

CONNOR, CLARK & LUNN CAPITAL MARKETS INC.

SIMPLIFIED PROSPECTUS DATED NOVEMBER 24, 2010

Offering of Natural Resources Class Shares of Connor, Clark & Lunn Capital Class Inc.

Offering of Balanced Portfolio Class Shares, Series 1 of Connor, Clark & Lunn Capital Class Inc.

No securities regulatory authority has expressed an opinion about these shares. It is an offence to claim otherwise.

November 24, 2010

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INTRODUCTION

This Simplified Prospectus contains selected important information about the mutual fund listed on the front cover to help you make an informed investment decision and understand your rights as an investor. Throughout this document:

- **We** or **us** refers to Connor, Clark & Lunn Capital Markets Inc. (“CC&L Capital Markets”).
- **You** refers to everyone who invests in the Fund.
- **Fund** refers to the Connor, Clark & Lunn Capital Class Inc.
- **Natural Resources Class Shares** refers to the Connor, Clark & Lunn Natural Resources Class Shares of the Fund.
- **Balanced Portfolio Class Shares** refers to the Connor, Clark & Lunn Balanced Portfolio Class Shares, Series 1 of the Fund.
- **Share** or **Shares** refer to a Natural Resources Class Share or Balanced Portfolio Class Share or Natural Resources Class Shares or Balanced Portfolio Class Shares of the Fund, as applicable.
- **Shareholders** refer to owners of Shares of the Fund.
- **RBC Dexia** refers to RBC Dexia Investor Services Trust, the custodian and record keeper of the Fund.
- **Dealer** refers to the company where your registered representative works.
- **Registered representative** refers to the representative registered in your province or territory who advises you on your investments.

This Simplified Prospectus contains information about the Fund and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the Fund. This Simplified Prospectus includes two parts. The first part, on pages 1 to 21, provides basic information about mutual funds. The second part, Specific information about each of the mutual funds described in this document, on pages 22 to 29, contains specific details about each class of Shares of the Fund.

You can find more information about the Fund in the annual information form, the Fund’s most recently filed annual financial statements, annual management report of fund performance, interim financial statements and interim management report of fund performance. These documents are incorporated by reference into this Simplified Prospectus, which means it legally forms part of this Simplified Prospectus just as if it was printed in it.

As a Shareholder, you can request a free copy of these documents, including a statement of portfolio transactions, by contacting your registered representative. You may also find these

documents and other information about the Fund at www.cclcapitalmarkets.com or at www.sedar.com.

WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

What is a mutual fund?

When you invest in a mutual fund, you pool your cash to make investments with many other people. On behalf of everyone who contributes, professional money managers use the cash to buy many different securities. These securities form the mutual fund's investment portfolio.

Each mutual fund invests in different kinds of securities, depending on its fundamental investment objective and the investment strategy of the portfolio manager. The value of these securities changes from day to day, reflecting changes in economic and market conditions, interest rates and company news, which results in a daily change of the net asset value of the portfolio.

The cash you contribute to a mutual fund buys you a number of securities in the fund and everyone who contributes to a mutual fund is called a securityholder. You share the fund's income, expenses and capital gains or losses in proportion to the number of securities you own.

The Fund is a corporation formed under the laws of Ontario.

What are the advantages of investing in a mutual fund?

Investing in a mutual fund has several advantages over investing on your own in individual stocks, bonds and money market instruments:

- *Professional money management* — Professional advisors have the skills, tools and the time to perform research and to make decisions about which investments to buy, hold or sell.
- *Diversification* — Investment values are always changing. Owning several investments can improve long-term results as the ones that increase in value can compensate for those that do not.
- *Liquidity* — Shares may be redeemed at any time. In some cases this may result in an investor protection fee.
- *Record-keeping and reporting* — Records of your interest are kept and you are sent financial statements, tax slips and receipts when required by applicable law.

What are the general risks of investing in a mutual fund?

Risk is the chance that your investment may not perform over a certain time period. There are different degrees and types of risks; however, in general, the more risk you are willing to accept as an investor, the higher the potential returns and the greater the potential losses.

Shares of the Fund are purchased and sold at the net asset value per Share of the Fund. The net asset value of a mutual fund, and the price of your Shares, will fluctuate on a daily basis with changes in the market value of the particular Fund's investments. The values may change for a

variety of reasons, including, but not limited to, changes in interest rates, economic conditions, market activity and company news. As a result, the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

Your investment is not guaranteed — The value of your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, mutual fund securities are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

To withdraw your investment, you simply redeem your Shares at the prevailing net asset value per Share. Under exceptional circumstances, a mutual fund may not allow you to redeem your Shares. See *Redemption suspensions* on page 11 for details.

What are the specific risks of investing in a mutual fund?

In addition to the general risks of mutual fund investing, each mutual fund carries specific risks depending on its particular investments and strategies. Below, we describe the specific risks that can affect the value of your investment in the Fund. In the description of the Fund, you will see what those risks are. The following risk factors are listed in alphabetical order.

Each investor has a different tolerance for risk. Some investors are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals.

American depository securities and receipts risk — In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, one or more mutual funds in which the Fund invests (an “underlying fund”) may hold securities through an American depository security and receipt (an “ADR”). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. corporation. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. corporation to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of an underlying fund, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the trust holding the ADR. As the terms and timing with respect to the depository for an ADR are not within the control of an underlying fund or its portfolio manager and if the portfolio manager chooses only to hold ADRs rather than the underlying security, the underlying fund may be forced to dispose of the ADR, thereby eliminating its exposure to the non-U.S. corporation, at a time not selected by the portfolio manager of the underlying fund, which may result in losses to the underlying fund or the recognition of gain at a time which is not opportune for the underlying fund, each of which may have a material adverse affect on the value of the Shares of the Fund.

Commodity risk — Investments in natural resource companies or in income or royalty trusts based on commodities, such as oil and gas, will be affected by changes in commodity prices. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in government regulations can affect the price of commodities.

Concentration risk — The Fund may concentrate its investments in a relatively small number of securities, certain sectors or specific regions or countries. This may result in higher volatility, as the value of the Fund will vary more in response to changes in the market value of these securities, sectors, regions or countries.

Credit risk — Credit risk is comprised of default risk, credit spread risk, downgrade risk and collateral risk. Each can have a negative impact on the value of a debt security.

- Default risk is the risk that the issuer will not be able to pay the obligation, either on time or at all. Generally, lower quality debt securities involve a greater risk of default on interest and/or principal payments.
- Credit spread risk is the risk that there will be an increase in the difference between the interest rate of an issuer's bond and the interest rate of a bond that is considered to have little associated risk (such as a government guaranteed bond or treasury bill). The difference between these interest rates is called a "credit spread." Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of debt securities.
- Downgrade risk is the risk that a specialized credit rating agency, such as Dominion Bond Rating Services, Standard & Poor's or Moody's Investors Services, will reduce the credit rating of an issuer's securities. Downgrades in credit rating will decrease the value of those debt securities.
- Collateral risk is the risk that the value of any assets securing an issuer's obligation may be deficient or difficult to liquidate. As a result, the value of those debt securities may decline significantly in value.

Currency risk — The Fund's assets and liabilities are valued in Canadian dollars. When an underlying fund buys foreign securities, however, they are purchased with foreign currency. The U.S. dollar and the Euro, for example, both fluctuate in value against the Canadian dollar. An unfavourable move in the exchange rate for either currency may reduce, or even eliminate, any return on an investment priced in that currency. Certain underlying funds will own securities denominated in foreign currencies. The portfolio manager that manages that asset class for the underlying fund in question will have the discretion to decide the extent to which the currency risk may be hedged back to the Canadian dollar. See Derivative risk below. In addition to the exchange rate risk, there is also a risk that certain foreign governments may restrict the ability to exchange currencies. The Fund's ability to make distributions or process redemptions assumes the continuing free exchange of the currencies in which an underlying fund is invested.

Derivative risk — Derivatives may be used to limit or hedge potential losses associated with stock markets and interest rates. Derivatives may also be used for non-hedging purposes: to reduce transaction costs, achieve greater liquidity, create effective exposure to financial markets or increase speed and flexibility in making portfolio changes.

Any use of derivatives has risks, including:

- the hedging strategy may not be effective,
- there is no guarantee a liquid market will exist when the Fund wants to buy or sell the derivative contract,
- a large percentage of the assets of the Fund may be placed on deposit with one or more counterparties as margin, which exposes the Fund to the credit risk of those counterparties,
- there is no guarantee that an acceptable counterparty will be willing to enter into the derivative contracts,
- the counterparty to the derivative contract may not be able to meet its obligations,
- the exchanges on which the derivative contracts are traded may set daily trading limits, preventing the Fund from closing out its position in a particular contract,
- if an exchange halts trading in any particular derivative contract, the Fund may not be able to close out its position in that contract, and
- the price of a derivative may not accurately reflect the value of the underlying security or index.

Equity risk — Companies issue equities, or stocks, to help finance their operations and future growth. Mutual funds that purchase equities become part owners in these companies. The price of a stock is influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks should rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

For small companies, start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. The share price of such companies is often more volatile than the share price of larger, more established companies. For example, some of the products and services offered by emerging technology companies can become obsolete as science and technology advance, causing volatility to the share prices of such companies.

Certain convertible securities may also be subject to interest rate risk.

Foreign market risk — Certain underlying funds will invest in securities sold outside Canada and the U.S. and may invest in emerging markets. The value of foreign securities, and the unit

value of the underlying funds that hold them, may fluctuate more than Canadian and U.S. investments because:

- Companies outside Canada and the U.S. may not be subject to the same regulations, standards, reporting practices and disclosure requirements that apply in Canada and the U.S.
- Some foreign markets may not be as well regulated as Canadian and U.S. markets and their laws might make it difficult to protect investor rights
- Political instability, social unrest, diplomatic developments or political corruption in foreign countries could affect securities held by an underlying fund
- There is a chance that foreign securities may be highly taxed or that government-imposed exchange controls may prevent an underlying fund from taking money out of the country
- Companies in emerging markets often are relatively small, lack lengthy operating histories, have limited product lines, markets and financial resources and are often traded only through foreign stock exchanges
- In addition, changes to foreign currency exchange rates will affect the value of securities held by an underlying fund. See Currency risk above.

Government regulation risk — Government policies or regulations are more prevalent in some sectors than in others. Investments in these sectors may be affected when these regulations or policies change.

Income Trusts, Partnerships and REITS – An underlying fund may invest in publicly traded income trusts, limited partnerships and REITS. An income trust or partnership generally holds debt and/or equity securities of an underlying active business or is entitled to receive a royalty on revenues generated by such business. Distributions and returns on income trusts are neither fixed nor guaranteed. In addition, funds that invest in income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts and pipeline and power trusts will have other varying degrees of risk depending on its sector and the underlying asset or business. These may include business developments such as a decision to expand into a new type of business, the entering into of an unfavourable supply contract, the cancellation by a major customer of its contract or significant litigation.

Many of the income trusts, including real estate investment trusts (REITs) are governed by laws of a province of Canada or of a state of the United States which limit the liability of unitholders of the income trust from a particular date. A fund may also invest in income trusts, including REITs, in Canada, the U.S. and other countries that aren't governed by similar laws. There is a risk that unitholders of an income trust, including an underlying fund, could be held liable for any claims against the income trust that aren't covered under these laws. This could reduce the value of the underlying fund. Income trusts generally try to minimize this risk by including provisions in their agreements that their obligations won't be personally binding on unitholders.

However, the income trust still has exposure to damage claims not arising from contracts, such as personal injury and environmental claims in the case of REITs.

Changes to the Income Tax Act (Canada) have been enacted which significantly change the tax treatment of most publicly traded income trusts and limited partnerships (other than certain REITs) and distributions or allocations, as the case may be, from these entities to their investors. In particular, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. This dividend will be deemed as an eligible dividend for the enhanced dividend tax credit if paid or allocated to a resident of Canada. These new rules are effective for the 2007 taxation year for income trusts and limited partnerships that commence public trading after October 31, 2006, but will generally be delayed until the 2011 taxation year for income trusts and limited partnerships that were publicly traded prior to November 1, 2006 provided there is no “undue expansion” of the trust or partnership in the intervening period. As a result of these changes, it is also expected that many publicly traded income trusts and limited partnerships will convert to a corporate structure in coming years. Such conversions could affect the return on investment in respect of the trust or limited partnership held through an underlying fund. In addition, the changes have had, and continue to have, an effect on the trading price of such trusts and limited partnerships, which will affect the net asset value of the relevant underlying fund.

Interest rate risk — Fixed-income securities, which include bonds, treasury bills and commercial paper, pay a fixed rate of interest. An underlying fund may have an allocation to fixed income securities and the value of the fixed income securities will rise and fall as interest rates change. This could impact the net asset value of an underlying fund. Fixed income securities generally pay interest based on the level of rates at the time the securities were issued. Subsequent changes to the level of interest rates will then impact the price of those previously issued securities. For example, when interest rates fall, the value of an existing bond will rise because the coupon rate on that bond is greater than prevailing interest rates. Conversely, if interest rates rise, the value of an existing bond will fall. The value of debt securities that pay a floating or variable rate of interest are generally less price sensitive to interest rate changes.

Large transaction risk — Any large transaction made by an institutional or individual investor could significantly impact the Fund’s cash flow. If the investor buys large amounts of Shares of the Fund, the Fund could temporarily have a high cash balance. Conversely, if the investor redeems large amounts of Shares of the Fund, the Fund may be required to fund the redemption by selling securities at an inopportune time. This unexpected sale may have a negative impact on the performance of your investment.

Liquidity risk — A liquid asset is one that can be readily converted to something else, usually cash. For an asset to be liquid, there must be an organized market on which the asset regularly trades, and such an organized market must provide transparent price discovery. A stock exchange is an example of this type of market, because we can see the volume of trading and obtain price quotations. We also have reasonable confidence that we would be able to convert securities to cash at or close to the prices quoted on a stock exchange.

By comparison, an illiquid asset is more difficult to convert in this manner. There can be a number of reasons that an asset or a security is not liquid. For example, some issuers may be less

well known or have fewer securities outstanding. A security or asset can also be considered to be illiquid because the pool of potential buyers is smaller. Sometimes securities are restricted in the sense that resales are prohibited by a promise or agreement made by the holder of the securities.

Liquidity risk refers to the possibility that an asset is not able to be sold on an organized market for a price that approximates the amount at which we value the same asset for purposes of calculating the net asset value per Share of the Fund. If that were to occur, then the net asset value of the Shares you would redeem may be lower than reasonably anticipated.

Prepayment risk — Many types of debt securities, including some mortgage backed securities and floating rate debt instruments, allow the issuer to prepay principal prior to maturity. Debt securities subject to prepayment risk can offer less income and/or potential for capital gains.

Repurchase and Reverse Repurchase Transactions and Securities Lending risk — The Fund may enter into repurchase transactions, securities lending transactions and reverse repurchase transactions. The danger with these types of transactions is that the other party may default under the agreement or go bankrupt. In a reverse repurchase transaction, the Fund is left holding the security and may not be able to sell the security at the same price it paid for it, plus interest, if the market value for the security has dropped in the meantime. In lending its securities, the Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the securities it has lent, resulting in a loss to the Fund.

Tax Risk – All funds may be affected by changes in the tax legislation or administrative practice that affect the entities in which the fund invests or the taxation of the fund.

The Fund has acquired, and from time to time in the future will acquire, the assets of certain limited partnerships on a tax-deferred basis. These assets may have significant accrued gains at the time they are acquired by the Fund and Shareholders may receive capital gains dividends as a result of those accrued capital gains being realized by the Fund. Such capital gains may be realized as a result of Shareholders switching from one class of Shares to another class of Shares, as well as in other circumstances. The Fund may declare and pay capital gains dividends to Shareholders of any class of Shares, regardless of whether the related capital gains resulted from a disposition of securities held by the Fund in respect of another class of Shares. Taxable investors should consult with their tax advisors about this risk before purchasing Shares.

It has been proposed that the Income Tax Act (Canada) will be amended to add rules dealing with investments in certain non-resident trusts (the “NRT Proposals”). The NRT Proposals have not yet been enacted, but, if enacted in the form most recently proposed, would generally apply to trust taxation years that end after 2006. There can be no assurance that the NRT Proposals will be enacted in the form proposed, in a different form, or at all. In the event that the Fund were to invest in a non-resident trust, the NRT Proposals may be relevant and while the intended application of the NRT Proposals in particular circumstances is not clear, if they were to be applied, there could be material adverse tax consequences. Prospective investors should consult their tax advisors about the consequences of the NRT Proposals.

Underlying Fund Risk — The Fund may invest directly in one or more underlying funds. If the Fund invests in an underlying fund, the Fund will indirectly become subject to certain risks that

arise as a result of the investment objectives of the underlying fund. Also, if an underlying fund suspends redemptions or does not calculate its net asset value, the Fund will not be able to value all or part of its assets or redeem its Shares. An adjustment to the Fund's holdings of an underlying fund may result in gains being distributed to shareholders of the Fund. As a result, the underlying fund may have to make large purchases or sales of securities to meet the redemption or purchase requests of the Fund. The portfolio manager of the underlying fund may have to change the underlying fund's holdings significantly or may be forced to buy or sell investments at unfavourable prices, which may affect its performance and the performance of the Fund.

ORGANIZATION AND MANAGEMENT OF THE FUND

Who organizes and manages the Fund?

CC&L Capital Markets will act as manager of the Fund. CC&L Capital Markets is a leading provider of investment products that has raised over \$1.6 billion since 2001. CC&L Capital Markets is part of the Connor, Clark & Lunn Financial Group, which has approximately \$35 billion of assets under management as at June 30, 2010.

People and companies that work with the Fund

Fund Manager

Connor Clark & Lunn Capital Markets Inc.
181 University Avenue, Suite 300
Toronto, Ontario M5H 3M7
www.cclcapitalmarkets.com

CC&L Capital Markets is responsible for providing or arranging for portfolio management, marketing and offering of the Shares of the Fund as well as for the general day to day operation of the Fund. We may engage third parties to perform certain services on our behalf.

Investment Manager

CC&L Capital Markets has retained the services of Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") to provide comprehensive investment management services to the Fund. The Investment Manager has a specialized area of investment expertise in Canadian equities (growth at a reasonable price), fixed income and income trusts. The Investment Manager was established in 1982 and is one of Canada's largest independent investment management companies. As of June 30, 2010, the Investment Manager had approximately \$20.1 billion in assets under management.

Independent Review Committee

The mandate of the independent review committee ("IRC") is to review conflicts of interest matters brought to it by CC&L Capital Markets and, in most cases, make recommendations to CC&L Capital Markets, or in certain cases, make a decision whether or not to approve CC&L Capital Markets' proposal. The IRC is composed of three members, all of whom are independent of the CC&L Capital Markets and its affiliates. The IRC will be required to prepare

annually a report to Shareholders describing its activities. The report is available at CC&L Capital Markets' website, www.cclcapitalmarkets.com or at the request of a Shareholder, at no cost, by contacting CC&L Capital Markets at 1-888-276-2258. Additional information regarding the IRC, including the names of its members, will be available in the Fund's annual information form.

Custodian

RBC Dexia Investor Services Trust
Toronto, Ontario

Record Keeper

RBC Dexia Investor Services Trust
Toronto, Ontario

The record keeper keeps track of the owners of Shares of the Fund and processes changes in ownership.

Auditor

PricewaterhouseCoopers LLP
Toronto, Ontario

The auditor examines the Fund's annual financial statements and provides an opinion as to whether they fairly present the Fund's financial position and results. Pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds*, although the approval of shareholders will not be obtained before making a change to the auditor of the Fund, Shareholders will be sent a written notice at least 60 days before the effective date of the change.

PURCHASES AND REDEMPTIONS

How to buy Shares of the Fund

You can buy Shares of the Fund through a registered representative registered with the securities regulator in your province or territory.

You must have reached the age of majority in your province or territory to buy Shares in a mutual fund. You may hold Shares in trust for a minor.

Purchase price — When you buy Shares of the Fund, you buy them at the net asset value ("NAV") of the Share calculated as of the day of your purchase, as long as your purchase order is received on or before 4:00 p.m. (Toronto time) on a day that The Toronto Stock Exchange is open for business or before The Toronto Stock Exchange closes for the day, whichever is earlier. If your order is received after that time, it will be processed as of the next business day.

The Fund currently issues and redeems Natural Resources Class Shares based on the NAV per Natural Resources Class Share and Balanced Portfolio Class Shares based on NAV per Balanced Portfolio Class Share. See *Initial Investment* on page 13.

How we process your order — You and your registered representative are responsible for the completeness and accuracy of your purchase order.

The Fund must receive full and proper payment within three business days of processing your order. If full and proper payment is not received within that time, or if the payment is returned or dishonoured, your Shares will be redeemed on the next business day. If the proceeds are greater than the amount you owe, the Fund keeps the difference. If the proceeds are less than the amount you owe, your dealer will pay the difference to the Fund and you may be responsible to reimburse your dealer depending upon your arrangements with your dealer.

We have the right to accept or reject your order within one business day of receiving it. We reserve the right to reject any purchase order. If we accept your order, you will receive a written confirmation from your dealer. If we reject your order, RBC Dexia will return any money you have sent without interest.

Registration of Shares — Shares may be registered with RBC Dexia either directly in your name or in a nominee name, including the name of your dealer.

Certificates — No certificates will be issued.

How to redeem Shares of the Fund

To redeem Shares, contact your registered representative, who may ask you to complete a redemption request form.

You redeem Shares at the current NAV per Share. If your redemption request is received on or before 4:00 p.m. (Toronto time) on a day that The Toronto Stock Exchange is open for business or before The Toronto Stock Exchange closes for the day, whichever is earlier, the redemption value will be calculated as of that day. If your redemption request is received after that time, the redemption value will be calculated as of the next business day.

Redemption fees — The Fund does not charge any redemption fees.

Short-term trading — In general, the Fund is a long-term investment. Trading often in order to time the market is not a good idea and not in the best interest of the Fund. Frequent trading can hurt the Fund's performance, affecting all the investors in the Fund, by forcing the Fund to keep cash or sell investments to meet redemptions. We monitor frequent trading activity with a view to detecting and deterring market-timing activity.

If you redeem within 90 days of purchasing Shares, we reserve the right to charge an investor protection fee of 2.0%. This amount is charged on behalf of, and is paid to, the Fund. See *Fees and expenses* on page 14 for more details.

How we process your redemption request — RBC Dexia will pay you the proceeds of a redemption request within three business days of receiving your redemption request provided all necessary documentation has been submitted.

RBC Dexia will mail you a cheque unless you choose to have the proceeds delivered:

- By wire to your bank account (you may have to pay a fee to your bank or financial institution), or
- By electronic funds transfer (“EFT”) into your bank account.

If you choose payment by EFT, you need to accompany your redemption request with an imprinted void cheque so we may deposit the funds directly into your bank account. You may also request regular redemptions through EFT through a systematic withdrawal plan. See *Optional services* on page 13 for more details.

If RBC Dexia does not receive all the necessary documentation to complete your redemption order within 10 business days of receiving your order, we will repurchase your Shares on the 10th business day after receipt of your redemption request. If the sale proceeds are greater than the repurchase amount, the Fund keeps the difference. If the sale proceeds are less than the repurchase amount, your dealer will pay the difference to the Fund and you may be responsible to reimburse your dealer depending upon your arrangements with your dealer.

Redemption suspensions — Canadian securities regulators allow us to suspend your right to redeem:

- if normal trading is suspended in any market where portfolio securities or specified derivatives are traded which represent more than 50 per cent of the total asset value of a class or series of shares if those portfolio securities or specified derivatives are not traded on another market or exchange that represents a reasonable and practical alternative, or
- in other circumstances with the consent of the Canadian securities regulators.

If we suspend redemption rights before the redemption proceeds have been determined, you may either withdraw your redemption request or redeem your Shares at the NAV next determined after the suspension has been lifted. During any period of suspension of redemption rights, we will not accept orders for Shares in respect of which redemptions have been suspended.

Initial Investment in Balanced Portfolio Class Shares

Connor, Clark & Lunn Financial Group has subscribed for \$150,000 of Balanced Portfolio Class Shares. Connor, Clark & Lunn Financial Group will not redeem its Balanced Portfolio Class Shares until subscriptions aggregating at least \$500,000 have been received by the Fund for Balanced Portfolio Class Shares from investors (other than the Manager, the Investment Manager or their partners, directors, officers or security holders) and accepted by the Fund.

OPTIONAL SERVICES

Systematic withdrawal plan

If you have invested in the Fund and you hold at least \$100,000 in an account with us, you can authorize us to establish a systematic withdrawal plan. Through this plan, we make regular

payments to you by redeeming Shares in your account. This plan is available on all CC&L Capital Markets accounts except for RRSPs, RESPs, LIRAs, LRSPs and TFSAs. Your dealer may offer a similar plan.

To request a systematic withdrawal plan, complete the required form and give it to your registered representative or send it directly to us. You choose the frequency and amount of the withdrawals. There is no charge by CC&L Capital Markets for this plan. However, from time to time, CC&L Capital Markets may impose a minimum withdrawal amount. You may cancel the plan at any time by giving us two business days' notice.

Note, however, that if the regular payments you receive are greater than the growth in your account, you will eventually exhaust your original investment unless you make further contributions.

Pre-Authorized Chequing Plans

You can make regular investments bi-monthly or monthly on or about the 15th or 30th day of the month in Shares provided each investment is at least \$100. We will automatically transfer the amounts from your Canadian dollar chequing account and invest it in Shares of the Fund specified by you. There is no fee for this service.

FEES AND EXPENSES

The following describes the fees and expenses that you may have to pay if you invest in the Fund. You may have to pay some of these fees directly. Other fees may be payable by the Fund, which will reduce the value of your investment in the Fund.

The management fee pays for the services of CC&L Capital Markets. CC&L Capital Markets is also responsible for the fees of the Investment Manager. In addition, the Fund is responsible for its operating expenses. The management fee, operating expenses and harmonized sales tax (“HST”) comprise the total fees and expenses charged to the Fund. The management expense ratio (“MER”) of Shares of the Fund includes the management fee, certain of the operating expenses and HST but excludes brokerage, interest and taxes (other than HST).

<i>Fees and Expenses Payable by the Fund</i>	
Management Fees	The Fund pays a management fee, which is accrued daily and paid monthly. The annual management fee for the Fund is 2.50% of net assets.
Operating Expenses	Ordinary operating expenses incurred by the Fund includes: <ul style="list-style-type: none"> • Transfer agency fees • Accounting, audit and legal fees and expenses • Interest expense • Bank charges

	<ul style="list-style-type: none"> • Safekeeping and custodial fees • Investor servicing costs, annual and semi-annual reports, prospectuses and other reports • Fees (the Fund's portion of the total annual retainer payable to each member of the IRC will be approximately \$1,515) and expenses (including premiums for insurance coverage) of the IRC <p>The Fund will also bear other types of expenses included in the financial statements such as brokerage fees, taxes (including HST), interest expenses, regulatory fees, income taxes and foreign withholding taxes.</p>
<i>Fees and Expenses Payable Directly by You</i>	
Sales Charges	Nil. Your dealer may charge you a commission.
Redemption Fees	Nil.
Short-term Trading Fee	Two per cent of the current value of your Shares of the Fund if you redeem within 90 days of purchase.
Other Fees and Expenses	We reserve the right to charge a fee for dishonoured cheques or insufficient funds.

Impact of Sales Charges

The following table shows the amount of fees that you would have to pay under the different purchase options available to you if you made an investment of \$1,000 in the Fund, if you held that investment for one, three, five or ten years and redeemed immediately before the end of that period.

Option	At Purchase	1 Year	3 Years	5 Years	10 Years
Sales Charge Option	nil	nil	nil	nil	nil
Redemption Charge Option	nil	nil	nil	nil	nil
No Load Option	nil	nil	nil	nil	nil

DEALER COMPENSATION

Commissions we pay to your dealer — Part of the management fees that the Fund pays is used to compensate your dealer for the services provided in connection with your investment in Shares and is payable as a trailing commission.

Trailing commission — Either monthly or quarterly, at our option or as agreed by us with your dealer, we pay a trailing commission of 0.50% per annum of the aggregate net asset value of the

Shares you hold through your dealer in respect of your investment in Shares of the Fund, plus applicable taxes.

Dealer support

Cooperative marketing — We may pay your dealer up to 50 per cent of the direct costs they incur to:

- publish and distribute sales communications, and
- lead seminars to educate investors or promote mutual funds or the Fund.

We may also provide dealers with marketing materials and reports to help them promote the Fund.

Conferences and seminars — In addition to cooperative marketing, we may also:

- organize and present educational conferences for registered representatives,
- pay registered representatives' registration fees for certain educational conferences organized and presented by third parties,
- pay certain industry organizations up to 10 per cent of the direct costs of organizing and presenting educational conferences, and
- pay dealers up to 10 per cent of the direct costs of organizing and leading education conferences.

INCOME TAX CONSIDERATIONS FOR INVESTORS

This information is a general summary of tax rules and is not intended to be legal or tax advice. For this discussion, we assume that you are a Canadian resident individual (other than a trust), hold your Shares as capital property and deal at arm's length with and are not affiliated with the Fund.

This summary takes into account the current provisions of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder, as well as all publicly announced proposals to amend the Tax Act and regulations as of the date hereof. This summary also takes into account the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary does not take into account provincial or foreign income tax legislation or considerations.

We have tried to make this discussion easy to understand. As a result, we cannot be technically precise or cover all the tax consequences that may apply. Therefore, please consult your tax advisor for details about your individual situation.

The Fund intends to qualify at all relevant times as a mutual fund corporation for tax purposes and it is assumed for the purposes of this summary that the Fund will continue to so qualify in the future.

Taxation of your earnings from the Fund

In general, the Fund will not pay tax on taxable dividends received from taxable Canadian corporations or on net capital gains realized by it if it pays sufficient ordinary taxable dividends and capital gains dividends to its Shareholders to eliminate its tax liability thereon. The Fund will be liable for tax on income from other sources (such as interest, dividends from foreign sources, and any gains treated on income account) at full corporate rates. However, due to deductible expenses available to the Fund, it is not expected to have any material net income tax liability.

The Fund is subject to the refundable tax under Part IV of the Tax Act on taxable dividends received by it from taxable Canadian corporations in an amount equal to 33⅓% of such dividends, which tax will be refundable on the basis of \$1.00 for each \$3.00 of taxable dividends paid by the Fund.

The Fund will elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in the Tax Act) treated as capital property. This election will ensure the treatment of gains or losses realized by the Fund on the sale of Canadian securities as capital gains or capital losses.

The Fund may experience gains or losses from derivative activities and, depending on the nature of these activities, these may be treated as either income gains or losses or capital gains or losses.

The Fund, like any other mutual fund corporation with a multi-class structure, must compute its net income and net capital gains for tax purposes as a single entity. Consequently, the overall result for a Shareholder of a class of Shares may differ from what would be the case if the Shareholder had invested in a mutual fund trust, or mutual fund corporation, which did not have the multi-class structure and which made the same investments as the class of Shares. For example, if a particular class of Shares has a net loss or net realized capital loss, that net loss or net realized capital loss may be applied to reduce the income and net realized capital gains of the Fund as a whole. The amount of capital gains dividends to be paid by a class of Shares will be affected by the level of redemptions from all classes of Shares as well as accrued gains and losses of the Fund as a whole. The Fund may have to modify its investments as a consequence of Shareholders switching between classes of Shares. As a result, more of its accrued gains and losses may be recognized at an earlier time compared with a mutual fund that does not allow for tax deferred switching among asset pools.

The income and capital gains dividends of the Fund will be allocated to each class of Shares in the sole discretion of the directors of the Fund acting on a reasonable basis.

When you buy Shares of the Fund just before a dividend date, you will receive the entire dividend even though the Fund may have earned the income or realized the gains relating to the dividend before you owned the Shares.

As a consequence of the tax-deferred transfer of property to the Fund by certain limited partnerships, you may receive capital gains dividends that relate to capital gains on such property that accrued prior to the property being owned by the Fund. Such capital gains may be realized as a result of Shareholders switching from one class of Shares to another class of Shares, as well as in other circumstances. The Fund may declare and pay capital gains dividends to Shareholders

of any class of Shares, regardless of whether the related capital gains resulted from a disposition of securities held by the Fund in respect of another class of Shares. If your Shares are not held in a registered plan, these dividends will be taxable to you. It is anticipated that a substantial portion of the assets of the Fund will consist of property transferred to the Fund on a tax-deferred basis.

The Fund is required to compute its income and gains for tax purposes in Canadian dollars. Any foreign investments in the Fund's portfolio may therefore give rise to foreign exchange gains or losses that will be taken into account in computing the Fund's income for tax purposes.

See *Distribution Policy* on pages 24 and 27 for details of the Fund's distribution policy.

If you hold Shares outside of a registered plan

Distributions — If you don't hold your Shares in a registered plan, dividends you receive must be factored into your computation of income for tax purposes, even though they may be reinvested in additional Shares. If the dividend is a capital gains dividend, one-half of the dividend will be included in your income as a taxable capital gain. If the dividend is an ordinary dividend, the dividend gross-up and tax credit rules will apply. The amount of reinvested dividends is added to the aggregate adjusted cost base ("ACB") of your Shares to reduce your capital gain or increase your capital loss when you later redeem or otherwise dispose of your Shares, thereby ensuring you do not pay tax on this amount again. The higher the Fund's turnover rate in a year, the greater the chance that you will receive a capital gains dividend. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Dispositions — If you switch from one class of Shares to another class of Shares within the Fund, the switch is not treated as a disposition for tax purposes and you will not realize a capital gain or capital loss on the switch. The total cost of the Shares of the new class acquired on the switch will be equal to the total adjusted cost base of the Shares of the previously owned class. The cost of the Shares of the new class will be averaged with the adjusted cost base of any Shares of the new class already held by you in order to determine your adjusted cost base per Share of the new class.

Redeeming Shares of the Fund held outside a registered plan may affect the taxes you pay if you have a capital gain or a capital loss on your investment. If the amount you receive from the redemption is greater than the ACB, you will have a capital gain. If the amount you receive from the redemption is less than the ACB, you will have a capital loss. You may deduct any reasonable expenses of redemption in calculating your capital gains or losses.

One-half of any capital gain (or capital loss) realized must be included in determining your taxable capital gain (or allowable loss) in the year.

You are responsible for keeping a record of the ACB of your investment. The aggregate ACB of your Shares of the Fund is made up of the amount you paid to acquire your Shares of the Fund. It is made up of the amounts you paid to purchase your investment in cash, including any upfront sales commissions, plus the amount of any distributions you received from the Fund and reinvested in more Shares. You reduce the ACB by the amount of any return of capital

distributions and by the ACB of any Shares you have previously redeemed (or otherwise disposed of). This record will enable you to calculate any capital gains or capital losses realized when you redeem (or otherwise dispose of) your Shares. If you acquired Shares from the Flow-Through LP in the course of a tax-deferred rollover, the ACB of your Shares will be determined under specific provisions of the Tax Act. You should consult your tax advisor in that regard.

Tax statements

You will receive a tax statement each year showing the amount and type of distributions — ordinary dividends, capital gains dividends or returns of capital — paid to you by the Fund. Keep detailed records of the purchase cost, sales charges and distributions related to your investments so you can calculate your ACB or cost amount. We suggest you consult a tax advisor to help you with these calculations.

If you hold Shares in a registered plan

Eligibility – Provided that the Fund qualifies as a “mutual fund corporation” under the Tax Act, Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax free savings accounts (“TFSA”) and registered education savings plans (each a “registered plan”). Provided the holder of a TFSA deals at arm's length with the Fund, does not have a “significant interest” (within the meaning of the Tax Act) in the Fund, and does not have a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust that does not deal at arm’s length with the Fund, Shares will not be a prohibited investment under the Tax Act for the TFSA.

Distributions — You do not pay tax on dividends you receive in a registered plan as long as you do not make a withdrawal from the plan.

All distributions on Shares in registered plans are automatically reinvested in additional Shares. The amount of the reinvested distribution is added to the cost amount of your Shares. The cost amount of Shares in a registered plan is calculated in the same way as the ACB in a non-registered plan.

Redeeming your shares — When you redeem your Shares and leave the proceeds in the registered plan, you do not pay any tax on the proceeds. If you withdraw shares or the proceeds of their redemption from your registered plan (other than your TFSA), you will generally pay tax on the amount withdrawn at your marginal tax rate (special rules apply with respect to RESPs). Withdrawals from your TFSA are generally not taxable. The amount you receive on withdrawal will be net of any redemption fees on the redemption and any applicable withholding taxes.

Contributions — You should be careful not to contribute more to your registered plan than allowed under the Tax Act or you may have to pay a penalty tax.

WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund shares and get your money back, or to make a claim for damages, if the Simplified Prospectus, annual information form or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

SPECIFIC INFORMATION ABOUT EACH OF THE FUNDS DESCRIBED IN THIS DOCUMENT

NATURAL RESOURCE CLASS SHARES

Fund details

Fund Type	Equity
Securities Offered	Natural Resources Class Shares
Start Date	September 30, 2009
Registered Account Eligibility	Eligible for registered plans
Management Fees and Ordinary Operating Expenses	Management Fees of 2.50% of net assets in respect of the Natural Resources Class Shares
Fund Manager	Connor, Clark & Lunn Capital Markets Inc.
Investment Manager	Connor, Clark & Lunn Investment Management Ltd.

What does the Fund invest in?

Investment objective For the Natural Resources Class Shares, the Fund seeks to generate long term growth by providing investors with exposure to Canadian natural resource companies.

Investment strategy

For the Natural Resources Class Shares, the principal business of the companies that we can invest in include: (1) oil and gas exploration, development and production; (2) mineral exploration, development and production; (3) forestry-related industries; (4) alternative energy development and production; and (5) resource-related services such as service and infrastructure providers for natural resource companies.

The Investment Manager will utilize an active fundamentals based approach which involves disciplined monitoring of the sector. Before an initial investment is made, a management interview is conducted to determine the important future drivers for shareholder value creation. In addition to the issuer's strategic corporate plan, the strength and weakness of the issuer's management, board, and technical teams are assessed. The willingness of the management team to take different levels of risk to achieve their long term goals and the ability of the issuer to meet its stated goals and key financial metrics are also examined. If an issuer's securities are added to the Fund, regular visits are made with the management team to monitor whether it is meeting the milestones set for the issuer at the initiating meeting. Target prices are set for the stocks based on the expectation for growth and value creation potential and are used to assess relative opportunity amongst the universe of investments. In support of the bottom up stock selection process, an understanding of the macro environment is developed using a wide range of industry contacts.

The Investment Manager uses many of the traditional industry efficiency metrics in its analysis of company-specific risk. For example, when assessing the quality of assets, the Investment Manager will evaluate the level of production risk by examining how long wells have been in production, how much of the overall production is made up of wells with less than two years production, and geographic concentration of the wells. Exploration and development costs are also considered by the Investment Manager to be important measures of efficiency of the management team as are netbacks (revenue less production costs), operating costs and selling, general and administration expenses on a per share basis.

When assessing a business there are a number of key characteristics that the Investment Manager looks for. These include:

- strong and experienced management team,
- demonstrated ability to create shareholder value,
- well-defined strategic plan with visibility,
- quality assets that provide organic growth potential,
- strong board and corporate governance,
- strong balance sheet and funding ability,
- diversified risk exposures, and
- defined financial metric goals.

The Fund may only make use of “specified derivatives” within the meaning of Canadian securities regulatory requirements, which include clearing corporation options, futures contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants. The Fund may invest in or use such specified derivatives for hedging purposes and for non-hedging purposes as permitted by Canadian securities regulators if cash and securities are set aside to cover the positions. The Fund may only invest in or use derivative instruments that are consistent with the investment objectives of the Fund.

The Fund may use derivatives with the intention to offset or reduce a risk associated with an investment or group of investments. These risks include stock market risks and interest rate changes. In addition, the Fund may use derivatives rather than direct investments to reduce transaction costs, achieve greater liquidity, create effective exposure to international financial markets or increase speed and flexibility in making Fund changes. The Fund may seek to enhance the returns to its portfolio through the use of derivatives, including by seeking to reduce the potential for loss or by accepting a more certain lower return rather than seeking a less certain higher potential return. Derivatives may be used by the Fund to position itself so that it may profit from declines in financial markets.

The Fund may also: (i) write exchange or over-the-counter put or call options if the Fund holds and continues to hold, as long as the position remains open, an equivalent quantity of the

underlying interest, or a right or obligation to acquire or sell, as the case may be, such underlying interest, together with any required amount of cash or securities; and (ii) use for non-hedging purposes futures, forward contracts and debt-like securities that have a component that is a long position in a forward contract if cash and securities are set aside to cover the positions.

Derivatives will not be used:

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

The Fund may enter into repurchase agreements, provided that not more than 50% of the net assets of the Fund may be at risk under these repurchase agreements unless Canadian securities regulatory authorities allow the Fund to invest in a greater amount. Through a repurchase agreement, the Fund sells a security at one price and concurrently agrees to buy it back from the buyer at a fixed price.

The Fund may also enter into securities lending transactions. Securities lending involves lending for a fee portfolio securities held by the Fund for a set period of time to willing, qualified borrowers who have posted collateral. The Fund intends to enter into securities lending arrangements from time to time to the extent permitted. Any such arrangement will be a “securities lending arrangement” within the meaning of the Tax Act. The Fund will only enter into securities lending transactions in accordance with the limits, restrictions and practices set by Canadian securities regulations.

What are the risks of investing in the Natural Resources Class Shares?

The direct and indirect risks of investing in the Fund include:

- commodity risk,
- concentration risk,
- derivative risk,
- equity risk,
- government regulation risk,
- large transaction risk,
- liquidity risk,
- repurchase and reverse repurchase transactions and securities lending risk, and

- tax risk.

Who should invest in the Natural Resources Class Shares?

The Fund should be considered by investors who:

- want capital appreciation over the long term,
- are willing to accept moderate to high risk,
- want exposure to equities in the Canadian natural resource sector, and
- are willing to accept some fluctuation in value over the short to medium term.

Distribution policy

All holders of Natural Resources Class Shares of the Fund will participate in any dividends or distributions declared by the Fund's board of directors on the Natural Resources Class Shares. Distributions will be made to shareholders of the Fund annually on or before the Fund's year-end.

The Fund may declare and pay dividends or distributions on Natural Resources Class Shares in Natural Resources Class Shares and then automatically consolidate the Natural Resources Class Shares so that there will be no change in the number of Natural Resources Class Shares outstanding as a result of the dividend or distribution.

For information about how distributions can affect your taxes, see *Income Tax Considerations for Investors* on page 16.

Portfolio Expenses Indirectly Borne by Investors

The table below shows how much an investor in the Natural Resources Class Shares would pay in expenses on a \$1,000 investment with a 5% annual return and assumes reinvestment of the 5% return. The table is intended to help an investor compare the cost of investing in the mutual fund with the cost of investing in other mutual funds. The calculation is based on a Management Expense Ratio ("MER") of 3.56% for Natural Resources Class Shares as reported in its latest annual financial statements dated June 30, 2010.

Fees and Expenses Payable over (\$)	1 Year	3 Years	5 Years	10 Years
Natural Resources Class	36	113	199	452

For information about fees and expenses paid directly by the investor which are not included in the calculation of management expense ratio, please refer to the table entitled *Fees and Expenses Payable Directly by You* in this simplified prospectus.

BALANCED PORTFOLIO CLASS SHARES

Fund details

Fund Type	Equity
Securities Offered	Balanced Portfolio Class Shares
Start Date	April 1, 2010
Registered Account Eligibility	Eligible for registered plans
Management Fees and Ordinary Operating Expenses	Management Fees of 2.50% of net assets in respect of the Balanced Portfolio Class Shares. There will be no duplication of fees in respect of the Fund's investment in the CC&L Balanced Portfolio.
Fund Manager	Connor, Clark & Lunn Capital Markets Inc.
Investment Manager	Connor, Clark & Lunn Investment Management Ltd.

What does the Fund invest in?

Investment objectives The Fund will invest the proceeds resulting from the issuance of the Balanced Portfolio Class Shares in securities of the CC&L Balanced Portfolio (the "Portfolio"), an open-end trust organized under the laws of Ontario subject to NI 81-102 and NI 81-101.

Investment objectives of the Portfolio The Portfolio seeks to generate modest growth of capital while utilizing fixed income investments to stabilize returns. The Portfolio is broadly diversified across different types of equity and fixed income securities. Equity securities are employed to provide capital growth while fixed income investments limit year to year variability of returns. The investment objectives of the Portfolio cannot be changed without the approval of a majority of the investors at a meeting called to consider the change.

Investment strategies of the Portfolio — To achieve these objectives, the Manager of the Portfolio has retained the services of a number of specialized portfolio managers, each with its own specialized area of investment expertise.

Connor, Clark & Lunn Private Capital Ltd. ("CCLPC") has been retained to determine the appropriate asset allocation of invested funds across the various asset classes. Each of the following portfolio managers have been retained to determine asset allocation or to invest the assets allocated to their asset class with full authority and responsibility for security selection:

- Connor, Clark & Lunn Investment Management Ltd. - Canadian equities (growth at a reasonable price, known as GARP), fixed income and income trusts
- Connor, Clark & Lunn Private Capital Ltd. - asset allocation
- New Star Canada Inc. - EAFE equities

- PCJ Investment Counsel Ltd. - Canadian equities (small cap)
- Scheer, Rowlett & Associates Investment Management Ltd. - Canadian equities (value)
- Baker Gilmore & Associates Inc. - fixed income (short term)
- Gyrus Investment Management Inc. – U.S. equities

In its capacity as portfolio manager responsible for asset allocation in respect of the Portfolio, CCLPC will monitor and periodically rebalance the Portfolio's underlying investments in order to maintain the strategic target asset allocations and, CCLPC may, in its sole discretion, based in part upon any modelling, testing and asset allocation services, change the strategic target allocations and/or add or remove asset classes in order to meet the objectives of the Portfolio. The Portfolio may also invest in foreign debt or equity, which may or may not be hedged back to the Canadian dollar. While it is expected that such foreign investments will not generally exceed approximately 30% of the assets of the Portfolio at the time of investment, the Portfolio may invest up to 49% of its assets in foreign securities if the portfolio managers, in their discretion, so determine.

The Portfolio may also hold an interest in an underlying fund having portfolio securities of the same asset class and managed by a member of Connor Clark & Lunn Financial Group. The Portfolio was only established at the beginning of 2006. Until the Portfolio is of sufficient size and/or in order to achieve sufficient diversity in one or more of its asset classes, the Portfolio may invest in units of exchange traded funds which constitute "index participation units" under applicable securities rules, as well as exchange traded closed-end investment funds managed by a member of Connor Clark & Lunn Financial Group, in both cases which reflect the particular asset class. CCLPC has established guidelines with respect to the size threshold for an asset class of the Portfolio before active portfolio management in that asset class will occur and with respect to the funds to be used. Details of such guidelines are included in the annual information form of the Portfolio.

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

The Portfolio may use derivatives, such as futures, options, forward contracts or swaps, to protect against losses caused by currency exchange rates or stock price changes. The Portfolio may also use derivatives for non-hedging purposes such as to gain exposure to stocks or stock indices, for example, as a substitute for buying such stocks directly. Derivatives, securities lending, repurchase agreements and reverse repurchase agreements may all be used in conjunction with the investment strategies of the Portfolio to enhance returns. The Portfolio may be actively traded which results in higher trading costs with the consequence that returns may be lower.

What are the risks of investing in the Balanced Portfolio Class Shares?

The direct and indirect risks of investing in the Balanced Portfolio Class Shares include:

- American depositary securities and receipts risk
- commodity risk
- concentration risk
- credit risk
- currency risk
- derivative risk
- equity risk
- foreign market risk
- government regulation risk
- income trust, partnership and REIT risk
- interest rate risk
- large transaction risk
- liquidity risk
- prepayment risk
- repurchase and reverse repurchase and securities lending risk
- tax risk
- underlying fund risk

Who should invest in the Balanced Portfolio Class Shares?

The Balanced Portfolio Class Shares should be considered by investors who:

- want a diversified, balanced portfolio of equity and fixed income
- are willing to accept moderate risk
- are investing over the medium term
- are willing to accept some fluctuations in value over the short to medium term.

Distribution policy

All holders of Balanced Portfolio Class Shares of the Fund will participate in any dividends or distributions declared by the Fund’s board of directors on the Balanced Portfolio Class Shares. Distributions will be made to shareholders of the Fund annually on or before the Fund’s year-end.

The Fund may declare and pay dividends or distributions on Balanced Portfolio Class Shares in Balanced Portfolio Class Shares and then automatically consolidate the Balanced Portfolio Class Shares so that there will be no change in the number of Balanced Portfolio Class Shares outstanding as a result of the dividend or distribution.

For information about how distributions can affect your taxes, see *Income Tax Considerations for Investors* on page 16.

Portfolio Expenses Indirectly Borne by Investors

The table below shows how much an investor in the Balanced Portfolio Class Shares would pay in expenses on a \$1,000 investment with a 5% annual return and assumes reinvestment of the 5% return. The table is intended to help an investor compare the cost of investing in the mutual fund with the cost of investing in other mutual funds. The calculation is based on a Management Expense Ratio (“MER”) of 6.84% for Balanced Portfolio Class Shares as reported in its latest annual financial statements dated June 30, 2010.

Fees and Expenses Payable over (\$)	1 Year	3 Years	5 Years	10 Years
Balanced Portfolio Class	68	215	376	857

For the Balanced Portfolio Class Shares, it is anticipated that the actual MER will be considerably less than the 6.84% that was derived from an annualized calculation. This annualized MER was calculated based on a very short period of time (from inception on April 20, 2010 to the class’s financial year end on June 30, 2010). The MER formula is based on the annualized expenses incurred during the fund’s financial year divided by the fund’s average NAV. Although NAV was approximately \$650,000 at period end, the average NAV was only \$178,000 throughout the inception period and expenses for the period were only \$2,300.

For information about fees and expenses paid directly by the investor which are not included in the calculation of management expense ratio, please refer to the table entitled *Fees and Expenses Payable Directly by You* in this simplified prospectus.

SIMPLIFIED PROSPECTUS

**Connor, Clark & Lunn Capital Class Inc.
Connor, Clark & Lunn Natural Resources Class Shares
Connor, Clark & Lunn Balanced Portfolio Class Shares**

Additional information about the Fund will be available in the annual information form, the Fund's most recently filed annual financial statements and annual management report of fund performance, and interim financial statements and interim management report of fund performance. These documents are incorporated by reference into this Simplified Prospectus, which means they legally form part of this document just as if they were printed in it. You can get a copy of these documents, including a statement of portfolio transactions, at no charge by contacting your registered representative. You may also find these documents and other information about the Fund at www.cclcapitalmarkets.com or at www.sedar.com. Unless otherwise indicated herein, information about the Fund which may otherwise be obtained on the CC&L Capital Markets website is not, and shall not be deemed to be, incorporated in this Simplified Prospectus.

Manager of the Connor, Clark & Lunn Capital Class Inc.:

Connor, Clark & Lunn Capital Markets Inc.
181 University Avenue, Suite 300
Toronto, Ontario M5H 3M7

Telephone: 416-364-2839