury bills						
Canada Treasury Bills		5/28/2009	100,000	99,830	99,830	0.3%
Bankers acceptances						
Canadian Imperial Bank of Commerce		6/23/2009	250,000	249,885	249,885	0.7%
Canadian Imperial Bank of Commerce		6/26/2009	100,000	99,871	99,871	0.3%
Bank of Nova Scotia		6/29/2009	300,000	299,673	299,673	0.8%
Canadian Imperial Bank of Commerce		7/20/2009	150,000	149,810	149,810	0.4%
Bank of Montreal		7/27/2009	450,000	449,708	449,708	1.2%
				<u>1,348,776</u>	<u>1,348,776</u>	<u>3.7%</u>
Investments						
Corporate Bonds						
General Motors Acceptance Corp.	5.60%	6/18/2009	440,000	400,739	375,890	1.0%
General Motors Acceptance Corp.	5.70%	6/29/2009	95,000	86,749	83,692	0.2%
General Motors Acceptance Corp.	5.35%	10/1/2009	133,000	121,695	113,050	0.3%
West Fraser Timber Co Ltd	4.94%	10/19/2009	555,000	530,107	533,300	1.4%
General Motors Acceptance Corp.	5.55%	11/30/2009	343,000	313,323	271,289	0.7%
Athabasca Oil Sands Corp.	13.00%	7/30/2011	765,000	765,000	680,850	1.8%
Reliance LP	7.30%	4/3/2013	801,000	801,000	802,434	2.1%
GE Capital Canada Funding	5.15%	6/6/2013	370,000	335,923	366,037	1.0%
Bell Canada	4.64%	2/22/2016	241,000	190,390	224,877	0.6%
Rona Inc.	5.40%	10/20/2016	314,000	248,688	245,570	0.7%
Toronto Dominion Bank (CGR III)	5.76%	12/18/2017	701,000	689,884	629,049	1.7%
Bell Canada	7.00%	9/24/2027	211,000	197,532	186,085	0.5%
Bell Canada	9.70%	12/15/2032	45,000	55,549	50,567	0.1%
Loblaw Co. Ltd	6.54%	2/17/2033	91,000	69,033	70,513	0.2%
Canadian Tire Corporation	6.32%	2/24/2034	427,000	410,022	326,651	0.9%
Brascan Corporation	5.95%	6/14/2035	286,000	301,255	171,446	0.5%
Loblaw Co. Ltd	5.90%	1/18/2036	473,000	353,028	336,592	0.9%
Countrywide Financial Corp.	4.69%	6/1/2009	179,000	171,840	178,320	0.5%
Credit Agricole	5.50%	8/11/2016	800,000	823,200	329,904	0.9%
Morgan Stanley	4.90%	2/23/2017	772,000	730,791	593,560	1.6%
Merrill Lynch Fin. Co.	5.29%	5/30/2017	671,000	575,262	425,320	1.1%
Royal Bank of Scotland	6.67%	10/5/2017	537,000	522,862	181,463	0.5%
Citigroup Financial Inc.	5.37%	3/6/2036	639,000	485,754	281,780	0.8%
Amkor Technologies Inc. (U.S. Dollars)	7.13%	3/15/2011	439,000	437,208	511,144	1.4%
Odyssey Re Holdings (U.S. Dollars)	7.65%	11/1/2013	503,000	634,336	518,173	1.4%
Russel Metals Inc. (U.S. Dollars)	6.38%	3/1/2014	200,000	197,256	191,284	0.5%
Sally Holdings LLC (U.S. Dollars)	9.25%	11/15/2014	455,000	440,272	540,586	1.4%
Countrywide Financial Corp. (U.S. Dollars)	6.25%	5/15/2016	454,000	448,496	401,317	1.1%
Tesoro Corp. (U.S. Dollars)	6.50%	6/1/2017	705,000	638,580	680,559	1.8%
				<u>11,975,774</u>	<u>10,301,302</u>	<u>27.6%</u>
Canadian Equities						
Materials						
Noranda Income Fund			52,000	566,488	151,840	0.4%

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income Fund

Statement of Investment Portfolio (Unaudited) Continued

As at April 30, 2008

	Par Value / Quantity	Average Cost \$	Fair Value \$	% of Net Assets
Energy				
Altogas Income Trust	61,400	1,441,169	905,650	2.4%
Enbridge Income Fund	45,600	487,426	507,528	1.4%
Enerflex Systems Income Fund	152,400	1,945,074	1,539,240	4.0%
Keyera Facilities Inc.	71,926	1,221,371	1,108,380	3.0%
Mullen Group Income Fund	110,300	2,076,699	1,328,012	3.5%
Pembina Pipeline Income Trust	31,900	411,297	429,055	1.1%
		<u>7,583,036</u>	<u>5,817,865</u>	<u>15.4%</u>
Industrials				
Armtec Infrastructure Income Fund	45,800	815,659	785,470	2.1%
Genivar Income Fund	33,400	670,396	749,830	2.0%
New Flyer Limited Income Deposit Securities	162,600	1,770,796	1,486,164	3.9%
IBI Income Fund Unit Trust	47,100	562,912	617,952	1.6%
Jazz Air Income Fund	288,100	2,299,026	751,941	2.0%
Westshore Terminals Income Fund	121,500	2,101,021	1,239,300	3.3%
		<u>8,219,810</u>	<u>5,630,657</u>	<u>14.9%</u>
Consumer Discretionary				
Groupe Aeroplan Inc.	100,900	2,069,966	756,750	2.0%
Yellow Pages Income Fund	217,150	2,956,289	1,220,383	3.3%
Autocanada Income Fund	91,100	875,838	112,053	0.3%
		<u>5,902,093</u>	<u>2,089,186</u>	<u>5.6%</u>
Health Care				
CML Healthcare Income Fund	183,000	2,850,069	2,389,980	6.4%
Financials				
Boardwalk Real Estate Investment Trust	84,700	3,247,801	2,301,299	6.0%
Calloway Real Estate Investment Trust	128,950	3,047,028	1,373,318	3.7%
Canadian Apartment Properties Real Estate Investment Trust	30,500	322,847	370,575	1.0%
Chartwell Seniors Housing Real Estate Investment Trust	328,300	1,974,753	1,382,143	3.7%
Dundee Real Estate Investment Trust	97,515	2,379,865	1,306,701	3.5%
Extencicare Real Estate Investment Trust	71,300	511,102	352,935	0.9%
H&R Real Estate Investment Trust	68,000	609,427	637,160	1.7%
Scott's Real Estate Investment Trust	56,350	457,284	262,028	0.7%
		<u>12,550,107</u>	<u>7,986,159</u>	<u>21.2%</u>
Telecommunication Services				
Bell Aliant Regional Communications Income Fund	50,300	1,485,644	1,199,655	3.2%
Total Canadian Equities		<u>39,157,247</u>	<u>25,265,342</u>	<u>67.1%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income Fund

Statement of Investment Portfolio (Unaudited) Continued

As at April 30, 2008

			Par Value / Quantity	Average Cost \$	Fair Value \$	% of Net Assets
Transaction costs - Section 3855 adjustment (note 3)				(78,936)	-	0.0%
Total investments				<u>51,211,957</u>	<u>35,566,644</u>	<u>94.7%</u>
	Maturity date	Number of contracts	Contract price / rate \$	Fair Value \$	Unrealized gain (loss) \$	% of Net Assets
Foreign currency forward contracts						
Bought CAD 3,047,914, sold USD 2,398,800	6/19/2009	1	1.2706	2,849,134	198,780	0.5%
Bought CAD 291,188, sold USD 231,800	6/19/2009	1	1.2562	275,317	15,871	0.0%
Bought CAD 44,477, sold USD 35,900	6/19/2009	1	1.2389	42,640	1,837	0.0%
Bought USD 217,400, sold CAD 264,596	6/19/2009	1	1.2171	258,213	(6,383)	0.0%
Unrealized gain (loss) on forward currency contracts					<u>210,105</u>	<u>0.5%</u>
	Maturity date	Number of contracts	Average cost \$	Fair Value \$	Unrealized gain (loss) \$	% of NAV
Futures contracts						
Foreign futures						
10 Year United States Treasury Note Futures	June 2009	(11)	1,582,178	1,580,544	1,634	0.0%
Domestic futures						
10 Year Canadian Bond Futures	June 2009	13	1,623,960	1,610,310	(13,650)	0.0%
Unrealized gain (loss) on future contracts					<u>(12,016)</u>	<u>0.0%</u>
Other assets net of liabilities					<u>418,582</u>	<u>1.1%</u>
Net assets					<u>37,532,091</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income Fund

Notes to Financial Statements (Unaudited)

April 30, 2008

1 Formation of Fund

Connor, Clark & Lunn Conservative Income Fund (the "Fund") is an investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of November 29, 2004 (the "Trust Agreement") between Connor, Clark & Lunn Capital Markets Inc. (the "Manager") in its capacity as manager and RBC Dexia Investor Services Trust ("RBC Dexia") (formerly "The Royal Trust Company") (the "Trustee") as trustee.

2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated November 29, 2004 are (i) to pay to holders of Units ("Unitholders") a monthly cash distributions of approximately \$0.0583 per Unit (\$0.70 per annum to yield 7.0% per annum on the issue price of \$10.00 per Unit) and (ii) preserve net asset value in order to return at least the issue price of the Units (\$10.00 per Unit) on or about December 15, 2014.

In order to achieve the Fund's investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"), the Fund's investment manager, invests the net proceeds of the Offering, together with any borrowings under the Fund's loan facility or other leverage transactions, in a portfolio (the "Portfolio") consisting of income producing securities including Canadian business income trusts, real estate investment trusts, utility income trusts, corporate bonds and convertible bonds. In addition, from time to time, the Portfolio may include significant cash and cash equivalents

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 the Manager 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.

Future accounting changes

As of April 30, 2009 the Manager has not developed a changeover plan to the International Financial Reporting Standards ("IFRS") nor has it assessed the impact of IFRS on business arrangements, net asset value per unit and accounting policies. The Manager will develop a plan prior to the January 1, 2011 deadline and will disclose this plan in either the Fund's 2009 or 2010 annual reports

Recent accounting pronouncements

On November 1, 2007, the Fund adopted the new Section 1535, Capital Disclosures, which requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacted the Fund's disclosures provided but it did not affect the Trust's results or financial position.

On November 1, 2007, the Fund adopted the new CICA Sections 3862, Financial Instruments – Disclosures ("Section 3862"), and 3863, Financial Instruments – Presentation ("Section 3863"), which replaced Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards impacted the Fund's disclosures provided but they did not affect the Trust's results or financial position.

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. 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.

On November 1, 2006, the Fund adopted Section 3855 on a prospective basis for financial reporting purposes ("GAAP Net Assets"). Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for the security. Until September 30, 2006, fair value for GAAP was based on the last traded price for the day, when available. In addition, Section 3855 requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company be charged to net income in the period. Until October 31, 2006, the Fund's policy had been to add these expenses to the cost of the securities purchased or deduct from the proceeds of sale.

On September 8, 2008, the Canadian Securities Administration issued the amended National Instrument 81-106 ("NI 81-106"), Section 14.2 of this amended NI 81-106 requires an investment fund to calculate 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). The Fund did not change its methodology in this respect.

The Fund continues to calculate its net asset value for pricing purposes using the closing prices of securities. As at April 30, 2009, the Fund's net asset value per unit was \$6.85. The difference between the net asset value per unit and the net assets per unit as shown on the Statement of Net Assets is due to the different pricing methodology discussed above. The reconciliation between the Transactional NAV and the GAAP Net Assets as a result of the adoption of Section 3855 is as follows:

Connor, Clark & Lunn Conservative Income Fund

Notes to Financial Statements (Unaudited)

April 30, 2008

	<u>Transactional</u> NAV	<u>Section 3855</u> Adjustment	<u>GAAP</u> Net Assets
Per Unit			
Closing Value – October 31, 2008	7.50	(0.05)	7.45
Closing Value – April 30, 2009	6.85	(0.02)	6.83

Short-term investments are carried at cost, which together with interest receivable approximates market value.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with terms to maturity of less than 90 days at acquisition. Cash and cash equivalents are deemed to be held for trading and therefore are carried at fair value.

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. Distributions received from income trusts are recorded as income, capital gains or a return on capital based on the best information available to the trustee. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash and cash equivalents) are attributable to investments and derivatives which are deemed held for trading.

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date, and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign currency forward contracts.

Future contracts

The futures contracts are Exchange-traded futures contracts. Futures contracts are valued at their settlement price at the close of business on each Valuation Date. Any difference between the settlement value at the close of business on the current Valuation Date and that of the previous Valuation Date is recorded in the Statements of Operations and in the Statements of Net Assets as Unrealized gain (loss). Amounts receivable (payable) from futures contracts are reflected in the Statements of Net Assets as a Variation Margin Receivable (Payable).

Unit valuation

The net asset value per unit is determined by dividing the aggregate market value of net assets of the Fund by the total number of units of the Fund outstanding before giving effect to redemptions or subscriptions for units on that day.

4 Bank indebtedness

As part of its strategy, the Investment Manager may employ leverage in the Portfolio to enhance returns when market conditions are considered appropriate. The Investment Manager intends to reduce or eliminate leverage and may increase the allocation to cash when the Investment Manager believes the outlook for market performance is unfavourable. Such leverage may be used to purchase additional securities for the Portfolio.

On January 5, 2009, the Fund renewed its Revolving Term Credit Facility Agreement (the "Credit Facility") with the Bank of Montreal ("BMO") with a revolving period maturity date on November 24, 2009. Under the terms of this agreement, the maximum allowable borrowing limit is \$2,000,000.

Leverage was used in the Fund since early October 2006.

5 Market Purchase Program

In accordance with the Fund's prospectus, and to enhance liquidity and to provide support to the units, the Fund has a mandatory market purchase program under which the Fund, subject to exceptions contained in the Trust Agreement and in compliance with any regulatory requirements, is obligated to purchase its own units for cancellation. If, on any business day, the closing price of the units is less than 95% of the net asset value per unit determined by the trustee as at the most recent valuation date, the Fund will offer to purchase for cancellation any units offered in the market at or below 95% of the net asset value per unit on the following business day. The maximum number of units to be purchased in any quarterly period will not be over 1.25% of the number of units outstanding at the beginning of such period.

Pursuant to this obligation, the Fund purchased 58,200 Units during the six-month period ended April 30, 2009 for a total cost of \$366,074 (17,700 Units during the six-month period ended April 30, 2008 for a total cost of \$159,206). All units purchased by the Fund were subsequently cancelled.

6 Units of the Fund

Units of the Fund were offered to the public by way of prospectus. The Fund is authorized to issue 14,375,000 (representing the maximum amount stated in the prospectus plus a 15% over allotment) transferable, redeemable Fund units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered at any time for redemption by the Fund. Where Units are surrendered for redemption prior to the 10th business day of the month, Units will be redeemed on the last business day of that month (a "Redemption Date"); where Units are surrendered after the 10th day of the month, Units will be redeemed on the

Connor, Clark & Lunn Conservative Income Fund

Notes to Financial Statements (Unaudited)

April 30, 2008

Redemption date of the following month. For redemptions occurring on a Redemption Date other than the January Redemption Date of each year, the redemption price per Unit is equal to the lesser of:

- (a) 95% of the weighted average trading price of the Units on the Toronto Stock Exchange for the ten trading days immediately preceding the applicable Redemption Date, and
- (b) 100% of the closing price of the Units on the Toronto Stock Exchange on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with the redemption including costs incurred in liquidating securities held in the portfolio.

For redemptions on the January Redemption Date in each year the redemption price will be equal to the net asset value per Unit determined as of the relevant Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with the redemption including costs incurred in liquidating securities held in the portfolio.

During January 2009 the Fund had its annual redemption date. A total of \$8,310,962 was paid to redeem 1,182,195 units at the January 31, 2009 NAV per unit price minus the costs of funding the redemption including all brokerage fees, commissions and other costs incurred in liquidating the securities held in the Portfolio (\$19,168,910 was paid to redeem 1,989,219 in January 2008).

Changes in outstanding units during the six-month ended April 30, 2009 and 2008 are summarized as follows:

	April 30, 2009	April 30, 2008
Balance – beginning of period	6,736,634	8,764,853
Units issued	–	–
Units redeemed under the Market Purchase Program (note 5)	(58,200)	(17,700)
Units redeemed	<u>(1,182,195)</u>	<u>(1,989,219)</u>
Balance – end of period	<u>5,496,239</u>	<u>6,757,934</u>

7 Custodian

Pursuant to a custodian agreement (“the Custodian Agreement”), the Fund has retained RBC Dexia to act as custodian of the assets of the Fund. The Custodian is also responsible for certain aspects of the Fund’s day-to-day operations. In consideration for these services, the Fund pays a fee to the Custodian.

8 Distributions

The targeted monthly distribution rate is \$0.0583 per Unit. During the six-month period ended April 30, 2009, the Fund met its targeted monthly distribution and paid total distributions of \$2,140,712, or \$0.3498 per Unit (\$2,714,183, or \$0.3498 per Unit during the six-month period ended April 30, 2008).

9 Management fees and other expenses

Pursuant to a management agreement (the “Management Agreement”) the Fund has retained Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) to act as manager. As compensation for management services rendered to the Fund, the Manager receives an annual management fee in an amount equal to 1.1% of the net asset value of the Fund, calculated and paid monthly in arrears, plus applicable taxes. The Fund also pays a service fee to dealers whose clients hold Units in the Fund. The service fee is calculated and payable each calendar quarter in arrears and is equal to 0.40% annually of the net asset value of the Units held by clients of the dealers. The Fund is also responsible for all expenses incurred in connection with its operation and administration.

10 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.

11 Broker commission charges and soft dollar services

There were \$38,265 broker commissions paid during the six-month period ended April 30, 2009 (\$74,461 during the six-month period ended April 30, 2008) in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

Connor, Clark & Lunn Conservative Income Fund

Notes to Financial Statements (Unaudited)

April 30, 2008

12 Financial instruments

<u>Assets</u>	\$
Held for trading	37,416,888
Loans and receivables	585,737
Total assets	38,002,625
<u>Liabilities</u>	
Held for trading	12,016
Financial liabilities at amortized cost	458,518
Total liabilities	470,534

For the purposes of categorization in accordance with section 3862, interest and dividends receivable, amounts due from brokers, and other assets are deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, bank overdrafts, amounts due to brokers and other liabilities are deemed to be financial liabilities and reported at amortized cost.

13 Financial instrument risk

The Fund's activities expose it to a variety of financial risks. The Investment Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically through the use of derivatives to hedge certain risk exposures. The investment portfolio is comprised of income producing securities including Canadian business income trusts, real estate investment trusts, utility income trusts, corporate bonds and convertible bonds.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and fixed income derivatives. 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.

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	2,904,863	1,191,448	1,877,928	5,675,839	25,463,431	37,113,509
Cash and cash equivalents	291,363	-	-	-	-	291,363
Other assets	585,737	-	-	-	-	585,737
Liabilities	(458,518)	-	-	-	-	(458,518)
Net assets value						37,532,091

As at April 30, 2009, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased, respectively, by approximately \$494,000. 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 bonds denominated in foreign currencies. Bonds from other countries are presumed to be denominated in that country's currency unless otherwise noted.

The table below summarizes the Fund's exposure to foreign currencies as at April 30, 2009. 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 futures and forward contracts. Other financial assets such as interest and variation margin receivable and liabilities such as accounts payable and accrued liabilities denominated in foreign currencies do not expose the Fund to significant currency risk. The table below summarizes the Fund's exposure to foreign currencies and the approximate impact on net assets had the Canadian Dollar ("CAD") appreciated/depreciated 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.

	Monetary instruments	Non-monetary instrument	Total	% of Net Assets	Sensitivity (based on devaluation of CAD)
	\$	\$	\$		\$
US Dollar	3,113,317	(2,910,512)	202,805	5.0%	10,000

Connor, Clark & Lunn Conservative Income Fund

Notes to Financial Statements (Unaudited)

April 30, 2008

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. Except for futures contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. Possible losses from futures contracts can be unlimited. The Fund's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If equity prices had increased or decreased by 10% on April 30, 2009, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately \$2,527,000. In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

Credit risk is the risk that 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 April 30, 2009. This also applies to other assets, as they have a short-term to settlement.

The table below summarizes the Fund's exposure to credit risk as of April 30, 2009. Amounts shown are based on the carrying value of debt investments and the unrealized gain on derivative instruments outstanding with counterparties.

April 30, 2009		April 30, 2009	
Rating ⁽¹⁾	(% of NAV)	Rating ⁽¹⁾	(% of NAV)
AAA	0.0%	BB	0.5%
AA+	1.0%	BB-	0.5%
A	4.7%	B+	1.4%
A-	3.5%	B	1.4%
BBB+	2.1%	CCC	2.2%
BBB	1.1%	A-1+	1.1%
BBB-	4.2%	A-1	2.6%
BB+	3.2%	Not Rated (N/R)	1.8%
		Total	31.3%

As at April 30, 2009, 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 its market purchase program which is limited to certain conditions (see note 5). The Fund is also exposed to unlimited annual anniversary redemptions on January 31 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.

The Fund has exposure to investments not traded in an active market through its holdings in non-government issued fixed income securities or corporate bonds. Recently the liquidity of this type of debt has been severely impaired by a series of negative economic events. The market value of these securities is based on a credit risk premium or 'spread'. Government issued securities are considered less risky or even risk-free when compared to non-government securities. The greater the credit risk associated with a security, the greater the spread demanded by holders. There is a negative correlation between the size of the spread and the value of the underlying security. Since these negative economic events began to unfold, the widening of credit spreads has been unprecedented and the value of non-government issued securities has fallen correspondingly.

Liquidity for these securities depends on the participation of dealers to create a market since no public exchange exists to facilitate transactions. Dealers have become reluctant to transact and hold these securities for fear that prices may fall further should credit spreads widen again. Central banks and governments are working actively to encourage dealers and other financial institutions to assume risk again and these actions are having positive effect. Until dealers show greater willingness to transact these securities, however, liquidity may continue to be limited. It is not possible to anticipate when a normal active market for these securities will return although some recent improvement is evident. While these securities constitute a significant proportion of the investments held in the Fund, the investment manager does not anticipate a problem meeting the Fund's redemption obligations due to the availability of other more liquid investments.