



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn
Global Financials Fund**
Semi - Annual Report
September 30, 2006

Connor, Clark & Lunn Global Financials Fund Message to Unitholders

November 23, 2006

Dear Investor,

These semi annual financial statements are in respect of the six-month period ended September 30, 2006. We welcome the opportunity to provide you with an update.

The Fund's opening net asset value was \$49,560,192 on May 17, 2006 and had increased to \$52,489,536 as at September 30, 2006. In total, the Fund declared distributions totalling \$0.18723 per unit from inception to the end of September 30, 2006 for an annualized yield on the \$10.00 original issue price of 5.0%.

The Fund has performed well over the period as New Star Asset Management Ltd. (the "Investment Manager") continues to trade opportunistically among securities of the financial services sector that it has identified as attractive investment opportunities

Recently the fund has increased its focus on Italy through companies such as Unicredito and San Paolo IMI. Italy's economy is recovering and corporate restructuring is accelerating. Foreign bidders have become significant and the next phase of banking consolidation seems to be underway. Financial services sector consolidation and deregulation could also boost mortgage demand.

The Investment Manager believes consumer inflation should fall later this year, and sees evidence that global economic growth is slowing and savings are increasing. Each of these factors could depress bond yields further. While weaker economic growth clearly hurts equities, the Investment Manager points to cheaper oil and falling bond yields as factors that will help offset this and believes that the environment for businesses should remain benign.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
Connor, Clark & Lunn Global Financials Fund

Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. **The semi-annual financial statements and accompanying notes are attached to this report.**

Investment Objectives and Strategy

The Connor, Clark & Lunn Global Financials Fund (the "Fund") is a closed-end investment fund that is listed on the Toronto Stock Exchange under the symbol GFF.UN. It was established under the laws of the Province of Ontario pursuant to a trust agreement dated as of April 27, 2006.

The Fund's investment objectives are to:

- (i) provide holders of the Units ("Unitholders") with a stable stream of monthly cash distributions initially targeted to be \$0.04167 per Unit (representing a yield of approximately 5.0% per annum on the issue price of \$10.00 per Unit);
- (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders on or about May 31, 2016; and
- (iii) provide Unitholders with an opportunity for capital appreciation above the original issue price.

In order to achieve the Fund's investment objectives, New Star Asset Management Limited (the "Investment Manager" or "New Star"), the Fund's investment manager, invested the net proceeds of the Offering, in a portfolio (the "Portfolio") consisting of securities of global financial services businesses. In addition, from time to time, the Portfolio may include significant cash and cash equivalents.

Risk

On October 4th, 2006, immediately following the period, the Fund borrowed GBP 1,250,000 pursuant to a leverage facility with the Bank of Montreal. The entire proceeds of such borrowing were invested in portfolio securities. The loan outstanding represents leverage of approximately 5.0% of total net asset value as at September 30, 2006. The leverage facility and the Fund's investment restrictions contemplate leverage of up to 5.0% of total net asset value. For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated April 27, 2006.

Results of Operations

Portfolio Manager Commentary

The fund launched in May during a difficult period. After the falls of May and early June, stock markets recovered their poise towards the end of the period. Whilst the prospect of higher short-term interest rates could lead to a reduction of leverage within the system and a further retreat from riskier asset classes, since the end of July there have been several reasons to be less bearish about equities. Bond yields have drifted lower, a trend that should help stocks. The price of oil ended September 20% off its August peak. Falling consumer inflation, evidence of a global economic growth and increasing savings all contribute to a more positive framework. The risk of recession cannot be ignored but a gentle growth deceleration is more likely.

Towards the end of the period the fund cautiously raised its exposure to riskier equities. Profits may be slowing but lower energy costs and bond yields will help stabilise earnings. An end to monetary tightening will also allow multiples to expand.

High trading volumes and expectations of corporate activity have combined to make financial exchanges such as Euronext appealing investments. Index products contributed to growth in derivatives revenue for Euronext in May, when record volumes were achieved. Index derivatives again featured prominently in June.

Among portfolio constituents, ICAP has also benefited from recent volatility. It acts as a middleman for trades in derivatives and other financial instruments between banks, handling transactions worth US\$ 1 trillion every day. When markets become more volatile, trading in these products tends to rise.

Recently the fund has focused on Italy through companies such as Unicredito and San Paolo IMI. Italy's economy is recovering and corporate restructuring is accelerating. Foreign bidders have become significant and the next phase of banking consolidation seems to be underway. Financial services sector consolidation and deregulation could also boost mortgage demand.

Investment Income and Capital Gains

During the period from May 17, 2006 (commencement of operations) to September 30, 2006, the Fund earned net investment income of \$148,389 and realized \$970,367 in losses on investments sold. In addition, the portfolio had a \$4,725,161 increase in unrealized gains on its investments. Income, realized losses and unrealized gains combined for a total increase in net assets from operations of \$3,903,183, or \$0.74 per Unit before subtracting the issue and agents cost of \$3,225,000 or \$0.61 per unit. Distributions to unitholders during same period totalled \$988,574, or \$0.18723 per Unit.

Liquidity and Capital Resources

As at September 30, 2006, the Fund held no cash and short-term investments. Short-term liabilities, including bank overdraft and distributions accrued but not yet paid, totalled \$2,193,841.

Capital transactions

On May 17, 2006, the Fund completed an initial public offering pursuant to the prospectus dated April 27, 2006. \$51,500,000 was raised through the issue of 5.15 million Units at \$10.00 per Unit. On May 23, 2006, the Agents exercised an over-allotment option in respect of 0.13 million Units, raising a further \$1.3 million. Total proceeds from these two transactions after Agents' fees and issue expense was \$49.575 million.

Market repurchases

As set out in the Prospectus, the Fund is obligated, under certain conditions, to purchase Units in the market for cancellation. If, on any day, the Units closing price is less than 95% of the net asset value per unit determined on the most recent valuation date, the Fund must purchase any units offered in the market the following day at 95% of net asset value per unit or less. The Fund did not purchase any Units pursuant to this obligation during the period from May 17, 2006 (commencement of operations) to September 30, 2006.

Distributions

The Fund has made all its scheduled distributions, paying \$0.06222 for the period from May 17, 2006 (commencement of operations) to June 30, 2006, and also paying regular monthly distributions of \$0.04167 on the last business day of each of July, August and September, for a total of \$0.18723 per unit.

Related Party Transactions

Investment Portfolio Activity

The Fund's holding in New Star Asset Management Group PLC mirrors the holding by New Star's UK mutual fund, which follows the same strategy as the Fund. These shares are held in accordance with New Star's investment policies and procedures and as such are subject to the same criteria and restrictions as all other portfolio holdings as well as an additional senior management approval prior to any trading in them. The holding in New Star offers the fund exposure to a fast growing, leading fund manager with a diversified client base. New Star was listed on the London market in November 2005 and its share price has risen by 66% since then. The Manager and New Star believe that neither New Star nor any of its directors, officers or employees derive any measurable benefit from the Fund's holding New Star shares and are confident that the shares were acquired solely based on investment considerations and in the best interests of unitholders.

Management Fees

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

The total management fees charged to the Fund during the period from May 17, 2006 (commencement of operations) to September 30, 2006 were \$208,986.

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

Recommendations or Reports by the Independent Committee

The Independent Committee of the Board of Advisors tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period from May 17, 2006 (commencement of operations) to September 30, 2006.

Financial Highlights

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

The Fund's Net Asset Value per share:

	September 30, 2006 ⁽¹⁾
Net Asset Value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenues	0.10
Total expenses	(0.07)
Share issue expense ⁽²⁾	(0.61)
Realized gains (losses) for the period	(0.18)
Unrealized gains (losses) for the period	0.90
Total increase (decrease) from operations ⁽³⁾	0.14
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	(0.19)
Total Distributions ⁽⁴⁾	(0.19)
Net Asset Value, end of period ⁽⁵⁾	9.94

⁽¹⁾ Results for the period from May 17, 2006 (commencement of operations) to September 30, 2006.

⁽²⁾ Issue expense of \$3,225,000 incurred in connection with the share issuance. The full amount of issue expenses was deducted from the retained earnings for accounting purposes and is amortized over a period of five years for tax purposes.

⁽³⁾ Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of shares outstanding over the financial period.

⁽⁴⁾ Distributions were paid in cash. The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

⁽⁵⁾ This is not reconciliation between the opening and the closing net asset values per unit.

Ratios and Supplemental Data:

	September 30, 2006 ⁽¹⁾
Net assets (000's)	52,490
Number of units outstanding	5,280,000
Base Management expense ratio ^{(2) (3)}	1.96%
Issue expenses ratio ^{(2) (3)}	6.55%
Management expense ratio (annualized) ⁽³⁾	8.51%
Management expense ratio before waivers or absorptions (annualized) ⁽³⁾	8.51%
Portfolio turnover rate ⁽⁴⁾	91.40%
Trading expense ratio ⁽⁵⁾	1.78%
Closing market price (TSX)	9.54

⁽¹⁾ Results for the period from May 17, 2006 (commencement of operations) to September 30, 2006.

⁽²⁾ A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses.

⁽³⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, are not annualized.

⁽⁴⁾ 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.

⁽⁵⁾ 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 September 30, 2006

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.

	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Investments				
Global Equities				
Austria				
Erste Bank	8,000	517,562	555,124	1.1%
Belgium				
KBC Groupe	9,000	1,076,250	1,056,332	2.0%
Dexia	50,000	1,334,955	1,443,633	2.8%
Fortis NV	20,000	780,686	904,761	1.7%
		3,191,891	3,404,726	6.5%
Switzerland				
Credit Suisse Group	23,000	1,449,372	1,480,511	2.8%
Banque Cantonale Vaudoise	3,922	1,621,980	1,753,432	3.3%
UBS AG	41,000	2,440,784	2,728,543	5.2%
		5,512,136	5,962,486	11.3%
Spain				
Banco Bilbao Vizcaya	50,000	1,135,827	1,289,589	2.5%
Banco Santander	50,000	810,420	881,160	1.7%
		1,946,247	2,170,749	4.2%
France				
Societe Generale	12,500	2,051,313	2,217,032	4.2%
Eurazeo	6,000	681,103	769,937	1.5%
Credit Agricole	22,000	978,555	1,077,008	2.1%
Bnp Paribas SA	16,000	1,648,885	1,918,625	3.7%
Tour Eiffel	7,000	1,028,459	1,236,592	2.4%
Icade	10,000	463,023	557,526	1.1%
		6,851,338	7,776,720	15.0%
Britain				
Abtrust Lloyds	400,000	491,439	608,524	1.2%
Collins Stewart Tullett PLC	60,000	893,985	1,087,840	2.1%
Standard Charter	8,000	221,942	228,071	0.4%
Resolution PLC	50,000	647,035	643,430	1.2%
Lloyds TSB Group	230,000	2,471,001	2,585,912	4.9%
Icap PLC	138,000	1,364,148	1,483,964	2.8%
Chesnara PLC	350,000	1,286,881	1,296,499	2.5%
Bridgewell Group	107,143	305,911	262,359	0.5%
Man Group PLC	45,000	406,165	420,131	0.8%
Accuma Group	90,000	521,342	545,796	1.0%
New Star Asset Management	189,340	1,485,471	1,620,744	3.1%
Blackstar Investors PLC	80,000	179,541	187,559	0.4%
Peach Holdings Inc	93,500	566,816	730,697	1.4%
		10,841,677	11,701,526	22.3%

Summary of Investment Portfolio as of September 30, 2006 Continued

	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Greece				
The Bank Of Piraeus	17,500	480,474	505,519	1.0%
Marfin Financial Group	43,500	1,655,894	1,905,765	3.6%
		<u>2,136,368</u>	<u>2,411,284</u>	<u>4.6%</u>
Ireland				
Depfa Bank PLC	50,000	913,705	1,028,844	2.0%
Italy				
Banca Popolare Di Milano	35,000	510,516	516,054	1.0%
Intesa Bci S.P.A.	360,000	2,320,370	2,640,003	4.9%
Unicredito Italiano SPA	284,000	2,426,058	2,626,917	5.0%
San Paolo Imi SPA	75,000	1,655,757	1,764,793	3.4%
Banche Popolari Unite	72,000	2,106,455	2,159,217	4.0%
		<u>9,019,156</u>	<u>9,706,984</u>	<u>18.3%</u>
Netherlands				
Abn-Amro Holding NV	45,000	1,393,863	1,462,711	2.8%
Euronext NV	3,000	286,566	324,976	0.6%
Kardan NV	53,213	566,733	594,857	1.1%
		<u>2,247,162</u>	<u>2,382,544</u>	<u>4.5%</u>
Norway				
DnB Nor Bank ASA	136,000	1,966,964	1,859,752	3.5%
Sparebanken Nord-Norge	20,000	494,937	468,943	0.9%
Sparebanken Midt-Norge	35,000	456,892	465,734	0.9%
		<u>2,918,793</u>	<u>2,794,429</u>	<u>5.3%</u>
Portugal				
Banco Espir Santo	53,000	812,198	902,571	1.7%
Sweden				
Swedbank AB	20,000	605,933	662,214	1.3%
Nordea AB	40,000	554,052	584,575	1.0%
		<u>1,159,985</u>	<u>1,246,789</u>	<u>2.3%</u>
Turkey				
Turkiye Garanti Bankasi AS	50,000	157,581	165,227	0.3%
Switzerland				
Partners Group	14,000	1,047,802	1,339,004	2.6%
Hong Kong				
Techpacific Capital Ltd	394,000	51,226	27,077	0.1%
Cayman Islands				
Crosby Capital Partners Inc	227,500	433,916	208,607	0.4%

Summary of Investment Portfolio as of September 30, 2006 Continued

	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Total foreign equities		<u>49,758,743</u>	<u>53,784,691</u>	<u>102.5%</u>
Total investments		<u>49,758,743</u>	<u>53,784,691</u>	<u>102.5%</u>

	Maturity date	Number of contracts	Contract price / rate	Market value \$	Unrealized gain (loss) \$	% of NAV
Foreign currency forward contracts						
Bought CAD 45,000,000, sold GBP 21,930,538	31-May-16	1	2.05193	44,313,109	<u>686,891</u>	<u>1.3%</u>
Total foreign currency forward contracts					<u>686,891</u>	<u>1.3%</u>
Liabilities, net of other assets					<u>(1,981,973)</u>	<u>-3.8%</u>
Net asst value (NAV)					<u>52,489,609</u>	<u>100.0%</u>

Connor, Clark & Lunn Global Financials Fund

Financial Statements (Unaudited)
September 30, 2006

Notice to Reader:

These interim financial statements and related notes for the period from May 17, 2006 (commencement of operations) to September 30, 2006 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 Global Financials Fund

Statement of Net Assets (Unaudited)

As at September 30, 2006

	\$
Assets	
Investments at market value (cost - \$49,758,743)	53,784,691
Unrealized gain on forward currency contracts	686,891
Interest and dividends receivable	152,561
Receivable from investment sales	35,496
Prepaid expenses	23,811
	<u>54,683,450</u>
Liabilities	
Bank indebtedness	945,346
Payable for investment purchases	891,116
Distributions payable	220,018
Accounts payable and accrued liabilities	94,926
Management fees payable	42,435
	<u>2,193,841</u>
Net Assets and Unitholders' Equity	<u>52,489,609</u>
Units issued and outstanding (note 5)	<u>5,280,000</u>
Net asset value per unit	<u>9.94</u>
Unitholders' Equity	
Unit capital	52,800,000
Surplus (deficit)	<u>(310,391)</u>
Total Unitholders' Equity	<u>52,489,609</u>

Approved by the Manager



Director



Director

Connor, Clark & Lunn Global Financials Fund

Statement of Operations (Unaudited)

For the period from May 17, 2006 (commencement of operations) to September 30, 2006

	\$
Income	
Dividends, net of withholding taxes	445,340
Interest	<u>63,428</u>
	<u>508,768</u>
Expenses	
Management fees	208,986
Service fees	74,946
Custodial and other unitholders' fees	34,504
Audit Fees	10,040
Advisory fees	8,032
Legal fees	4,889
Listing fees	4,654
Printing fees	4,016
Administration fees	3,981
Transfer agent fees	3,855
Other	<u>2,476</u>
	<u>360,379</u>
Investment income (loss) for the period	148,389
Net realized gain (loss) on investments	
Net realized gain (loss) on investments	(960,294)
Net realized gain (loss) on foreign exchange	<u>(10,073)</u>
	<u>(970,367)</u>
Net unrealized gain (loss) on investments	
Unrealized gain (loss) on investments	4,025,948
Unrealized gain (loss) on foreign exchange forward contracts	686,891
Unrealized gain (loss) on foreign exchange	<u>12,322</u>
	<u>4,725,161</u>
Net gain (loss) on investments	<u>3,754,794</u>
Increase (decrease) in net assets from operations	<u>3,903,183</u>
Increase (decrease) in net assets from operations per unit *	<u>0.74</u>
Distributions paid per unit	<u>0.19</u>

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

Connor, Clark & Lunn Global Financials Fund

Statement of Changes in Net Assets and Surplus (Unaudited)

For the period from May 17, 2006 (commencement of operations) to September 30, 2006

	\$
Increase (decrease) in net assets from operations	<u>3,903,183</u>
Distributions to unitholders	<u>(988,574)</u>
Unitholders' transactions:	
Proceeds from issue of units	52,800,000
Agents' fees and issue expenses	<u>(3,225,000)</u>
	<u>49,575,000</u>
Change in net assets during the period	52,489,609
Net assets - Beginning of period	<u>-</u>
Net assets - End of period	<u>52,489,609</u>
Surplus (deficit), beginning of period	-
Increase in net assets from operations	3,903,183
Distributions to unitholders	(988,574)
Agents' fees and issue expenses	<u>(3,225,000)</u>
Surplus (deficit), end of period	<u>(310,391)</u>

Connor, Clark & Lunn Global Financials Fund

Statement of Cash Flow (Unaudited)

For the period from May 17, 2006 (commencement of operations) to September 30, 2006

	\$
Operating Activities	
Increase (decrease) in net assets from operations	3,903,183
Distributions to unitholders	(988,574)
Items not affecting cash:	
Net realized (gain) loss on investments	960,294
Unrealized (gain) loss on investments	(4,025,948)
Unrealized (gain) loss on foreign exchange forward contracts	(686,891)
Changes in non-cash working capital	
(Increase) decrease in interest and dividends receivable	(152,561)
(Increase) decrease in receivable from investment sales	(35,496)
(Increase) decrease in prepaid expenses	(23,811)
Increase (decrease) in distributions payable	220,018
Increase (decrease) in payable on investment purchases	891,116
Increase (decrease) in accounts payable and accrued liabilities	94,926
Increase (decrease) in management fees payable	42,435
	<hr/>
Net cash flow provided by (used in) operating activities	198,691
Investing Activities	
Cost of investments purchased	(91,267,163)
Proceeds from investments sold	40,548,126
	<hr/>
Net cash provided by (used in) investing activities	(50,719,037)
Financing Activities	
Proceeds from issuance of units	52,800,000
Unit issue costs	(3,225,000)
	<hr/>
Net cash flow provided by (used in) financing activities	49,575,000
Net increase (decrease) in cash and short-term investments	(945,346)
Cash and short-term investments - beginning of period	-
	<hr/>
Cash and short-term investments - end of period	(945,346)
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(See accompanying notes to financial statements)

Connor, Clark & Lunn Global Financials Fund

Statement of changes in investments (Unaudited)

For the period from May 17, 2006 (commencement of operations) to September 30, 2006

	\$
Investments at average cost – Beginning of period	-
Cost of investments purchased	91,267,163
Cost of investments sold	<u>41,508,420</u>
Investments at average cost – End of period	49,758,743
Unrealized gain (loss) on investments	<u>4,025,948</u>
Market value of investments	<u>53,784,691</u>
Proceeds from investments sold	40,548,126
Cost of investments sold	<u>(41,508,420)</u>
Net realized gain (loss) on investments	<u>(960,294)</u>

Connor, Clark & Lunn Global Financials Fund

Statement of Investment Portfolio (Unaudited)

As at September 30, 2006

	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Investments				
Global Equities				
Austria				
Erste Bank	8,000	517,562	555,124	1.1%
Belgium				
KBC Groupe	9,000	1,076,250	1,056,332	2.0%
Dexia	50,000	1,334,955	1,443,633	2.8%
Fortis NV	20,000	780,686	904,761	1.7%
		<u>3,191,891</u>	<u>3,404,726</u>	<u>6.5%</u>
Switzerland				
Credit Suisse Group	23,000	1,449,372	1,480,511	2.8%
Banque Cantonale Vaudoise	3,922	1,621,980	1,753,432	3.3%
UBS AG	41,000	2,440,784	2,728,543	5.2%
		<u>5,512,136</u>	<u>5,962,486</u>	<u>11.3%</u>
Spain				
Banco Bilbao Vizcaya	50,000	1,135,827	1,289,589	2.5%
Banco Santander	50,000	810,420	881,160	1.7%
		<u>1,946,247</u>	<u>2,170,749</u>	<u>4.2%</u>
France				
Societe Generale	12,500	2,051,313	2,217,032	4.2%
Eurazeo	6,000	681,103	769,937	1.5%
Credit Agricole	22,000	978,555	1,077,008	2.1%
Bnp Paribas SA	16,000	1,648,885	1,918,625	3.7%
Tour Eiffel	7,000	1,028,459	1,236,592	2.4%
Icade	10,000	463,023	557,526	1.1%
		<u>6,851,338</u>	<u>7,776,720</u>	<u>15.0%</u>
Britain				
Abtrust Lloyds	400,000	491,439	608,524	1.2%
Collins Stewart Tullett PLC	60,000	893,985	1,087,840	2.1%
Standard Charter	8,000	221,942	228,071	0.4%
Resolution PLC	50,000	647,035	643,430	1.2%
Lloyds TSB Group	230,000	2,471,001	2,585,912	4.9%
Icap PLC	138,000	1,364,148	1,483,964	2.8%
Chesnara PLC	350,000	1,286,881	1,296,499	2.5%
Bridgewell Group	107,143	305,911	262,359	0.5%
Man Group PLC	45,000	406,165	420,131	0.8%
Accuma Group	90,000	521,342	545,796	1.0%
New Star Asset Management	189,340	1,485,471	1,620,744	3.1%
Blackstar Investors PLC	80,000	179,541	187,559	0.4%
Peach Hldgs Inc	93,500	566,816	730,697	1.4%
		<u>10,841,677</u>	<u>11,701,526</u>	<u>22.3%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn Global Financials Fund

Statement of Investment Portfolio (Unaudited) Continued

As at September 30, 2006

	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Greece				
The Bank Of Piraeus	17,500	480,474	505,519	1.0%
Marfin Financial Group	43,500	1,655,894	1,905,765	3.6%
		<u>2,136,368</u>	<u>2,411,284</u>	<u>4.6%</u>
Ireland				
Depfa Bank PLC	50,000	913,705	1,028,844	2.0%
Italy				
Banca Popolare Di Milano	35,000	510,516	516,054	1.0%
Intesa Bci S.P.A.	360,000	2,320,370	2,640,003	4.9%
Unicredito Italiano SPA	284,000	2,426,058	2,626,917	5.0%
San Paolo Imi SPA	75,000	1,655,757	1,764,793	3.4%
Banche Popolari Unite	72,000	2,106,455	2,159,217	4.0%
		<u>9,019,156</u>	<u>9,706,984</u>	<u>18.3%</u>
Netherlands				
Abn-Amro Holding NV	45,000	1,393,863	1,462,711	2.8%
Euronext NV	3,000	286,566	324,976	0.6%
Kardan NV	53,213	566,733	594,857	1.1%
		<u>2,247,162</u>	<u>2,382,544</u>	<u>4.5%</u>
Norway				
DnB Nor Bank ASA	136,000	1,966,964	1,859,752	3.5%
Sparebanken Nord-Norge	20,000	494,937	468,943	0.9%
Sparebanken Midt-Norge	35,000	456,892	465,734	0.9%
		<u>2,918,793</u>	<u>2,794,429</u>	<u>5.3%</u>
Portugal				
Banco Espir Santo	53,000	812,198	902,571	1.7%
Sweden				
Swedbank AB	20,000	605,933	662,214	1.3%
Nordea AB	40,000	554,052	584,575	1.0%
		<u>1,159,985</u>	<u>1,246,789</u>	<u>2.3%</u>
Turkey				
Turkiye Garanti Bankasi AS	50,000	157,581	165,227	0.3%
Switzerland				
Partners Group	14,000	1,047,802	1,339,004	2.6%
Hong Kong				
Techpacific Capital Ltd	394,000	51,226	27,077	0.1%

(See accompanying notes to financial statements)

Connor, Clark & Lunn Global Financials Fund

Statement of Investment Portfolio (Unaudited) Continued

As at September 30, 2006

	Rate %	Maturity Date	Par Value / Quantity	Average Cost \$	Market Value \$	% of NAV
Cayman Islands						
Crosby Capital Partners Inc			227,500	433,916	208,607	0.4%
Total foreign equities				49,758,743	53,784,691	102.5%
Total investments				49,758,743	53,784,691	102.5%
	Maturity date	Number of contracts	Contract price / rate \$	Market value \$	Unrealized gain (loss) \$	% of NAV
Foreign currency forward contracts						
Bought CAD 45,000,000, sold GBP 21,930,538	31-May-16	1	2.05193	44,313,109	686,891	1.3%
Total foreign currency forward contracts					686,891	1.3%
Liabilities, net of other assets					(1,981,973)	-3.8%
Net asst value (NAV)					52,489,609	100.0%

(See accompanying notes to financial statements)

Connor, Clark & Lunn Global Financials Fund

Notes to Financial Statements (Unaudited)

September 30, 2006

1 Formation of Fund

Connor, Clark & Lunn Global Financials Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of April 27, 2006 (the "Trust Agreement") between Connor, Clark & Lunn Capital Markets Inc. (the "Manager") in its capacity as manager and RBC Dexia Investor Services Trust (the "Trustee") as trustee. The Manager was incorporated under the Business Corporations Act (Ontario) on January 15, 2001 and is wholly owned by CC&L Capital Markets Partnership.

The principal place of business of the Fund and the registered office of the Manager is Suite 300, 181 University Avenue, Toronto, Ontario M5H 3M7.

2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated April 27, 2006 are to (i) provide holders of the Units ("Unitholders") with a stable stream of monthly cash distributions initially targeted to be \$0.04167 per Unit (representing a yield of approximately 5.0% per annum on the issue price of \$10.00 per Unit); (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders on or about May 31, 2016; and (iii) provide Unitholders with an opportunity for capital appreciation above the original issue price.

In order to achieve the Fund's investment objectives, New Star Asset Management Limited (the "Investment Manager"), the Fund's investment manager, invested the net proceeds of the Offering, in a portfolio (the "Portfolio") consisting of securities of global financial services businesses. In addition, from time to time, the Portfolio may include significant cash and cash equivalents.

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of investments

Short-term investments are carried at cost, which together with interest receivable approximates market value. Other investments are recorded at their quoted market value, being the last sale price recorded by the securities exchanges on which such investments are principally traded. Debt instruments are recorded at the average of available bid and ask quotations.

Investment transactions

Investment transactions are recorded on the trade date. Realized gains or losses on sales of investments are determined based on the average cost of investments.

Income recognition

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Foreign currency translation

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

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.

Unit valuation

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

4 Market Purchase Program

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

During the period from May 17, 2006 (commencement of operations) to September 30, 2006 the Fund did not purchase any Units for cancellation.

Connor, Clark & Lunn Global Financials Fund

Notes to Financial Statements (Unaudited)

September 30, 2006

5 Units of the Fund

Units of the Fund were offered to the public by way of prospectus. The Fund is authorized to issue an unlimited number of transferable, redeemable Fund units of one class (subject to restrictions set forth in the Prospectus), each of which represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered for redemption in any month. Units properly surrendered for redemption by a Unitholder by 5:00 p.m. (Toronto time) on the 10th business day before the last business day of a month will be redeemed on the last day of that month ("Monthly Redemption Date") and the Unitholder will receive payment on or before the 15th business day following such Monthly Redemption Date, subject to the Fund's right to suspend redemptions in certain circumstances.

A Unitholder who properly surrenders a Unit for redemption will receive the amount, if any, equal to the lesser of (A) 96% of the weighted average trading price of the Units on the TSX during the 15 trading days preceding the applicable Monthly Redemption Date, and (B) the "closing market price" of the Units on the principal market on which the Units are quoted for trading in the applicable Monthly Redemption Date. The "closing market price" shall be an amount equal to (i) the closing price of the Units if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Units if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Units traded on a particular day; or (iii) the average of the last bid and last asking prices of the Units if there was no trading on the applicable Monthly Redemption Date.

Commencing in 2007, Units may be redeemed on the last business day of October in each year (the "Redemption Date"), subject to the Fund's right to suspend redemptions, for a redemption price per Unit (the "Annual Redemption Amount") based on the NAV per Unit less any costs of funding the redemption and the Unitholder will receive payment on or before the 15th day following the Redemption Date. Notice of Redemption must be provided between 45 days and the 20th business day before the Redemption Date (the "Notice Period").

Redeeming Unitholders will be entitled to receive a redemption price per Unit based on the NAV per Unit determined as of the Redemption Date. Any unpaid distribution payable on or before the Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the same day as the redemption proceeds are paid. The NAV per Unit will vary depending on a number of market factors, including interest rates and volatility in the equity markets. If the Fund is extended beyond the Termination Date, Unitholders may redeem their Units on the Termination Date for the NAV as of that date.

Changes in outstanding units are summarized as follows:

	Number of units
Balance – May 17, 2006 (commencement of operations)	–
Units issued	5,280,000
Units redeemed under the Market Purchase Program (note 4)	–
Units redeemed	–
	<hr/>
Balance – September 30, 2006	<u>5,280,000</u>

6 Custodian

Pursuant to a Trust Agreement, the Fund has retained RBC Dexia Investor Services Trust to act as custodian (the "Custodian") of the assets of the Fund. The Custodian carries out certain aspects of the day-to-day administration of the Fund, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund.

7 Distributions

Targeted monthly distributions are \$0.04167 per Unit. During the period from May 17, 2006 (commencement of operations) to September 30, 2006, the Fund met its targeted monthly distribution and paid total distributions of \$988,574, or \$0.18723 per Unit representing a combination of interest, income, capital gains and return of capital.

8 Management fees and other expenses

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

Connor, Clark & Lunn Global Financials Fund

Notes to Financial Statements (Unaudited)

September 30, 2006

9 Income taxes

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

10 Broker commission charges and soft dollar services

There were \$327,094 broker commissions paid during the period from May 17, 2006 (commencement of operations) to September 30, 2006 in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.