



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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

Semi-Annual Report
June 30, 2011

Connor, Clark & Lunn Conservative Income & Growth Fund Message to Unitholders

Dear Investor,

August 29, 2011

It has now been over a year since the fund merger took place (June 14, 2010) and the Fund's mandate was changed. I am pleased to report that our investment manager Connor, Clark & Lunn Investment Management (the "Investment Manager") has done a good job under the new mandate. I would also like to welcome the unitholders that joined the Fund after the merger with Connor, Clark & Lunn Conservative Income Fund. In May of next year, as per the terms of the merger, the Fund will become an open end mutual fund and will cease to trade on the TSX. We anticipate that moving to an open end fund will significantly expand the size of the Fund as investors will be able to buy units on a continuous basis.

Since repositioning, the Fund's net asset value delivered strong performance moving from \$23.22 per unit, prior to merger, to \$25.55 as of June 30, 2011 and paying \$1.46 in distributions for a total return of 16.3%.

Investment Manager's 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 is a business trust, REIT or corporate bond.

The investment objectives of the Fund are to provide unitholders with: (i) an attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% per annum; (ii) downside protection through diversification across multiple asset classes and a conservative approach to security selection; and (iii) growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential.

The new mandate is similar to a strategy that Investment Manager has been managing for institutional clients for a number of years. The Connor, Clark & Lunn High Income Fund, as it is known, has delivered strong returns. Over the past five years (to June 30th) its performance was 8.1% per annum, while since its inception in March 2001 the average annual return has been 13.6%. These figures are after deducting costs, but before management fees.

We encourage you to check our website for quarterly investment updates and other timely information, and we thank you for your continued support.

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 & Growth Fund contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. The semi-annual financial statements and accompanying notes are attached to this report.

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

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

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

Investment Objectives and Strategy

On June 14, 2010 (the "First Merger Date"), Connor, Clark & Lunn PRINTS Trust (PRINTS Trust) merged with Connor, Clark & Lunn Conservative Income Fund II ("CCK") with PRINTS Trust as the continuing fund (the "First Merger"). The continuing Fund was renamed the Connor, Clark & Lunn Conservative Income & Growth Fund (the "Fund"). The objectives of the First Merger were to: (i) lower the administrative costs and increase trading liquidity by establishing a larger fund; (ii) expand the investment mandate of CCK to include a broader range of high yielding securities as required due to the pending change in taxation of income trusts; and (iii) change the investment mandate of PRINTS Trust which should allow it to resume distributions, provide greater potential for capital growth and utilize its accumulated tax losses.

The investment objectives of the Fund are to provide unitholders with: (i) an attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% of net asset value per annum; (ii) downside protection through diversification across multiple asset classes and a conservative approach to security selection; and (iii) growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential. On May 31, 2012, the Fund will convert to an open-ended mutual fund which will be able to distribute and redeem its units on a continuous basis.

On February 1, 2011 (the "Second Merger Date"), the Fund merged again with Connor, Clark & Lunn Conservative Income Fund ("CCQ") (the "Second Merger"). The Fund was also the continuing Fund. The objectives of the Second Merger were to: (i) lower the administrative costs and increase trading liquidity by establishing a larger fund; and (ii) permit CCQ unitholders to participate in Fund's broader range of high yielding securities than currently offered by CCQ, and (iii) to provide greater potential for capital appreciation and utilization of accumulated tax losses.

The Fund retained Connor, Clark & Lunn Capital Markets Inc. (the "Manager") as a Manager of the Fund and Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") as the Fund's investment manager.

Risk

There were no changes in the risk exposure of the Fund during the six month period ended June 30, 2011.

For a full analysis of risks, please see the PRINTS Trust prospectus dated November 29, 2001 or the Fund's most recent annual information form. Both are available at www.sedar.com or www.cclcapitalmarkets.com.

Recent Developments

Future accounting changes

The Canadian Accounting Standards Board (“CASB”) previously confirmed that effective January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the CASB issued an exposure draft “Adoption of IFRSs by Investment Companies”, proposing that investment companies currently applying Accounting Guideline 18 (“AcG 18”) “Investment Companies” issued by the Canadian Institute of Chartered Accountants (“CICA”), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the CASB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18.

At its January 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises for one additional year. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

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

Results of Operations

Portfolio Manager Commentary (August 2011)

Brief Outlook

Expectations for growth turned negative during the second quarter as economic releases confirmed that the global economy was entering a “soft patch”. In addition to the moderating global growth outlook, well-anchored inflation expectations and heightened risk aversion helped the Canadian bond market post a strong positive return for the quarter. Meanwhile the Canadian equity market fell 5.1% as economy sensitive sectors such as technology, energy and materials all posted significant losses. The telecom sector stood out as the best performing sector as investors were drawn to the attractive yields of telecom stocks.

Performance

The portfolio delivered strong performance in the first half of 2011. The portfolio's limited exposure to economically-sensitive sectors and emphasis on income-oriented securities helped to preserve capital within the equity component as the market softened in the second quarter. The fund's strong outperformance relative to the benchmark was also due to successful security selection. Security selection within utilities was lead by Brookfield Infrastructure Partners LP, which is building a world class portfolio of infrastructure assets and announced its 3rd dividend increase in the past 18 months. The telecom sector also delivered strong gains lead by Telus Corp. On the other hand the holding in Altus Group Inc., a software company for the real estate industry, weighed on performance during the quarter as investors were disappointed by the price paid for a significant acquisition which led to a reduction in its dividend. However, we continued to hold the position as we believe the transaction will be beneficial in the long term.

Overall Strategy

- Objective is to strike a balance in portfolio between dividend growth (2-5% yields with track record and prospects for dividend growth) and higher and sustainable yields (5-12% yielding real estate investment trusts “REITs”, former income trusts “IT”, Bonds)
- Last 6 months shifted focus to dividend growth names (IT and REITs dramatically outperformed in 2009-10 and

early 2011):

- Focus buy names in the first half of 2011 – Telus Corp., BCE Inc., TMX Group Inc., Mullen Group Ltd.
- Took profits in several of the REITs and Utility Trusts

Portfolio Asset Mix

	Portfolio June 30, 2011	Portfolio March 31, 2011	Portfolio Dec. 31, 2010
Business Trusts / High Dividend Equities	51.06%	49.49%	44.07%
REITs / Real Estate High Dividend Equities	18.92%	19.07%	20.48%
Utility Trusts / Utility High Dividend Equities	9.73%	10.22%	13.93%
Investment Grade Bonds	7.66%	5.85%	6.66%
High Yield Bonds	12.00%	14.29%	13.72%
Cash & Equivalents (Leverage)	0.00%	0.00%	0.00%
Cash & Equivalents	0.62%	1.09%	1.15%

Dividend Paying Equities

Big three Banks: In recent years, the fund has owned certain banks such as National Bank and CIBC for the recovery as the lowest multiple bank stocks gained substantially from depressed levels. Now that we are in a more stable environment, we believe the highest quality banks will begin to outperform though a combination of multiple expansion and significantly better growth profiles. These three banks are TD, Royal and Bank of Nova Scotia, each of which has solid management, a strong domestic platform and superior international growth prospects which should outperform a slowing Canadian domestic banking market. In addition, each of these banks has raised dividends in recent months and are expected to increase them consistently going forward. In terms of actions, we are exiting CIBC which we see as cheap for valid reasons as the growth outlook is muted and the prospects for dividend growth inferior to the “big-3”. We continued to added to Bank of Nova Scotia which has a strong international growth profile lead by strong position in Latin America.

BCE Inc.: While Telus remains our favored telecom holding, BCE Inc. has underperformed by a large margin and now warrants a position. The company has an attractive 5.4% yield which has been increased steadily since George Cope became CEO. In addition, the wireless unit now has some momentum behind it as it catches up to Telus Corp. and Rogers Communications Inc. in terms of margins and revenue per user. Given Telus Corp.’s success so far with internet-based television, we are further encouraged about the viability of BCE’s offering. Finally, the financial performance of recently acquired CTV is likely to surprise to the upside, with positive implications for 2011 guidance.

REITs

Themes are:

1. Dividend growth: Killam Properties Inc., H&R REIT, Northern Properties REIT.
2. Retail – influx of US retailers including Target, Lowes, Dollar Tree, etc. bullish for Canadian landlords
3. Valuations elevated overall especially in larger names therefore, more selective in security selection

Recent New Addition:

Primaris Retail REIT: Building on our theme of favoring the retail REIT sector in Canada due to the incredible demand for space from US retailers such as Target, we recently established a position in Primaris Retail REIT. Primaris Retail REIT owns a significant portfolio of retail assets, focused on enclosed malls across Canada. The REIT specifically targets its ownership toward mid-size retail properties in major cities and major retail centers in secondary cities. The REIT had underformed on the year, largely because of the expectation that they would buy a significant mall portfolio. Now that the acquisition has taken place, we were able to buy at a level where we see a strong return and an attractive 6% yield.

Recent sales:

Sold Cominar REIT, Brookfield Office Properties Canada on relative valuation.

Bonds

Overall our strategy was to reduce risk over the period, which we accomplished by both moving up the credit spectrum to better quality credits, and locking in yields on yield to call paper, which are much less volatile than the overall market. We were targeting bonds with yields greater than 5.25%. Yield to call paper purchased includes Macy's Retail Holdings Inc., RSC Equipment Rentals. The Fund has also been buying up the credit spectrum, including some investment grade bonds, such as First Capital Realty Inc. and Capital Power, which have yields greater than 5%.

Capital Transactions

On June 9, 2011, the Fund announced that it has successfully completed its previously announced offering of warrants ("Warrants") and has issued Warrants to all the unitholders of its units of record on June 9, 2011.

Each Warrant entitles its holder to acquire one Unit upon payment of the subscription price of \$26.75. Warrants may be exercised on or before 5:00 p.m. (Toronto time) on the second business day after the last day of each month commencing on July 5, 2011 and ending on November 2, 2011.

Distributions

The targeted annual distributions are \$1.39 per unit to yield 6.0% based on the NAV per unit as of the First Merger Date.

The Fund has made all its scheduled distributions during the six month period ended June 30, 2011 paying regular monthly distributions totalling \$0.70 per unit (\$nil per unit during the six month period ended June 30, 2010).

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee tabled no special reports and made no material recommendations to management of the Fund during the six month period ended June 30, 2011.

Related Party Transactions

Management Fees

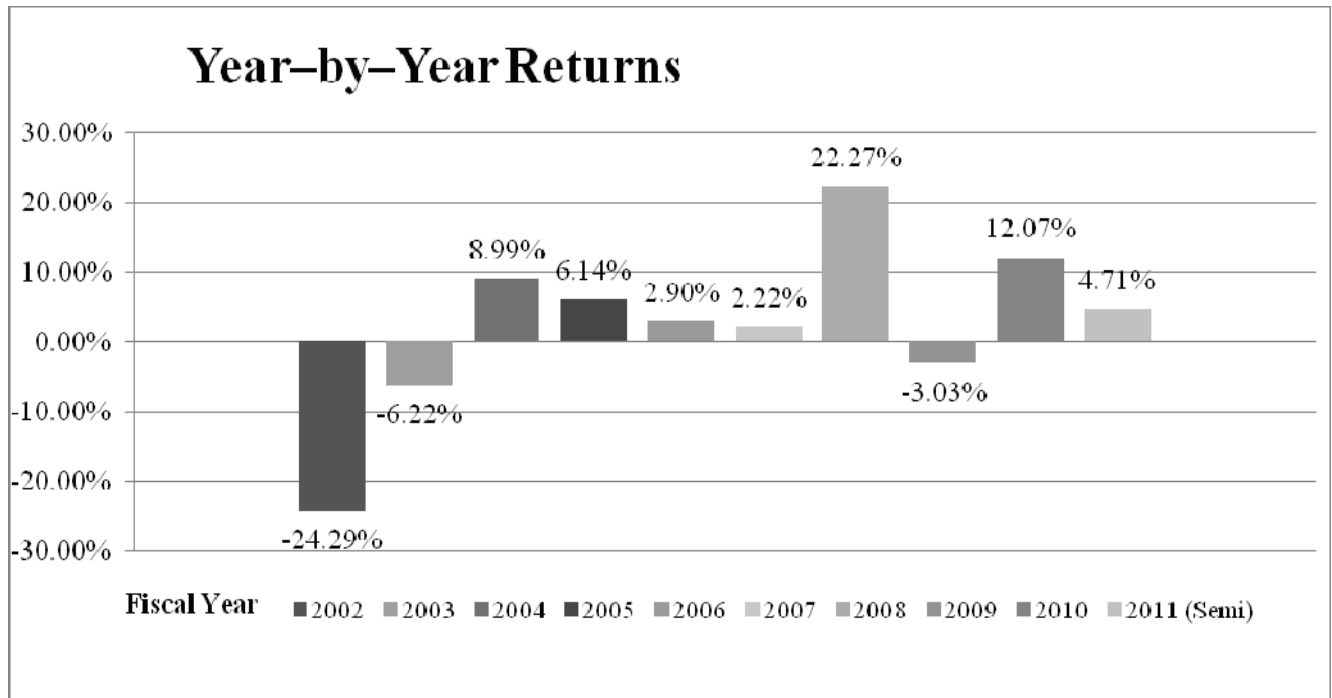
The Manager is entitled to a fee payable from the Fund at an annual rate equal to 1.10% of the net asset value of the Fund and calculated and payable monthly, plus applicable taxes.

The total management fees charged to the Fund during the six month period ended June 30, 2011 were \$333,100 (\$26,885 during the six month period ended June 30, 2010).

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

Past Performance

The following bar chart shows the annual performance of the Units for the past years shown. It also shows the semi-annual performance for the six-month period ended June 30, 2011 assuming all the distributions made by the Fund in the periods 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.



Note: The First Merger was completed on June 14, 2010, therefore, historical performance up to that date relates to the PRINTS Trust with its old investment mandate.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to assist in understanding the Fund's financial performance since inception. This information is derived from the Fund's past five year audited annual financial statements:

The Fund's Net Assets per unit: ⁽¹⁾	2011 (Semi)	2010	2009	2008	2007	2006
Net Assets, beginning of period⁽⁴⁾	25.08	23.13	23.85	19.51	19.08	21.55
Increase (decrease) from operations:						
Total revenues	0.70	1.1	0.01	0.04	0.08	0.04
Total expenses	(0.31)	(0.65)	(0.42)	(0.32)	(0.30)	(0.65)
Realized gains (losses) for the period	0.75	3.82	1.13	2.28	0.47	0.93
Unrealized gains (losses) for the period	(0.29)	(0.72)	(1.49)	2.31	0.15	(0.26)
Total increase (decrease) from operations ⁽²⁾	0.85	3.55	(0.77)	4.31	0.40	0.06
Distributions:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	(0.70)	(0.76)	—	—	—	—
Total Annual Distributions ⁽³⁾	(0.70)	(0.76)	—	—	—	—
Net Assets, end of period ⁽⁴⁾	25.55	25.08	23.13	23.85	19.51	22.62

⁽¹⁾ This information is derived from the Fund's annual and semi-annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for fund pricing purposes. 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 in note 3 to the financial statements.

⁽²⁾ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were paid in cash.

⁽⁴⁾ This is not reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data:	2011 (Semi)	2010	2009	2008	2007	2006
Net asset value (000's)	55,344	19,357	7,810	9,620	10,904	15,383
Number of units outstanding	2,160,378	770,308	337,643	403,263	558,888	679,968
Base management expense ratio ⁽¹⁾	2.40%	2.52%	1.79%	1.49%	1.60%	3.53%
Management expense ratio ⁽²⁾	2.40%	2.73%	1.79%	1.49%	1.60%	3.53%
Management expense ratio before waivers or absorptions ⁽²⁾	2.40%	2.73%	1.79%	1.49%	1.60%	3.53%
Portfolio turnover rate ⁽³⁾	62.43%	147.19%	26.22%	57.54%	8.51%	25.05%
Trading expense ratio ⁽⁴⁾	0.10%	0.20%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit	25.62	25.13	23.13	23.85	19.51	22.62
Closing market price	24.00	23.80	22.73	21.60	18.75	18.53

⁽¹⁾ A separate base management expense ratio has been presented to include the normal ongoing operating expenses and excluding the Broker commission charges.

⁽²⁾ Management expense ratio is based on the total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The base management expense ratio is based on all the ongoing excluding including Broker commission charges.

⁽³⁾ 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 Fund.

⁽⁴⁾ 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 June 30, 2011

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

	Market Value \$	% of NAV
Portfolio by Category		
Financials	24,210,505	44.0%
Corporate Bonds	10,762,926	19.4%
Consumer Discretionary	5,001,198	8.9%
Energy	4,068,898	7.3%
Utilities	3,819,228	6.9%
Telecommunication Services	2,911,406	5.3%
Industrials	2,860,964	5.1%
Health Care	870,956	1.6%
Consumer Staples	593,032	1.1%
Cash & Cash Equivalents	370,554	0.7%
Foreign currency forward contracts	132,703	0.2%
Other liabilities net of other assets	(259,050)	-0.5%
Top 25 Holdings		
Toronto-Dominion Bank	3,156,708	5.8%
Royal Bank of Canada	2,580,084	4.8%
Bank of Nova Scotia	2,573,830	4.8%
Telus Corp. Non-voting	2,022,636	3.7%
Thomson Reuters Corporation	1,998,792	3.6%
TMX Group Inc.	1,892,423	3.4%
Brookfield Infrastructure Partners LP	1,640,840	3.0%
Mullen Group Ltd.	1,491,315	2.7%
Enbridge Inc.	1,451,968	2.6%
Killam Properties Inc.	1,287,132	2.3%
Chartwell Seniors Housing Real Estate Investment Trust	1,225,560	2.2%
H&R Real Estate Investment Trust	1,201,020	2.2%
Corus Entertainment Inc.	1,179,570	2.1%
Manulife Financial Corp.	1,140,944	2.1%
Great West Lifeco	1,136,408	2.1%
Algonquin Power & Utilities Co.	1,134,006	2.0%
Groupe Aeroplan Inc.	1,133,532	2.0%
Canadian Apartment Properties Real Estate Investment Trust	1,063,700	1.9%
IBI Group Inc.	1,031,550	1.9%
Transglob Apartment Real Estate Investment Trust	1,015,740	1.8%
Wajax Corporation	908,236	1.6%
BCE Inc.	888,770	1.6%
CML Healthcare Inc.	870,956	1.6%
Inn Vest Real Estate Investment Trust	843,432	1.5%
Veresen Inc.	833,400	1.5%
Net asset value (NAV)	55,343,320	

Connor, Clark & Lunn Conservative Income & Growth Fund

Financial Statements (Unaudited)

June 30, 2011

Notice to Reader:

These interim financial statements and related notes for the six month period ended June 30, 2011 have been prepared by management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Fund have not audited or reviewed these interim financial statements.

Connor, Clark & Lunn Conservative Income & Growth Fund

Statements of Net Assets (Unaudited)

As at June 30, 2011 and December 31, 2010

	2011	2010
	\$	\$
Assets		
Cash	121,251	128,094
Short-term investments	249,303	249,275
Investments at fair value (average cost - \$54,265,722; 2010 - \$17,798,266)	54,944,158	19,140,038
Distributions, interest and dividends receivable	410,701	137,827
Unrealized gain on forward currency contracts	133,210	24,344
Prepaid expenses and other receivables	22,272	4,975
Receivable from investment sales	84,990	-
	<u>55,965,885</u>	<u>19,684,553</u>
Liabilities		
Payable for investment purchases	375,432	160,000
Accounts payable and accrued liabilities	100,291	98,171
Distributions payable	250,820	89,433
Management fees payable	49,963	14,246
Variation margin payable	-	4,214
Unrealized loss on forward currency contracts	507	26
	<u>777,013</u>	<u>366,090</u>
Net Assets and Unitholders' Equity	<u>55,188,872</u>	<u>19,318,463</u>
Units outstanding (note 4)	<u>2,160,378</u>	<u>770,308</u>
Net assets per unit (note 3)	<u>25.55</u>	<u>25.08</u>
Unitholders' Equity		
Unit Capital	51,949,276	17,718,332
Contributed surplus	28,728,713	28,728,713
Deficit	<u>(25,489,117)</u>	<u>(27,128,582)</u>
Unitholders' Equity	<u>55,188,872</u>	<u>19,318,463</u>

Approved by the Manager

Connor, Clark & Lunn Capital Markets Inc.



Director



Director

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income & Growth Fund

Statements of Operations (Unaudited)

For the six month periods ended June 30, 2011 and 2010

	2011	2010
	\$	\$
Income		
Dividends, net of withholding taxes	955,238	72,521
Interest income	381,151	17,105
	<u>1,336,389</u>	<u>89,626</u>
Expenses		
Management fees (note 7)	333,100	26,885
Service fees (note 6)	112,534	3,394
Custodial and other unitholder fees	57,548	30,562
Transaction costs	48,476	16,132
Audit fees	14,465	7,683
Board of advisors fees	10,411	10,099
Administration fees	8,994	10,129
Legal fees	2,026	18,725
Other fees	1,821	1,005
Independent Review Committee fees	1,413	771
Interest expenses	420	-
	<u>591,208</u>	<u>125,385</u>
Net Investment income (loss) for the year	<u>745,181</u>	<u>(35,759)</u>
Realized gains (losses)		
Net realized gain (loss) on investments	1,247,732	1,900,649
Net realized gain (loss) on foreign exchange	(5,425)	-
Net realized gain (loss) on foreign currency forward contracts	100,693	-
Other gains (losses)	101,338	-
	<u>1,444,338</u>	<u>1,900,649</u>
Unrealized gains (losses)		
Change in unrealized gain (loss) on investments	(663,336)	(767,430)
Change in unrealized gain (loss) on foreign exchange	4,923	1,507
Change in unrealized gain (loss) on foreign currency forward contracts	108,359	(8,970)
Change in unrealized gain (loss) on forward agreement	-	(1,445,115)
	<u>(550,054)</u>	<u>(2,220,008)</u>
Net gain (loss) on investments	<u>894,284</u>	<u>(319,359)</u>
Increase (decrease) in net assets from operations	<u>1,639,465</u>	<u>(355,118)</u>
Increase (decrease) in net assets from operations per unit*	<u>0.85</u>	<u>(0.94)</u>

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

Connor, Clark & Lunn Conservative Income & Growth Fund
 Statements of Changes in Net Assets, Deficit and Contributed Surplus (Unaudited)
 For the six month periods ended June 30, 2011 and 2010

	2011	2010
	\$	\$
Increase (decrease) in net assets from operations	<u>1,639,465</u>	<u>(355,118)</u>
Distributions to unitholders from:		
Return on capital	<u>(1,343,542)</u>	<u>-</u>
Unitholders' transactions:		
Proceeds from issue of units (note 4)	35,575,475	11,767,073
Payments on redemption of units (note 4)	<u>(989)</u>	<u>(1,717,501)</u>
	<u>35,574,486</u>	<u>10,049,572</u>
Change in net assets during the period	35,870,409	9,694,454
Net assets - Beginning of year	<u>19,318,463</u>	<u>7,809,906</u>
Net assets - End of year	<u>55,188,872</u>	<u>17,504,360</u>
Deficit, beginning of year	(27,128,582)	(29,171,846)
Increase (decrease) in net assets from operations	<u>1,639,465</u>	<u>(355,118)</u>
Deficit, end of year	<u>(25,489,117)</u>	<u>(29,526,964)</u>
Contributed surplus, beginning of year	28,728,713	28,611,168
Cost of shares redeemed at less than (in excess of) average price per unit	<u>-</u>	<u>117,545</u>
Contributed surplus, end of year	<u>28,728,713</u>	<u>28,728,713</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income & Growth Fund

Statement of Investment Portfolio (Unaudited)

As at June 30, 2011

	Coupon %	Maturity date	Par Value / Quantity	Average cost \$	Fair value \$	% of Net Assets
Short-term investments						
Bearer Deposit Notes						
Bank of Nova Scotia	1.27%	09/19/11	250,000	249,303	249,303	0.5%
Investments						
Corporate Bonds						
ING Bank of Canada	4.30%	12/5/2011	373,000	350,932	352,485	0.6%
Ford Credit Canada	7.50%	8/18/2015	385,000	400,038	415,479	0.8%
Livingston International Inc	10.13%	11/9/2015	335,000	350,999	353,006	0.6%
Skylink Aviation	12.25%	3/15/2016	180,000	180,000	179,625	0.3%
Westcan Limited Partnership	9.50%	4/7/2017	325,000	323,897	336,346	0.6%
Paramount Resources Ltd.	8.25%	12/13/2017	615,000	629,781	631,913	1.1%
Precision Drilling Corp.	6.50%	3/15/2019	335,000	336,181	337,613	0.6%
First Capital Realty Inc.	5.48%	7/30/2019	570,000	570,000	579,764	1.1%
Capital Power	5.28%	11/16/2020	110,000	107,632	108,807	0.2%
Quebecor Media Inc	7.38%	1/15/2021	570,000	574,361	571,922	1.0%
Bell Canada (Prydes)	8.88%	4/17/2026	275,000	324,222	329,335	0.6%
Brascan Corporation	5.95%	6/14/2035	54,000	47,933	49,266	0.1%
Citigroup Financial Inc.	5.37%	3/6/2036	261,000	203,315	217,079	0.4%
Simmons Bedding Co. (U.S. Dollars)	11.25%	7/15/2015	100,000	103,699	101,336	0.2%
Goldman Sachs Capital II (U.S. Dollars)	5.79%	6/1/2012	620,000	516,603	478,691	0.9%
Russel Metals Inc. (U.S. Dollars)	6.38%	3/1/2014	200,000	200,550	194,709	0.4%
Sanmina-SCI Corp. (U.S. Dollars)	8.13%	3/1/2016	112,000	115,643	112,280	0.2%
American Achievement (U.S. Dollars)	10.88%	4/15/2016	560,000	564,898	486,411	0.9%
Great West Life Co. (U.S. Dollars)	7.15%	5/16/2016	500,000	497,604	497,027	0.9%
Rite Aid Corp. (U.S. Dollars)	10.38%	7/15/2016	500,000	525,917	512,710	0.9%
RSC Equipment Rentals (U.S. Dollars)	10.00%	7/15/2017	430,000	488,748	462,718	0.8%
Visant Corp. (U.S. Dollars)	10.00%	10/1/2017	465,000	496,836	464,479	0.8%
TD Northgroup (U.S. Dollars)	6.38%	10/15/2017	300,000	278,661	273,045	0.5%
Spectrum Brands Holdings (U.S. Dollars)	9.50%	6/15/2018	280,000	308,989	295,900	0.5%
Hertz Corp. (U.S. Dollars)	6.75%	4/15/2019	175,000	173,636	167,204	0.3%
Calfrac Holdings (U.S. Dollars)	7.50%	12/1/2020	280,000	287,476	272,931	0.5%
Hertz Corp. (U.S. Dollars)	7.38%	1/15/2021	215,000	215,503	211,128	0.4%
Baytex Energy Corp. (U.S. Dollars)	6.75%	2/17/2021	425,000	423,370	415,295	0.8%
BAC Capital Trust VI (U.S. Dollars)	5.63%	3/8/2035	300,000	257,832	247,618	0.4%
BAC Capital Trust XV (U.S. Dollars)	1.05%	6/1/2037	400,000	268,070	268,306	0.5%
Macy's Retail Holdings Inc. (U.S. Dollars)	8.13%	8/15/2035	250,000	269,093	262,059	0.5%
Macy's Retail Holdings Inc. (U.S. Dollars)	7.88%	8/15/2036	85,000	91,287	87,901	0.2%
Wachovia Cap Trust III (U.S. Dollars)	5.57%	3/29/2049	500,000	443,683	441,534	0.8%
				<u>10,933,389</u>	<u>10,715,922</u>	<u>19.4%</u>
Canadian common stock						
Energy						
Enbridge Inc.	27.405		46,300	1,268,865	1,449,190	2.6%
Mullen Group Ltd.	18.836		73,500	1,384,453	1,489,845	2.7%
TransCanada Pipelines Corp.	37.794		6,900	260,776	291,318	0.5%
Versen Inc.	9.674		60,000	747,706	832,800	1.5%
				<u>3,661,800</u>	<u>4,063,153</u>	<u>7.3%</u>
Industrials						
Cervus Equipment Corp			13,700	221,537	228,927	0.4%
Genivar Inc.			26,750	825,398	688,010	1.2%
Wajax Corporation			24,979	893,920	906,987	1.6%
IBI Group Inc.			74,750	1,046,789	1,029,308	1.9%
				<u>2,987,644</u>	<u>2,853,232</u>	<u>5.1%</u>
Consumer Staples						
North West Company Inc.			29,300	583,381	592,446	1.1%

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income & Growth Fund

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

As at June 30, 2011

	Quantity	Average cost \$	Fair value \$	% of Net Assets
Consumer Discretionary				
Corus Entertainment Inc.	57,400	1,244,518	1,176,126	2.1%
Groupe Aeroplan Inc.	85,100	1,167,777	1,131,830	2.1%
Thomson Reuters Corporation	55,200	2,188,639	1,997,136	3.6%
Yellow Media Inc.	72,450	446,489	173,880	0.3%
Reitmans (Canada) Limited	33,600	582,951	514,752	0.9%
		<u>5,630,374</u>	<u>4,993,724</u>	<u>9.0%</u>
Health Care				
CML Healthcare Inc.	93,350	1,072,858	870,956	1.6%
Financials				
Bank of Nova Scotia	44,300	2,552,440	2,569,843	4.8%
Royal Bank of Canada	46,800	2,563,433	2,573,532	4.7%
Toronto-Dominion Bank	38,600	2,933,213	3,156,708	5.7%
IGM Financial Inc.	11,400	475,190	575,814	1.0%
TMX Group Inc.	43,206	1,643,311	1,879,461	3.4%
Great West Lifeco	44,600	1,178,381	1,135,070	2.1%
Manulife Financial Corp.	66,800	1,143,077	1,137,604	2.1%
Altus Group Inc.	88,200	1,102,987	627,102	1.1%
Artis Real Estate Investment Trust	28,800	400,032	403,200	0.7%
Calloway Real Estate Investment Trust	32,800	781,445	824,920	1.5%
Canadian Apartment Properties Real Estate Investment Trust	55,000	935,173	1,062,600	1.9%
Chartwell Seniors Housing Real Estate Investment Trust	145,900	1,178,299	1,221,183	2.2%
Crombie Real Estate Investment Trust	51,600	656,250	675,960	1.2%
First Capital Realty Inc.	42,500	654,798	699,125	1.3%
H&R Real Estate Investment Trust	55,500	1,127,005	1,196,580	2.2%
Inn Vest Real Estate Investment Trust	124,400	846,403	832,236	1.5%
Killam Properties Inc.	119,400	1,160,995	1,278,774	2.3%
Northern Property Real Estate Investment Trust	18,800	521,422	572,836	1.0%
Primaris Retail Real Estate Investment Trust	33,200	684,262	697,532	1.3%
Transglobe Apartment Real Estate Investment Trust	89,100	926,642	1,014,849	1.8%
		<u>23,464,758</u>	<u>24,134,929</u>	<u>43.8%</u>
Telecommunication Services				
BCE Inc.	23,500	851,111	888,770	1.6%
Telus Corp. Non-voting	39,800	1,751,487	2,017,860	3.7%
		<u>2,602,598</u>	<u>2,906,630</u>	<u>5.3%</u>
Utilities				
Algonquin Power & Utilities Co.	198,600	928,968	1,134,006	2.1%
Brookfield Infrastructure Partners LP	68,000	1,383,040	1,635,400	3.0%
Northland Power Inc.	33,700	517,958	541,559	1.0%
Valener Inc.	31,000	529,740	502,201	0.9%
		<u>3,359,706</u>	<u>3,813,166</u>	<u>7.0%</u>
Total Canadian common stock		<u>43,363,119</u>	<u>44,228,236</u>	<u>80.2%</u>
Total Investments (before transaction costs)		<u>54,296,508</u>	<u>54,944,158</u>	<u>99.6%</u>
Transaction costs (note 3)		<u>(30,786)</u>	<u>-</u>	<u>0.0%</u>
Total investments		<u>54,265,722</u>	<u>54,944,158</u>	<u>99.6%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn Conservative Income & Growth Fund

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

As at June 30, 2011

	Maturity date	Contract price / rate	Unrealized gain (loss)	% of Net Assets
		\$	\$	
Foreign currency forward contracts				
Bought CAD 6,581,662 , sold USD 6,667,000	9/20/2011	1.0130	133,210	0.2%
Sold CAD 58,537 , bought USD 60,000	9/20/2011	1.0250	(507)	0.0%
			<u>132,703</u>	<u>0.2%</u>
Cash			<u>121,251</u>	<u>0.2%</u>
Other liabilities net of other assets			<u>(258,543)</u>	<u>-0.5%</u>
Net assets			<u>55,188,872</u>	<u>100.0%</u>

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

1 Establishment of Fund

Connor, Clark & Lunn PRINTS Trust (PRINTS Trust) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated November 29, 2001 between the Manager and RBC Dexia Investor Services Trust (the "Trustee") as trustee of the PRINTS Trust. On December 12, 2001, PRINTS Trust completed its initial public offering raising in excess of \$100 million and the units of PRINTS began trading on the TSX.

At the time of the initial public offering, PRINTS's investment objectives were: (i) Distributions: to provide unitholders with a stable stream of quarterly distributions targeted to be \$0.50 per unit (\$2.00 per annum to yield 8.0% on the subscription price); (ii) Capital Repayment: to pay to unitholders on or about December 2, 2013 (the "PRINTS Termination Date") an amount per unit equal to the original subscription price (the "Original Investment Amount"); and (iii) Capital Appreciation: to pay to unitholders, on the PRINTS Termination Date, in addition to the Original Investment Amount, the value per unit, if any, in excess of the Original Investment Amount.

On June 14, 2010 (the "First Merger Date"), PRINTS Trust merged with Connor, Clark & Lunn Conservative Income Fund II ("CCK") with PRINTS Trust as the continuing fund (the "First Merger") which was renamed Connor, Clark & Lunn Conservative Income & Growth Fund (the "Fund"). The Fund retained RBC Dexia as a trustee of the Fund.

On February 1, 2011 (the "Second Merger Date"), the Fund merged again with Connor, Clark & Lunn Conservative Income Fund ("CCQ") (the "Second Merger"). The Fund was also the continuing Fund.

The Fund retained Clark & Lunn Capital Markets Inc. (the "Manager") as a Manager of the Fund and Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") as the Fund's investment manager.

2 Investment objectives

The investment objectives of the Fund are to provide unitholders with: (i) an attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% per annum; (ii) downside protection through diversification across multiple asset classes and a conservative approach to security selection; and (iii) growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential. On May 31, 2012, the Fund will convert to an open-ended mutual fund which will be able to distribute and redeem its units on a continuous basis.

3 Summary of significant accounting policies

Terms and definitions

Any reference to "Net Assets" or "Net Assets per Unit" or "GAAP Net Assets" means that the value was determined in accordance with 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 below.

Basis of presentation

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

Future accounting changes

The Canadian Accounting Standards Board ("CASB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the CASB issued an exposure draft "Adoption of IFRSs by Investment Companies", proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "Investment Companies" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the CASB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18.

At its January 12, 2011 meeting, the AcSB decided to extend the deferral of mandatory adoption of IFRS for Investment Companies and Segregated Accounts of Life Insurance Enterprises for one additional year. The decision is in response to the International Accounting Standards Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012, which is the current date of mandatory adoption of IFRS for these entities. As a result, the Fund will delay implementation of IFRS until January 1, 2013.

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

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. The Canadian Securities Administrators allow investment funds to calculate the daily net asset value for the purpose of processing unitholder transactions using the last traded price for the day as fair value of financial instruments traded in an active market, which is referred to as a "Transactional NAV". The Fund processes unitholder transactions using Transactional NAV.

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

The Transactional NAV and the GAAP Net Assets as of June 30, 2011 and December 31, 2010 were as follows:

	<u>Transactional</u> NAV	<u>GAAP</u> Net Assets
Unit pricing		
December 31, 2010	25.13	25.08
June 30, 2011	25.62	25.55

Cash and short-term investments

Cash and short term investments include cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized 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. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income trusts that are treated as return of capital for income tax purposes reduce the average cost of the underlying trust. Realized gains and losses on investments and unrealized appreciation and depreciation on investments are calculated using average cost. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash and short-term investments) 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 unrealized gain or loss on future contracts and variation margin receivable (payable). Gains/losses are settled on daily basis. Variation margin account is adjusted for the settlement amount.

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.

Expense recognition

Expenses that are directly attributable to the Fund are recorded on an accrual basis as incurred.

Increase (decrease) in net assets from operation per share

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

4 Unitholders' equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

Following the first merger mentioned in note 1 above, the unitholders of the Fund approved that the redemption rights of the units will be automatically converted to an open-ended mutual fund on May 31, 2012, and to eliminate the annual redemption right at net asset value in December 2010 and 2011 and change the monthly redemption price so that it is based on market price and not net asset value.

On February 1, 2011, and following the Second Merger mentioned in note 1 above, the Fund issued 1,390,113 units for the amount \$35,575,475 representing the unitholders that accepted the merger proposal. Pursuant to the merger, each CCQ unit was automatically exchanged for approximately 0.3988 units of the Fund. This exchange ratio was based on the relative net asset value of CCQ and the Fund as at the close of trading on the Toronto Stock Exchange ("TSX") on January 31, 2011. The above merger was accounted through the application of the purchase method of accounting which complies with GAAP. During the six month period ended June 30, 2011, the Fund also paid \$989 to redeem 43 units.

On June 9, 2011, the Fund announced that it has successfully completed its previously announced offering of warrants ("Warrants") and has issued Warrants to all the unitholders of its units of record on June 9, 2011.

Each Warrant entitles its holder to acquire one Unit upon payment of the subscription price of \$26.75. Warrants may be exercised on or before 5:00 p.m. (Toronto time) on the second business day after the last day of each month commencing on July 5, 2011 and ending on November 2, 2011.

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

Changes in outstanding units during the six month period ended June 30, 2011 and the 2010 are summarized as follows:

	<u>Number of units</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Balance – Beginning of year	770,308	337,643
Units issued	1,390,113	506,685
Units redeemed	<u>(43)</u>	<u>(74,020)</u>
Balance – End of year	<u>2,160,378</u>	<u>770,308</u>

The Unit Capital dollar amount represents the face value of the Fund units minus any return on capital distributions and issue cost paid since December 13, 2001 (commencement of operations) to June 30, 2011. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the statements of net assets. If the price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated, and the remaining amount is charged to retained earnings (deficit).

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

5 Distributions

The current targeted annual distributions are \$1.39 per unit to yield 6.0% based on the NAV per unit as of the First Merger Date.

The Fund has made all its scheduled distributions during the period from its first merger on June 14, 2010 to June 30, 2011 paying regular monthly distributions totalling \$0.70 per unit (\$nil per unit during the six month period ended June 30, 2010).

6 Service fees

The Fund 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 total service fees charged to the Fund during the six month period ended June 30, 2011 were \$112,534 (The amount of service fees paid during the six month period ended June 30, 2010 were \$3,394).

7 Management fees and other expenses

Prior to the First Merger Date and pursuant to the terms of the Trust Agreement for PRINTS Trust dated November 29, 2001, the PRINTS Trust pays to the Manager an annual fee of up to 1.10% of the Net Asset Value of the Trust, plus applicable taxes.

Effective January 1, 2004 the Manager has elected that all future management fees payable to it will be deferred and will accrue daily at the minimum level set out in the prospectus (a rate of 0.50% of the net asset value of the Trust). Such fees will be payable only after and to the extent that the Trust has redeemed all remaining units at \$25 per unit on the Termination Date, or on units that have been retracted prior to the Termination Date.

Following the First Merger on June 14, 2010, the Management fees became 1.10% per annum of the net asset value of Fund returning to the initial rate for PRINTS Trust (to reflect the active management of the new mandate) and at the same level as CCK. The Manager also received all the deferred management fees previously accrued in the PRINTS Trust. The total amount that was paid to the Manager as of the Merger Date was \$227,588 (including all the applicable taxes).

The total management fees charged to the Fund during the year six month period ended June 30, 2011 were \$333,100 (\$26,885 during the six month period ended June 30, 2010). The Manager pays the Investment Manager out of the above management fees.

8 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 (if applicable, net of dividend tax credits and capital gain refund) 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 eliminated. 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.

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

As at December 31, 2010, the Fund had net capital losses of \$18,939,735 (2009 – \$18,939,735), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$4,646,208 (2009 – \$14,252,935), which will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2004	1,278,766	2014
2005	1,877,070	2015
2006	1,405,804	2026
2007	84,568	2027
Total	4,646,208	

9 Broker commission charges and soft dollar services

There were \$48,476 broker commissions paid during the six month period ended June 30, 2010 in connection with portfolio transactions (2009 – \$16,132). No soft dollar services were included in the broker commission charges.

10 Financial instruments

Assets	June 30, 2011	December 31, 2010
	\$	\$
Cash	121,251	128,094
Held for trading	55,326,671	19,413,657
Loans and receivables	517,963	142,802
Total assets	55,965,885	19,684,553
Liabilities		
Held for trading	507	26
Financial liabilities at amortized cost	776,506	366,064
Total liabilities	777,013	366,090

For the purposes of categorization in accordance with section 3862, interest receivable and other assets are deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, management fees payable and other liabilities are deemed to be financial liabilities and reported at amortized cost.

During 2009, Section 3862 was amended to include enhanced disclosures about inputs to fair value measurement. The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2011 and December 31, 2010:

Assets at fair value as at June 30, 2011 (\$)	Level 1	Level 2	Level 3	Total
Equities	44,228,236	–	–	44,228,236
Bonds	–	10,715,922	–	10,715,922
Short-term notes	–	249,303	–	249,303
Foreign currency forward contracts	–	133,210	–	133,210
Total	44,228,236	11,098,435	–	55,326,671

Liabilities at fair value as at June 30, 2011 (\$)	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	507	–	507
Total	–	507	–	507

Assets at fair value as at December 31, 2010 (\$)	Level 1	Level 2	Level 3	Total
Equities	15,234,119	–	–	15,234,119
Bonds	–	3,905,919	–	3,905,919
Short-term notes	–	249,275	–	249,275
Foreign currency forward contracts	–	24,344	–	24,344
Total	15,234,119	4,179,538	–	19,413,657

Liabilities at fair value as at December 31, 2010 (\$)	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	26	–	26
Total	–	26	–	26

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

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

Equities: The Fund's long equity positions are classified as Level 1 as all these securities are actively traded and a reliable quote is observable.

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

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

There were no transfers among the three levels during the six month periods ended June 30, 2011 and the year ended December 31, 2010.

11 Financial instrument risk

The Fund may be exposed to a variety of financial risks. The Investment Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective.

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 tables below summarize the Fund's exposure to interest rate risks. They include the assets and trading liabilities at fair values for the Fund, categorized by the earlier of contractual re-pricing or maturity dates.

June 30, 2011:

	Less than 1 year	1 – 3 years	3 – 5 years	> 5 years	Non-interest bearing	Total
Investments	352,485	478,691	1,064,530	8,820,216	44,361,446	55,077,368
Cash and cash equivalents	249,303	–	–	–	121,251	370,554
Other assets	–	–	–	–	517,963	517,963
Liabilities	–	–	–	–	(777,013)	(777,013)
Net assets						55,188,872

December 31, 2010:

	Less than 1 year	1 – 3 years	3 – 5 years	> 5 years	Non-interest bearing	Total
Investments	42,690	168,424	674,890	3,019,915	15,258,463	19,164,382
Cash and cash equivalents	249,275	–	–	–	128,094	377,369
Other assets	–	–	–	–	142,802	142,802
Liabilities	–	–	–	–	(366,090)	(366,090)
Net assets						19,318,463

As at June 30, 2011, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$624,000 (December 31, 2010 – \$218,000). 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 tables below summarize the Fund's exposure to foreign currencies as at June 30, 2011 and December 31, 2010. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as 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 tables below summarize the Fund's exposure to foreign currencies and the approximate impact on net assets had the Canadian Dollar ("CAD") weakened by 5% in relation to these currencies. If the CAD 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.

June 30, 2011:

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
US Dollar	6,343,105	–	(6,376,428)	(33,324)	(0.1%)	(2,000)

Connor, Clark & Lunn Conservative Income & Growth Fund

Notes to Financial Statements

As at June 30, 2011

December 31, 2010:

	Monetary instruments \$	Non- monetary instruments \$	Derivative instruments \$	Net exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
US Dollar	2,144,745	–	(2,057,254)	87,491	(0.5%)	4,000

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. The maximum risk resulting from financial instruments is equivalent to their fair value. 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 June 30, 2011, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately \$4,423,000 (December 31, 2010 – \$1,523,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at December 31, 2010. The fund did not have significant credit risk in 2009.

The table below summarizes the Fund's exposure to credit risk as of December 31, 2010 (All debt securities held at December 31, 2009 were AA rated). Amounts shown are based on the carrying value of debt investments and the unrealized gain on derivative instruments outstanding with counterparties.

June 30, 2011:

Rating	(% of Net Assets)	Rating ⁽¹⁾	% of Net Assets
AAA	–	BB+	–
AA+	–	BB	1.8%
AA	–	BB–	–
AA–	0.2%	B+	–
A+	–	B	6.3%
A	1.6%	B–	–
A–	–	CCC	3.0%
BBB+	–	A–1+	0.5%
BBB	6.1%	A–1-	–
BBB–	–	Not rated	0.6%
		Total	20.1%

December 31, 2010:

Rating	(% of Net Assets)	Rating ⁽¹⁾	% of Net Assets
AAA	–	BB+	1.3%
AA+	–	BB	–
AA	–	BB–	0.8%
AA–	0.1%	B+	5.5%
A+	0.5%	B	1.9%
A	0.7%	B–	2.1%
A–	3.7%	CCC+	0.5%
BBB+	–	A–1+	1.3%
BBB	0.8%	A–1-	–
BBB–	0.9%	Not rated	1.4%
		Total	21.5%

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

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As at June 30, 2011

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.

Concentration risk

The investments of the Fund are concentrated in the in the Real Estate and Financials sectors, and will be especially affected by factors particular to this sector. Factors influencing this sector may include changes in government policy, interest rate movements, fluctuations in the capital markets and conditions of the overall economy. Changes that specifically affect the provision of financial services may cause the Net Assets of the Fund to be more volatile than the value of a more broadly diversified portfolio.

The Investment Manager believes that the real estate market in Canada is poised to become a large very public market due to a scarcity of yield-oriented securities, made more acute by the upcoming taxation of income trusts and energy trusts. While it has taken some time, the Investment Manager is encouraged by what appears to be a broadening and deepening of the Real Estate Investment Trust ("REIT") and real estate market in Canada.

The Statement of Investments summarizes the Fund's exposure to the different market sectors.