

PROSPECTUS

Initial Public Offering

February 27, 2007



Connor, Clark & Lunn Global Financials Fund II

\$200,000,000 (Maximum)

20,000,000 Units

\$10.00 per Unit

Connor, Clark & Lunn Global Financials Fund II (the "Fund"), an investment trust established under the laws of the Province of Ontario, proposes to issue redeemable, transferable units (the "Units") of the Fund (the "Offering").

The Fund has been designed to take advantage of the expertise of New Star Asset Management Limited (the "Investment Manager" or "New Star") in investing in the global financial services sector. The Investment Manager has a strong track record in this area and believes that the global financial services sector will continue to outperform other sectors of the market.

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 \$0.05 per Unit (representing a yield of approximately 6.0% per annum on the issue price of \$10.00 per Unit); and
- (ii) preserve and enhance the net asset value per Unit of the Fund.

In order to achieve the Fund's investment objectives, the net proceeds of the Offering, together with any borrowings under the Fund's loan facility, will be invested in an actively managed portfolio (the "Portfolio") consisting of securities of global financial services businesses. The Portfolio will be actively managed by New Star.

The Fund will target using leverage in an amount equal to approximately 10% of its total assets. However, the Investment Manager may, in its discretion, increase or decrease the amount of leverage the Fund employs based on its expectation of returns available in the market, subject to a maximum of 15% of the Fund's total assets. See "The Fund's Investment Guidelines — Leverage".

The Portfolio will be managed using the same investment approach that the Investment Manager applies to its New Star Global Financials Fund, a UK domiciled mutual fund which was launched in December 2001. The compound annual total return for this fund from December 31, 2001 until December 31, 2006 was 22.6% per annum.

Connor, Clark & Lunn Capital Markets Inc. will be the manager of the Fund and is also the manager of Connor, Clark & Lunn Global Financials Fund, which has substantially similar investment objectives and strategies to the Fund and for which New Star also acts as investment manager. Connor, Clark & Lunn Global Financials Fund raised approximately \$53 million in its initial public offering in May 2006, has paid all monthly distributions to date at a rate of 5% on the original issue price of its units (totalling \$0.35 per unit), and has paid a special distribution of \$0.14 per unit in respect of the 2006 financial year, for total distributions to date of \$0.49 per unit. The net asset value of Connor, Clark & Lunn Global Financials Fund has increased from \$9.39 on the closing date of the initial public offering to \$11.54 on February 23, 2007. The anticipated holdings of the Fund will be similar to the holdings of Connor, Clark & Lunn Global Financials Fund as of March 22, 2007.

The Fund expects that the initial distribution will be payable to Unitholders of record on April 30, 2007 and, based on an anticipated closing date of March 22, 2007, is expected to be \$0.0662 per Unit, representing a yield of 6.0% per annum on the issue price. Connor, Clark & Lunn Capital Markets Inc. (the "Manager") will determine and announce annually an indicative distribution amount (the "Indicative Distribution") for the following year based upon prevailing market conditions and the Manager's estimate of total returns from the Portfolio for the year. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase net asset value and will therefore provide an opportunity for capital appreciation.

Based on the expected initial asset allocation as described under "The Portfolio", the Portfolio is expected to generate dividends and distributions of approximately 1.8% per annum (before taking into account fees and expenses, the effect of leverage and net of any withholding taxes). Any portion of the distribution not funded from dividends and distributions is expected to be generated through the realization of capital gains. The Portfolio would be required to appreciate at a rate of 6.1% per annum in order for the Fund to maintain a stable NAV while making monthly cash distributions for the year at the initial Indicative Distribution rate. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to Unitholders.

Connor, Clark & Lunn Capital Markets Inc. has been retained to act as manager of the Fund and is responsible for the management and administration of the Fund. The Investment Manager will provide investment advisory and portfolio management services to the Fund. The Manager is part of the Connor, Clark & Lunn Financial Group, which has approximately \$35 billion of assets under management as at December 31, 2006. See "Management of the Fund".

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Price: \$10.00 per Unit
Minimum Purchase: 100 Units

	<u>Price to the Public⁽¹⁾</u>	<u>Agents' Fees</u>	<u>Net Proceeds to the Fund⁽²⁾</u>
Per Unit	\$10.00	\$0.50	\$9.50
Total Minimum Offering ⁽³⁾⁽⁴⁾	\$40,000,000	\$2,000,000	\$38,000,000
Total Maximum Offering ⁽⁴⁾	\$200,000,000	\$10,000,000	\$190,000,000

Notes:

- (1) The offering price was established by negotiation between the Fund and the Agents (as defined below).
- (2) Before deducting the expenses of issue (estimated at \$710,000 in the case of the maximum Offering and \$578,000 in the case of the minimum Offering), subject to a maximum of 1.5% of the gross proceeds of the Offering, which, together with the Agents' fees, will be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 4,000,000 Units are sold. If subscriptions for a minimum of 4,000,000 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the offering of Units may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date.
- (4) The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable until 30 days after the closing of the Offering, to offer up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be \$230,000,000, the Agents' fees will be \$11,500,000 and the net proceeds to the Fund will be \$218,500,000.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units subject to fulfillment by the Fund of the requirements of the TSX by May 15, 2007.

See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Units. There is no assurance that the Fund will be able to achieve its investment objectives. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. The Agents may over-allot or effect transactions as described under "Plan of Distribution".

It is intended that at least 90% of the value of the Portfolio will be hedged from UK Pounds Sterling back to the Canadian dollar.

Commencing in 2008, Units may be redeemed on the last business day of September in each year, subject to the Fund's right to suspend redemptions in certain circumstances, for a redemption price equal to the net asset value per Unit of the Fund (the "NAV per Unit") on that date less any costs of funding the redemption. See "Redemption of Units — Annual Redemptions". Upon termination, the Fund will distribute its net assets to Unitholders. See "Termination of the Fund".

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, provided that the Fund qualifies as a "mutual fund trust" for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See "Canadian Federal Income Tax Considerations" and "Eligibility for Investment".

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Fund is not a "mutual fund" as defined in the securities legislation applicable in certain provinces and does not operate in accordance with the requirements of Canadian securities regulation applicable to mutual funds. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., HSBC Securities (Canada) Inc., Dundee Securities Corporation, Raymond James Ltd., Canaccord Capital Corporation and Desjardins Securities Inc. (collectively, the "Agents") conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the agency agreement between the Agents, the Manager, the Investment Manager and the Fund (the "Agency Agreement"), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by Osler, Hoskin & Harcourt LLP and on behalf of the Agents by Stikeman Elliott LLP. See "Plan of Distribution".

Subsequent to the closing of the Offering, it is intended that the Fund will enter into a loan facility with a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents. **Consequently, the Fund may be considered a "connected issuer" of such Canadian chartered bank under applicable securities legislation.** See "Plan of Distribution".

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 22, 2007, but no later than April 30, 2007. Registrations and transfers of Units will be effected only through the book entry only system administered by CDS Clearing and Depository Services Inc. ("CDS"). Beneficial owners of Units will not have the right to receive physical certificates evidencing this ownership. See "Description of Units — Book-Entry Only System".

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

Issuer:	Connor, Clark & Lunn Global Financials Fund II (the “Fund”) is an investment trust established under the laws of the Province of Ontario on February 27, 2007 which invests its assets in accordance with the investment objectives and strategy described under “The Fund”. The manager of the Fund is Connor, Clark & Lunn Capital Markets Inc.
Offering:	The offering (the “Offering”) consists of redeemable, transferable units (“Units”) of the Fund.
Maximum Issue:	\$200,000,000 (20,000,000 Units)
Minimum Issue:	\$40,000,000 (4,000,000 Units)
Price:	\$10.00 per Unit
Minimum Subscription:	100 Units (\$1,000)
Manager:	<p>Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) is responsible for the management and administration of the Fund. The Manager has over \$1.1 billion in assets under management and is part of the Connor, Clark & Lunn Financial Group, a group of affiliated companies with aggregate assets under management of approximately \$35 billion as at December 31, 2006. See “Management of the Fund — The Manager”.</p> <p>Connor, Clark & Lunn Capital Markets Inc. is also the manager of Connor, Clark & Lunn Global Financials Fund, which has substantially similar investment objectives and strategies to the Fund and for which New Star Asset Management Limited (the “Investment Manager” or “New Star”) also acts as investment manager. Connor, Clark & Lunn Global Financials Fund raised approximately \$53 million in its initial public offering in May 2006, has paid all monthly distributions to date at a rate of 5% on the original issue price of its units (totalling \$0.35 per unit), and has paid a special distribution of \$0.14 per unit in respect of the 2006 financial year, for total distributions to date of \$0.49 per unit. The net asset value of Connor, Clark & Lunn Global Financials Fund has increased from \$9.39 on the closing date of the initial public offering to \$11.54 on February 23, 2007. The anticipated holdings of the Fund will be similar to the holdings of Connor, Clark & Lunn Global Financials Fund as of March 22, 2007.</p>
Investment Rationale and Objectives:	The Fund has been designed to take advantage of the expertise of New Star in investing in the global financial services sector. The Investment Manager has a strong track record in this area and believes that the global financial services sector will continue to outperform other sectors of the market.

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 \$0.05 per Unit (representing a yield of approximately 6.0% per annum on the issue price of \$10.00 per Unit); and
- (ii) preserve and enhance the net asset value per Unit of the Fund.

In order to achieve the Fund's investment objectives, the net proceeds of the Offering, together with any borrowings under the Fund's loan facility, will be invested in an actively managed portfolio (the "Portfolio") consisting of securities of global financial services businesses. The Portfolio will be actively managed by New Star.

The Fund will target using leverage in an amount equal to approximately 10% of its total assets. However, the Investment Manager may, in its discretion, increase or decrease the amount of leverage the Fund employs based on its expectation of returns available in the market, subject to a maximum of 15% of the Fund's total assets.

Global Financial Services Sector:

Financial services companies are involved at every level of an economy. In most markets, financial services companies represent 15-30% of a market's total capitalization. They generate revenues from individuals, companies, public bodies and governments. As a result, New Star believes that a portfolio of financial services companies can act as a vehicle for investment in a wide range of activities across a number of countries.

New Star believes the following factors contribute to the long-term attractiveness of the global financial services sector:

- (i) banking, pensions, insurance and asset management companies all stand to benefit from ageing populations and rising wealth in developed and emerging market countries and with fewer people working to provide for those who retire, governments are encouraging people to turn to these companies for their retirement needs;
- (ii) globalization produces consolidation, which may provide astute investors the opportunity to capture premiums paid by acquirers and share in the synergies that well-run companies gain from rationalization; and
- (iii) financial trading has become internationalized and new products continue to be developed, providing additional revenues for financial institutions and more efficient ways to hedge their risks.

In New Star's opinion an environment of global economic growth, low inflation and low interest rates (compared to historic levels) provides a positive outlook for the global financial services sector. This view is supported by:

- (i) strong capital markets over the last few years;
- (ii) high underlying asset values supporting secured lending;
- (iii) low bad debt expectations since 2002;

(iv) increasing demand for loans, especially in Continental and Eastern Europe; and

(v) significant merger and acquisition activity.

Investment Manager:

New Star, a wholly-owned subsidiary of New Star Asset Management Group PLC (together with its subsidiaries, “New Star Group”), will provide investment advisory and portfolio management services to the Fund. New Star also acts as investment manager to Connor, Clark & Lunn Global Financials Fund which has substantially similar investment objectives and strategies to the Fund.

New Star Group is a UK asset management group whose principal activity is the provision of asset management products and services to retail and institutional investors. Founded in June 2000, New Star Group has total assets under management of approximately £21.1 billion as of December 31, 2006 and has established itself as one of the UK’s leading independently-owned mutual fund management groups. In the twelve months ended December 31, 2006, it was ranked first for net sales of UK mutual funds and, as at December 31, 2006, it was the fourteenth largest UK mutual fund manager ranked by assets under management (Source: UK Investment Management Association).

The Portfolio will be managed using the same investment approach that the Investment Manager applies to its New Star Global Financials Fund (the “UK Fund”) which was launched in December 2001. The compound annual total return for this fund from December 31, 2001 until December 31, 2006 was 22.6% per annum. The UK Fund has £235 million of assets under management as at December 31, 2006 and New Star manages in excess of £5.8 billion across its product range in the financial services sector.

The following table illustrates the compound annual total returns of the UK Fund for the past 1, 3, and 5 year periods, compared to the FTSE Global Financials Index for the same periods:

**New Star Global Financials Fund
Compound Annual Total Returns^{(1),(2)}**

	As of December 31, 2006 ⁽³⁾		
	One Year	Three Year	Five Year
New Star Global Financials Fund	23.6%	31.2%	22.6%
FTSE Global Financials Index	7.1%	11.6%	2.5%

Source: Lipper Hindsight.

Notes:

- (1) Total return in UK Pounds Sterling, net of fees and expenses.
- (2) Net of withholding tax under UK law, withholding tax in Canada may differ. Generally withholding tax is expected to be 15% on dividends.
- (3) The UK Fund commenced operations on December 28, 2001.

Investment Process:

The Portfolio will be managed using the same investment approach that the Investment Manager applies to its UK Fund. New Star employs a

combination of top-down trend and economic analysis and bottom-up stock assessment, with individual stock selection being the principal driver of portfolio construction. The UK Fund has approximately 60-80 stocks in respect of which New Star implements an active strategy which often diverges substantially from benchmark weightings. New Star will invest the Fund across the market capitalization scale, investing in medium sized or smaller companies when they offer better growth prospects than the big blue chips. The Fund may have a greater emphasis on the generation of income than the UK Fund.

New Star follows the following four-step investment process:

1. identify key trends and economic themes;
2. analyze fundamental factors to identify attractive stocks;
3. monitor opportunity cost of holdings; and
4. use risk controls to determine final portfolio composition.

The Portfolio:

The Fund will seek to generate income and long-term capital growth principally through investment in the securities of global financial services companies.

Top Ten Issuers:

The following are the top ten issuers included in Connor, Clark & Lunn Global Financials Fund and expected to be included in the initial Portfolio of the Fund.

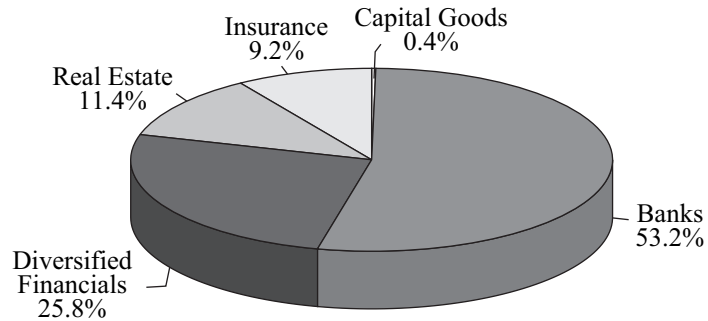
	<u>Issuer</u>	<u>Weighting</u>	<u>Dividend Yield</u>
1.	Credit Suisse Group	5.43%	3.00%
2.	Unicredito Italiano Spa	4.18%	3.70%
3.	Marfin Popular Bank Ltd. (Cyprus)	3.65%	2.80%
4.	Banque Cantonale Vaudoise — RE	3.54%	1.10%
5.	Société Générale — A	3.12%	3.60%
6.	Partners Group AG	2.90%	0.00%
7.	Société de la Tour Eiffel	2.90%	3.72%
8.	Sberbank	2.89%	0.27%
9.	New Star Asset Management Group PLC ⁽¹⁾	2.88%	2.40%
10.	Deutsche Bank AG — REG	2.75%	4.30%

Note:

(1) New Star Asset Management Group PLC is the parent company of the Investment Manager. Any investment by the Fund in an affiliate of the Investment Manager will be subject to review and approval by the Manager.

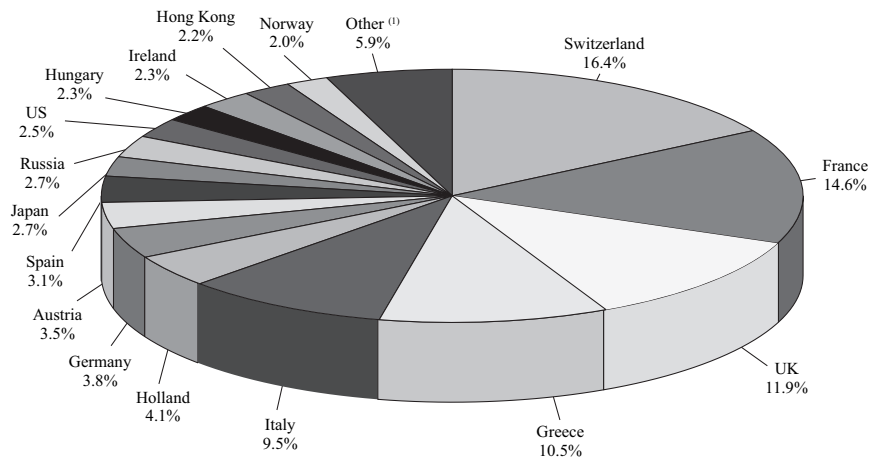
Sector Breakdown

The following chart illustrates the sector breakdown of Connor, Clark & Lunn Global Financials Fund's Portfolio within the financial services sector and the expected breakdown of the Fund's initial Portfolio within the financial services sector.



Geographical Breakdown:

The following chart illustrates the geographic breakdown of the Portfolio of Connor, Clark & Lunn Global Financials Fund and the expected geographic breakdown of the initial Portfolio of the Fund.



Note:

(1) Comprised of 7 countries each representing less than 2.0% of the expected initial Portfolio.

Distributions:

The Fund will provide a stable stream of monthly distributions to Unitholders of record on or about the last business day of each month (such date, a "Record Date") initially equal to approximately \$0.05 per Unit (\$0.60 per annum or approximately 6.0% per annum yield on the original issue price of \$10.00 per Unit).

The Fund expects that the initial distribution will be payable to Unitholders of record on April 30, 2007 and, based on an anticipated closing date of March 22, 2007, is expected to be \$0.0662 per Unit, representing a yield of 6.0% per annum on the issue price. Distributions will be payable to Unitholders of record at 5:00 p.m. (Toronto time) on the Record Date. The

Manager will determine and announce annually an indicative distribution amount (the “Indicative Distribution”) for the following year based upon prevailing market conditions and the Manager’s estimate of total returns from the Portfolio for the year. All distributions will be paid to Unitholders proportionately based on their respective holdings of Units within 15 days following the Record Date or paid in such other manner as may be agreed to by the Manager. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase net asset value and will therefore provide an opportunity for capital appreciation.

Based on the expected initial asset allocation as described under “The Portfolio”, the Portfolio is expected to generate dividends and distributions of approximately 1.8% per annum (before taking into account fees and expenses, the effect of leverage and net of any withholding taxes). Assuming (i) an Offering size of \$100 million, (ii) 10% leverage is employed, (iii) the fees and expenses are as described under “Summary of Fees and Expenses”, and (iv) the deduction of withholding tax, the Portfolio would be required to appreciate at a rate of 6.1% per annum in order for the Fund to maintain a stable NAV while making monthly cash distributions for the year at the initial Indicative Distribution rate. Any portion of the distribution not funded from dividends and distributions is expected to be generated through the realization of capital gains. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to Unitholders.

To the extent that the Fund realizes net income and net capital gains in excess of the Indicative Distribution in a year, the Fund intends to distribute to Unitholders on or before December 31 of that year such portion of the excess as is necessary to ensure that it will not be liable for income tax thereon under the Tax Act. Such distributions will be made in Units and/or cash. To the extent that the Fund makes a distribution in Units, the number of outstanding Units of the Fund will be automatically consolidated such that each Unitholder of the Fund will hold after the consolidation the same number of Units of the Fund as it held before the distribution of additional Units (except in the case of non resident Unitholders, where withholding is required).

See “Distributions”.

Distribution Reinvestment Plan:

The Fund intends to adopt a distribution reinvestment plan (the “Reinvestment Plan”) following the closing of the Offering which will provide that all monthly cash distributions made by the Fund shall, at the election of a Unitholder, be automatically reinvested in additional Units on such Unitholder’s behalf in accordance with the terms of such plan and the reinvestment plan agency agreement to be entered into by the Manager on behalf of the Fund, the Manager and Computershare Trust Company of Canada (the “Plan Agent”) to establish the Reinvestment Plan.

See “Distribution Reinvestment Plan”.

Currency Hedging:

The Fund will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Fund’s total returns in UK Pounds Sterling.

In addition, it is intended that at least 90% of the value of the Portfolio will be hedged from UK Pounds Sterling back to the Canadian dollar.

Market Purchases:

To enhance liquidity and to provide market support for the Units, the Fund will have a mandatory market purchase program under which the Fund will, subject to certain exceptions contained in the Trust Agreement (as described under “Description of Units — Mandatory Market Purchase Program”) and in compliance with any applicable regulatory requirements, be obligated to purchase Units for cancellation on and subject to the terms below. If, on any business day following the closing of the Offering, the weighted average price of the Units is less than 95% of the net asset value per Unit (the “NAV per Unit”) determined as at the most recently published Valuation Date (as defined herein under “Valuation”), the Fund will offer to purchase for cancellation any Units offered in the market at or below 95% of the NAV per Unit on the following business day. The maximum number of Units to be purchased in any three-month period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering) will be 1.25% of the number of Units outstanding at the beginning of such period.

In addition, the Fund has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market at prices not exceeding the NAV per Unit, subject to any applicable regulatory requirements and limitations. See “Description of Units — Mandatory Market Purchase Program”.

Leverage:

Subsequent to the closing of the Offering, the Fund intends to enter into a loan facility (the “Loan Facility”) with a Canadian chartered bank (the “Lender”) which may be affiliated with one of the Agents. The Fund will target using leverage in an amount equal to approximately 10% of its total assets. However, the Investment Manager may, in its discretion, increase or decrease the amount of leverage the Fund employs based on its expectation of returns available in the market. The aggregate amount of borrowings and any other leverage may not exceed 15% of the total assets of the Fund. The Loan Facility may be used to purchase additional securities for the Portfolio. It is expected that the terms, conditions, interest rates, fees and expenses, as applicable, of and under the loan facility would be typical for transactions of this nature and that the Lender (which may be a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents) will require the Fund to provide a security interest in some or all of its assets in favour of the Lender to secure such obligations. See “The Fund’s Investment Guidelines — Leverage”.

Net Asset Value:

The net asset value of the Fund (the “Net Asset Value” or “NAV”) on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. See “Valuation — Net Asset Value and NAV per Unit”.

Redemption:

Commencing in 2008, Units may be redeemed on the last business day of September in each year (the “Redemption Date”), subject to the Fund’s right to suspend redemptions, for a redemption price per Unit based on the NAV per Unit less any costs of funding the redemption. Units may also be

redeemed monthly for a redemption price per Unit based on the market price of the Units. See “Redemption of Units”.

Trustee:

RBC Dexia Investor Services Trust is the trustee of the Fund, acts as custodian of the assets of the Fund and is responsible for certain aspects of the day-to-day administration of the Fund. See “Management of the Fund — The Trustee” and “Auditors, Transfer Agent, Registrar and Custodian”.

Termination:

The Fund does not have a fixed termination date but may be terminated (the “Termination Date”) upon not less than 90 days written notice to the Manager from the Trustee with the approval of the Unitholders by a two-thirds majority vote passed at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

The Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, the Net Asset Value of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the best interests of the Unitholders to terminate the Fund.

Immediately prior to the Termination Date, the Investment Manager will, to the extent possible, convert the assets of the Fund to cash and the Trustee, after paying or making adequate provision for all of the Trust’s liabilities, shall distribute the net assets of the Fund to Unitholders as soon as practicable after the Termination Date.

See “Termination of the Fund”.

Eligibility for Investment:

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, provided that the Fund qualifies as a “mutual fund trust” for purposes of the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See “Canadian Federal Income Tax Considerations” and “Eligibility for Investment”.

Canadian Federal Income Tax Considerations:

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including the taxable portion of the net realized taxable capital gains of the Fund, paid or payable to the Unitholder in the taxation year. To the extent that amounts payable to Unitholders are designated as taxable capital gains, those amounts will be treated as capital gains realized by Unitholders. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the Units and any reasonable costs of disposition. Distributions by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that negative amount.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See “Canadian Federal Income Tax Considerations”.

Risk Factors:

An investment in the Units will be subject to certain risk factors, including:

- (a) there can be no assurance that the Fund will be able to achieve its investment objectives;
- (b) the risks of investing in common shares including the general risks of equity investments, such as general economic conditions;
- (c) most of the securities held in the Portfolio will be securities of companies in the financial services industry and as a result, the Fund’s holdings will not be diversified among sectors;
- (d) the value of the Portfolio and the NAV per Unit will vary according to, among other things, the net asset value of the securities in the Portfolio and the dividends and distributions paid thereon;
- (e) the use of leverage to enhance yield;
- (f) reliance on the Manager and the Investment Manager, and there is no certainty that the individuals who are principally responsible for providing investment advisory and portfolio management services will continue to be employed by the Investment Manager while it provides investment advisory and portfolio management services to the Fund;
- (g) sensitivity to interest rates;
- (h) risks relating to foreign currency exposure;
- (i) risks associated with foreign securities;
- (j) risks relating to the use of derivative instruments;
- (k) securities lending;
- (l) the Units may trade in the market at a premium or a discount to the NAV per Unit and there can be no guarantee that Units will trade at prices that reflect their net asset value;
- (m) risks associated with changes in the composition of the Portfolio and concentration of investments;
- (n) the possibility of the Fund being unable to acquire or dispose of illiquid securities;
- (o) risks relating to substantial redemption of Units;
- (p) status of the Fund for securities law purposes;
- (q) potential conflicts of interest;
- (r) tax proposals respecting the deductibility of expenses and status of the Fund;
- (s) the Fund’s lack of operating history and the current absence of a public trading market for the Units;
- (t) the past performance of the UK Fund is not and should not be construed to be an indication of future performance;
- (u) Unitholders will have no ownership interest in the securities comprising the Portfolio; and
- (v) the possible loss of an investment.

See “Risk Factors”.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund. See “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description</u>
Fees payable to the Agents for selling Units:	\$0.50 per Unit (5%).
Expenses of issue:	The Fund will, subject to a maximum of 1.5% of the gross proceeds of the Offering, pay the expenses incurred in connection with the offering of Units by the Fund, estimated to be \$710,000 in the case of the maximum Offering and \$578,000 in the case of the minimum Offering.
Management and Investment Management Fees:	The Fund shall pay the Manager an annual fee of 1.1% of the NAV accrued daily and payable monthly in arrears, together with an amount equal to the Service Fee (described below) to be paid by the Manager to dealers, plus applicable taxes. The Manager will pay the Investment Manager out of its management fee.
Operating expenses:	The Fund will pay for all ordinary expenses incurred in connection with the operation and administration of the Fund, estimated to be \$326,000 per annum. The Fund will also be responsible for any extraordinary expenses which it may incur from time to time.
Service Fee:	A service fee (the “Service Fee”) will be payable to each dealer whose clients hold Units. The Service Fee will accrue daily and be paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer. The Service Fee payable to registered dealers in respect of the quarter ending June 30, 2007, shall be paid on a <i>pro rata</i> basis.

THE FUND

Connor, Clark & Lunn Global Financials Fund II (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 27, 2007 (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 Ave., Toronto, Ontario M5H 3M7.

Status of the Fund

The Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units.

Investment Rationale and Objectives

The Fund has been designed to take advantage of the expertise of New Star Asset Management Limited (the “Investment Manager” or “New Star”) in investing in the global financial services sector. The Investment Manager has a strong track record in this area and believes that the global financial services sector will continue to outperform other sectors of the market.

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 \$0.05 per Unit (representing a yield of approximately 6.0% per annum on the issue price of \$10.00 per Unit); and
- (ii) preserve and enhance the net asset value per Unit of the Fund.

In order to achieve the Fund’s investment objectives, the net proceeds of the Offering, together with any borrowings under the Fund’s loan facility, will be invested in an actively managed portfolio (the “Portfolio”) consisting of securities of global financial services businesses. The Portfolio will be actively managed by New Star.

The Fund will target using leverage in an amount equal to approximately 10% of its total assets. However, the Investment Manager may, in its discretion, increase or decrease the amount of leverage the Fund employs based on its expectation of returns available in the market, subject to a maximum of 15% of the Fund’s total assets.

GLOBAL FINANCIAL SERVICES SECTOR

Financial services companies are involved at every level of an economy. In most markets, financial services companies represent 15-30% of a market’s total capitalization. They generate revenues from individuals, companies, public bodies and governments. As a result, New Star believes that a portfolio of financial services companies can act as a vehicle for investment in a wide range of activities across a number of countries.

New Star believes the following factors contribute to the long-term attractiveness of the global financial services sector:

- (i) banking, pensions, insurance and asset management companies all stand to benefit from ageing populations and rising wealth in developed and emerging market countries and with fewer people working to provide for those who retire, governments are encouraging people to turn to these companies for their retirement needs;
- (ii) globalization produces consolidation, which may provide astute investors the opportunity to capture premiums paid by acquirers and share in the synergies that well-run companies gain from rationalization; and

- (iii) financial trading has become internationalized and new products continue to be developed, providing additional revenues for financial institutions and more efficient ways to hedge their risks.

New Star believes that the attraction of the financial services sector is that it is one of the largest and most diversified sectors within global stock markets. There are a large number of sub-sectors within the global financial services sector including; savings banks, regional banks, mortgage banks, broker dealers, asset managers, life insurance, non-life assurance (including reinsurance) and speciality finance (credit cards, leasing, financial guarantors, etc). This diversity allows the Investment Manager to find attractive investment opportunities at every stage in the investment cycle. New Star will not hesitate to have a zero weight in a particular sub-sector.

Current Outlook

In New Star's opinion an environment of global economic growth, low inflation and low interest rates (compared to historic levels) provides a positive outlook for the global financial services sector. This view is supported by:

- (i) strong capital markets over the last few years;
- (ii) high underlying asset values supporting secured lending;
- (iii) low bad debt expectations since 2002;
- (iv) increasing demand for loans, especially in Continental and Eastern Europe; and
- (v) significant merger and acquisition activity.

New Star believes that although inflation expectations, and therefore interest rates, have risen recently, this trend will reverse over the coming months. As a result, despite concerns over the impact of a slowdown in US economic growth, there are significant investment gains that may be made amongst a number of financial companies by considering specific themes within the financial sub-sectors. In particular, opportunities currently exist in:

- (i) European banks which are exposed to faster growing economies in Eastern Europe where the level of consumer credit and household debt is well below those of developed economies in North America and Western Europe;
- (ii) private banks and asset management companies which are participating in the growth of global wealth and the demand for alternative investments such as hedge funds and private equity;
- (iii) selective investment banks which are accessing strong deal flow in primary and/or secondary markets; and
- (iv) life insurance companies which are benefiting from increased demand for savings and other investment products.

Following a downturn in markets in the early part of the decade, a number of financial services companies completed a thorough cost cutting exercise and, in New Star's opinion, have emerged with much lower cost structures. New Star believes that this, combined with the general leverage of financial services companies to rising markets, offers the potential for exceptional operating leverage for financial services companies with the resultant strong profit and cash flow generation as well as the opportunity for dividend growth.

INVESTMENT MANAGER

New Star, a wholly-owned subsidiary of New Star Asset Management Group PLC (together with its subsidiaries, "New Star Group"), will provide investment advisory and portfolio management services to the Fund. New Star also acts as investment manager to Connor, Clark & Lunn Global Financials Fund which has substantially similar investment objectives and strategies to the Fund.

New Star Group is a UK asset management group whose principal activity is the provision of asset management products and services to retail and institutional investors. Founded in June 2000, New Star Group

has total assets under management of approximately £21.1 billion as of December 31, 2006 and has established itself as one of the UK's leading independently-owned mutual fund management groups. In the twelve months ended December 31, 2006, it was ranked first for net sales of UK mutual funds and, as at December 31, 2006, it was the fourteenth largest UK mutual fund manager ranked by assets under management (Source: UK Investment Management Association).

The Portfolio will be managed using the same investment approach that the Investment Manager applies to its New Star Global Financials Fund (the "UK Fund") which was launched in December 2001. The compound annual total return for this fund from December 31, 2001 until December 31, 2006 was 22.6% per annum. The UK Fund has £235 million of assets under management as at December 31, 2006 and New Star manages in excess of £5.8 billion across its product range in the financial services sector.

The following table illustrates the compound annual total returns of the UK Fund for the past 1, 3, and 5 year periods, compared to the FTSE Global Financials Index for the same periods:

**New Star Global Financials Fund
Compound Annual Total Returns^{(1),(2)}**

	As of December 31, 2006 ⁽³⁾		
	One Year	Three Year	Five Year
New Star Global Financials Fund	23.6%	31.2%	22.6%
FTSE Global Financials Index	7.1%	11.6%	2.5%

Source: Lipper Hindsight.

Notes:

- (1) Total return in UK Pounds Sterling, net of fees and expenses.
- (2) Net of withholding tax under UK law, withholding tax in Canada may differ. Generally withholding tax is expected to be 15% on dividends.
- (3) The UK Fund commenced operations on December 28, 2001.

INVESTMENT PROCESS

The Portfolio will be managed using the same investment approach that the Investment Manager applies to its UK Fund. New Star employs a combination of top-down trend and economic analysis and bottom-up stock assessment, with individual stock selection being the principal driver of portfolio construction. The UK Fund has approximately 60-80 stocks in respect of which New Star implements an active strategy which often diverges substantially from benchmark weightings. New Star will invest the Fund across the market capitalization scale, investing in medium sized or smaller companies when they offer better growth prospects than the big blue chips. The Fund may have a greater emphasis on the generation of income than the UK Fund.

New Star follows the following four-step investment process:

1. Identify Key Trends and Economic Themes

New Star will invest the Fund to follow strategic themes derived from New Star's trend and economic analysis, with portfolio construction driven from the bottom up by fundamental analysis. New Star begins by considering the global economy to determine which financial sub-sectors may perform strongly given the state of the markets, liquidity factors, creditworthiness, business confidence and regulation. This helps to shape New Star's view on sectors and countries. Among the significant themes currently being applied by New Star in the management of the UK Fund are: recovery in a number of European economies, particularly if the current low interest rate environment prevails; continued asset gathering; and mergers, acquisitions and restructuring activity.

New Star believes that the potential of an investment in the securities of a financial services company is often linked to the economy in which the financial services company operates, so there is a bias towards

successful economies. If a country's market looks expensive relative to other countries, New Star is inclined to be more selective in investing there, unless the quality or potential of the financial services companies in that country is compelling.

At the sub-sector level, an earnings trend may influence New Star's stock selection process. Life assurance company shares, for instance, tend to be heavily leveraged to overall market direction so New Star will tend to avoid this sub-sector if it thinks markets are likely to be weak and conversely be overweight when New Star thinks markets overall are cheap. In general, New Star looks for sub-sectors where sales are rising, the customer base is increasing and margins are improving. The prospects for takeovers may also attract New Star, although potential takeover candidates must also have viable fundamentals and share prices that are not merely supported by bid speculation.

2. Analyze Fundamental Factors to Identify Attractive Stocks

Having established a view on the overall economic picture and identified attractive trends and sub-sectors, New Star makes critical decisions at the stock level to exploit the big differences that exist in the growth prospects of companies that operate in the same market.

Fundamental analysis is undertaken to build up a picture of a company and determine whether its strategy is likely to deliver positive investment results. In particular, New Star will look at four influential factors:

(a) **Business Strategy:** New Star invests in companies that it believes have a viable long-term business strategy and have strong returns on capital employed. In the belief that barriers to entry are often not that great in financial services, New Star prefers companies that are leaders in their fields or who have carved out a defensible niche. Company business strategies need to suit the prevailing economic environment and New Star makes stock selection judgements on whether a company's expectations match its own views of the climate in which that company operates. New Star believes that a company's business strategy must also take into account the regulatory environment. New Star looks to see where regulation may help or hinder a company, sub-sector or a country's entire financial services industry.

(b) **Quality Management:** New Star believes that strong management is vital in financial services because the nature of the business can cause problems to escalate rapidly. New Star regularly meets the senior managers of financial services companies to help ascertain their strengths and weaknesses, focusing on proven track records, commitment to creating shareholder and alignment of the interests of management and outside investors.

(c) **Sound Finances:** This creates high barriers to entry resulting in financial services companies often generating high and sustainable levels of profitability. The introduction of the Basel II Accord for banks and Solvency II Directive for life assurance companies in Europe will likely focus management on the most efficient use of their balance sheets. It could also act as a spur to further consolidation within the sector as companies look to take advantage of the benefits of having as diverse a range of businesses across geography and product line as possible.

(d) **Attractive Valuations:** New Star weighs valuation as the most important single factor in the investment decision and, as a result, a portion of the UK Fund is invested in the best individual opportunities available irrespective of their areas of business. In valuing companies, New Star favours traditional valuation measures such as price/earnings ratios ("P/E") and returns on capital employed. Relative valuations among stocks, sectors and geographical markets are also used to identify value.

3. Monitor Opportunity Cost of Holdings

Holdings are continuously monitored to ensure that they are performing in line with New Star's expectations. Sudden shocks to the market or to an individual stock may create buying or selling opportunities. Instances where this might occur include a stock moving significantly out of line with its historic valuations or corporate activity providing momentum to a sub-sector. If a stock has risen sharply in a short period of time, New Star considers selling some or all of the position to lock in profits. There may, however, be occasions where the fundamentals for the stock have sharply improved and justify a maintained holding.

4. Risk Control

Risk control is a key component of the investment process. Risk controls that New Star considers to be critical include: position size limits; a strong sell discipline; the ability to assume a zero weighting rather than simply over or under-weight vis-à-vis an index; and currency risk controls, limiting exposure to potential currency movements by considering current interest rates, the relevant historic trade weighted index, and trade and capital flows.

THE PORTFOLIO

The Fund will seek to generate income and long-term capital growth principally through investment in the securities of global financial services companies.

Top Ten Issuers:

The following are the top ten issuers included in Connor, Clark & Lunn Global Financials Fund and expected to be included in the initial Portfolio of the Fund.

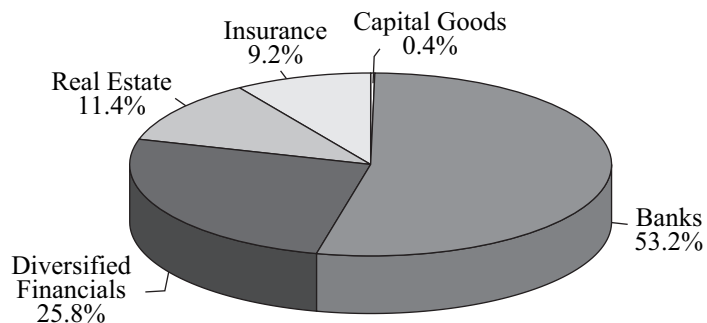
<u>Issuer</u>	<u>Weighting</u>	<u>Dividend Yield</u>
1. Credit Suisse Group	5.43%	3.00%
2. Unicredito Italiano Spa	4.18%	3.70%
3. Marfin Popular Bank Ltd. (Cyprus)	3.65%	2.80%
4. Banque Cantonale Vaudoise — RE	3.54%	1.10%
5. Société Générale — A	3.12%	3.60%
6. Partners Group AG	2.90%	0.00%
7. Société de la Tour Eiffel	2.90%	3.72%
8. Sberbank	2.89%	0.27%
9. New Star Asset Management Group PLC ⁽¹⁾	2.88%	2.40%
10. Deutsche Bank AG — REG	2.75%	4.30%

Note:

(1) New Star Asset Management Group PLC is the parent company of the Investment Manager. Any investment by the Fund in an affiliate of the Investment Manager will be subject to review and approval by the Manager.

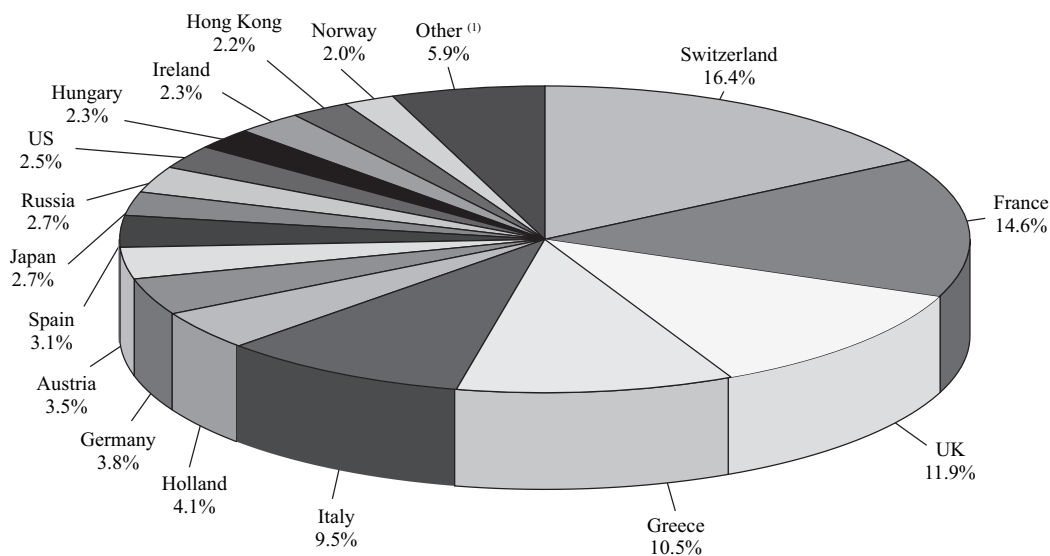
Sector Breakdown:

The following chart illustrates the sector breakdown of Connor, Clark & Lunn Global Financials Fund's Portfolio within the financial services sector and the expected breakdown of the Fund's initial Portfolio within the financial services sector.



Geographical Breakdown:

The following chart illustrates the geographic breakdown of the Portfolio of Connor, Clark & Lunn Global Financials Fund and the expected geographic breakdown of the initial Portfolio of the Fund.



Note:

(1) Comprised of 7 countries each representing less than 2.0% of the expected initial Portfolio.

THE FUND'S INVESTMENT GUIDELINES

Investment Restrictions

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over Allotment Option (defined under "Plan of Distribution")) to acquire the Portfolio. In purchasing and holding the Portfolio, the Fund will be subject to, among other things, the following investment restrictions:

- (i) **Investments.** The Fund will invest at least 90% of the Portfolio in securities of companies in the global financial services sector.
- (ii) **Concentration.** The Fund will restrict its investments in any one issuer to no more than 10% of its total assets at the time of investment in such issuer.
- (iii) **Leverage.** The Fund may not borrow or use other forms of leverage in excess of 10% of total assets at the time the Loan Facility is entered into. See "The Fund's Investment Guidelines — Leverage".
- (iv) **Commodities.** The Fund will not purchase or sell commodities or commodity contracts for the Portfolio.
- (v) **Illiquid Securities.** Not more than 10% of the assets (determined at the time of purchase) of the Portfolio will be invested in "illiquid securities". The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the securities are valued for the Portfolio.
- (vi) **Real Estate other than Real Estate Investment Trusts ("REITs").** The Fund will not purchase real estate (other than through the purchase of securities of issuers that invest primarily in real estate or interests therein, including REITs, up to a maximum of 15% of the Fund's total assets at the time of purchase).
- (vii) **Control.** The Fund will not own more than 10% of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer.

- (viii) **No Guarantee.** The Fund will not guarantee securities or obligations of another person or company other than the Manager, and then only in respect of the activities of the Fund.
- (ix) **Status under the Tax Act.** The Fund will not make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act.
- (x) **Foreign Investment Entities.** The Fund will not acquire any interest in a non-resident trust that is not an “exempt foreign trust”, or invest in the securities of any non-resident corporation or trust or other non-resident entity if the Fund would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed sections 94.1 or 94.3 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities and non-resident trusts contained in a Notice of Ways and Means Motion tabled in the House of Commons on November 9, 2006 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (xi) **Controlled Foreign Affiliates.** The Fund will not invest in any securities of any entity that would be a controlled foreign affiliate of the Fund for purposes of the Tax Act.
- (xii) **Taxable Canadian Property.** The Fund will not acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act or that will otherwise constitute “specified property” within the meaning of the proposed amendments to the Tax Act announced on September 16, 2004.
- (xiii) **Tax Proposals Regarding SIFT Trusts.** The Fund will not make or hold any investment that would result in the Fund becoming a “SIFT trust” for purposes of tax proposals released by the Minister of Finance (Canada) on December 21, 2006 (the “December 21, 2006 Tax Proposals”), as such proposals may be amended or enacted. Among other requirements, in order for the Fund to so qualify:
 - (a) the Fund must not hold “securities” of a “subject entity” (as defined in the December 21, 2006 Tax Proposals) if such securities have a total fair market value that is greater than 10% of the fair market value of all of the issued and outstanding shares or interests in such entity; and
 - (b) the Fund must not hold “securities” of a “subject entity” (as defined in the December 21, 2006 Tax Proposals) if, together with all of the securities that the Fund holds of entities affiliated with the particular subject entity, such securities have a total fair market value that is greater than 50% of the fair market value of all of the issued and outstanding Units of the Fund.

Leverage

Subsequent to the closing of the Offering, the Fund intends to enter into a loan facility (the “Loan Facility”) with a Canadian chartered bank (the “Lender”) which may be affiliated with one of the Agents. The Fund will target using leverage in an amount equal to approximately 10% of its total assets. However, the Investment Manager may, in its discretion, increase or decrease the amount of leverage the Fund employs based on its expectation of returns available in the market. The aggregate amount of borrowings under the Loan Facility may not exceed 15% of total assets of the Fund. The Loan Facility may be used to purchase additional securities for the Portfolio. It is expected that the terms, conditions, interest rates, fees and expenses, as applicable, of and under the Loan Facility would be typical for transactions of this nature and that the Lender (which may be a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents) will require the Fund to provide a security interest in some or all of its assets in favour of the Lender to secure such obligations.

In the event that the total amount borrowed or otherwise subject to leverage by the Fund exceeds the 15% limit, indebtedness will be reduced on a commercially reasonable basis as soon as practicable so that the amount borrowed or otherwise subject to leverage does not continue to exceed such limit. If the total amount borrowed or otherwise subject to leverage by the Fund exceeds 20% of the total assets of the Fund, indebtedness will be reduced immediately such that the amount borrowed or otherwise subject to leverage does not constitute more than 15% of the total assets of the Fund.

Other than borrowings by the Fund under the Loan Facility, the Fund will not engage in other borrowings or leverage transactions.

Currency Hedging and Use of Other Derivative Instruments

The Fund will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Fund's total returns in UK Pounds Sterling. In addition, it is intended that at least 90% of the value of the Portfolio's non-Canadian exposure will be hedged from UK Pounds Sterling back to the Canadian dollar.

The Fund may utilize derivatives consistent with its investment strategy and in accordance with National Instrument 81-102 of the Canadian Securities Administrators ("NI 81-102") (as if the Fund were subject to NI 81-102) or as otherwise may be permitted by Canadian securities regulators from time to time. For example, the Fund may use derivatives for the purpose of offsetting or reducing risks associated with an investment or group of investments.

Securities Lending

The Fund may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income and/or as a short-term cash management tool. Any borrower of securities from the Fund must maintain with a qualified agent collateral having a market value equal to at least 102% of the market value of the securities borrowed, and must provide the Fund with a right to sell the collateral if the borrower defaults on its obligations under the transaction. The Fund will provide to the borrower a right to sell the securities if the Fund defaults on its obligations under the transaction. The value of the collateral and the securities will be monitored daily and collateral will be adjusted appropriately on each business day (any day on which commercial banks are open for business in Toronto, Ontario hereinafter referred to as a "business day"). Any securities lending transaction must qualify as a "securities lending arrangement" for purposes of the Tax Act.

MANAGEMENT OF THE FUND

The Manager

Connor, Clark & Lunn Capital Markets Inc. will perform management services for the Fund pursuant to the terms of the Trust Agreement. The Manager will be entitled to receive fees as compensation for management services rendered to the Fund. See "Duties and Services to be Provided by the Manager" below and "Fees and Expenses".

The Manager is a registered investment counsel and portfolio manager, and has over \$1.1 billion in assets under management as at December 31, 2006. The Manager is part of the Connor, Clark & Lunn Financial Group (the "CC&L Group"), which also includes Connor, Clark & Lunn Investment Management Ltd., Connor, Clark & Lunn Private Capital Ltd., Baker Gilmore & Associates Inc., PCJ Investment Counsel Ltd., Scheer Rowlett & Associates Investment Management Ltd., New Star Canada Inc., Connor, Clark & Lunn Arrowstreet Capital Ltd., Global Alpha Capital Management Ltd. and Banyan Capital Partners Management Partnership. The CC&L Group, with approximately \$35 billion in assets under management as at December 31, 2006, offers professional management of financial assets for pension plan sponsors, capital accumulation plans, corporations, foundations, mutual funds and individual investors.

Connor, Clark & Lunn Financial Group and New Star Institutional Managers Limited have a joint venture in Canada called New Star Canada Inc.

The Manager acts as manager or investment advisor for the following investment funds: Connor, Clark & Lunn ROC Pref Corp., Connor, Clark & Lunn Conservative Income Fund II, Clark & Lunn Real Return Income Fund, ROC Pref III Corp., Connor, Clark & Lunn Conservative Income Fund, ROC Pref II Corp., ROC Pref Corp., SNP Health Split Corp., Connor and Clark & Lunn PRINTS Trust, Connor, Clark & Lunn Global Financials Fund and CANADIAN Financials & Utilities Split Corp.

Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the business of the Fund and to bind the Fund. The Manager may

delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager's duties will include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; administering the retraction and redemption of Units; arranging for any payment required on or about the Termination Date; dealing and communicating with Unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers.

The Manager will also monitor the Fund's investment strategy to ensure compliance with the Investment Guidelines and that the net proceeds of the Offering are invested as described under "Use of Proceeds".

The Fund will enter into the registrar, transfer agency and distribution agency agreement, as referred to under "Auditors, Transfer Agent, Registrar and Custodian". Such agreements do not in any way release the Manager from compliance with its obligations to the Fund under the Trust Agreement. The Fund may terminate each of the foregoing agreements upon notice.

Trust Agreement

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager has entered into the Investment Management Agreement with the Investment Manager and the Fund, pursuant to which the Investment Manager will act as a sub-advisor to the Manager and the Fund. The Manager will be responsible to the Fund for all investment advice and portfolio management services provided by the Investment Manager to the Fund and for any loss that arises out of the failure of the Investment Manager to exercise the powers and discharge its duties honestly, in good faith and in the best interests of the Fund and the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. To the extent applicable, there may be difficulty in enforcing legal rights against the Investment Manager because it is not a resident of Canada and all or a substantial portion of its assets are located outside of Canada.

The Manager may resign as manager of the Fund upon 60 days' notice to the Unitholders and the Fund or upon such lesser notice period as the Fund may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by Unitholders. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund shall give notice thereof to Unitholders and the Unitholders may remove the Manager and appoint a successor manager of the Fund.

The Manager is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith or negligence.

Accounting and Reporting

The Fund's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Fund elects. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
PHILIP K. GOW Toronto, Ontario	Director, Chief Financial Officer and Secretary and Compliance Officer	Director, Chief Financial Officer, Secretary and Compliance Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL W. FREUND Toronto, Ontario	Director and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
TIMOTHY E. BRADSHAW Toronto, Ontario	Senior Vice-President and National Sales Manager	Senior Vice-President and National Sales Manager, Connor, Clark & Lunn Capital Markets Inc.
JENNIFER L. STEWART Toronto, Ontario	Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.
BONNIE L.M. CHWARTACKI Winnipeg, Manitoba	Vice-President Sales, Western Canada	Vice-President Sales, Western Canada, Connor, Clark & Lunn Capital Markets Inc.
VICTORIA L. JONAS Beaconsfield, Québec	Vice-President Sales, Québec	Vice-President Sales, Québec, Connor, Clark & Lunn Capital Markets Inc.

W. Neil Murdoch: *CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University.* Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

Philip K. Gow: *CFA; BA, Dalhousie University; MBA, Saint Mary's University.* Mr. Gow was a managing director of Brenton Reef Capital Inc. (which was acquired by CC&L Capital Markets Partnership in April 2001) from 1997 to April 2001 and has been a director and Chief Financial Officer of Connor, Clark & Lunn Capital Markets Inc. since April 2001.

Michael W. Freund: *B.Bus.Sci., University of Capetown.* Mr. Freund has held various management positions within the CC&L Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

Timothy E. Bradshaw: *CFA; B.Comm. McGill University; MBA London Business School.* Mr. Bradshaw joined Connor, Clark & Lunn Capital Markets Inc. in May 2006. Prior thereto, Mr. Bradshaw was a Vice-President of TD Bank Financial Group from 2000 to October 2005.

Jennifer L. Stewart: *CFA; BA, University of Western Ontario.* Ms. Stewart has been with Connor, Clark & Lunn Capital Markets Inc. since March 2002. Prior thereto, Ms. Stewart was a Canadian Equities Specialist at Merrill Lynch Canada Inc., with a niche focus on the income trust and structured products areas.

Bonnie L.M. Chwartacki: *BComm (Hons.), University of Manitoba.* Ms. Chwartacki has been with Connor, Clark & Lunn Capital Markets Inc. since the fall of 2004. Prior thereto, Ms. Chwartacki was Regional Vice-President for Western Canada at AIC Group of Funds.

Victoria L. Jonas: *B.Ed., McGill University.* Ms. Jonas joined Connor, Clark & Lunn Capital Markets Inc. in December, 2005. She was Senior Regional Sales Manager for Franklin Templeton Investments from 2002 until December, 2005, Regional Vice-President at Spectrum Investments from 2001 until that company was sold to CI Funds in 2002 and, prior thereto, Regional Vice President and Director with AGF Group of Funds from 1987.

The Canadian Securities Administrators approved the final version of NI 81-107 on September 19, 2006. NI 81-107 requires all publicly offered investment funds, including the Fund, to establish an independent review committee to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of a minimum of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Fund and to Unitholders in respect of its functions. While the initial members of the independent review committee are required to be appointed by May 1, 2007, full compliance with NI 81-107 is not required until November 1, 2007.

The Manager intends to implement any additional requirements to comply with NI 81-107 within the required time periods, including appointing the members of the independent review committee.

Proxy Voting Policies and Procedures

With regard to voting on matters for which the Fund receives, in its capacity as a shareholder, proxy materials for a meeting of securityholders of an issuer, the Investment Manager has a fiduciary duty to act solely in the best interests of the Fund and its Unitholders. The Investment Manager intends to vote securities in a timely manner and make voting decisions that are in the best interests of the Fund. The proxy voting policy provides that routine matters to be considered at annual meetings will generally be voted in accordance with management's recommendations unless there are concerns about the level of disclosure, procedures followed or the judgment of management. More complex or non-routine matters, for example relating to compensation, related party transactions, restructurings and share and debt issuances will be determined on a case-by-case basis. In addition to its own research, the Investment Manager has entered into an agreement with Research Recommendations and Electronic Voting Limited ("RREV"), a joint venture between the National Association of Pension Funds ("NAPF") and Institutional Shareholder Services Inc. ("ISS"), to provide an analysis of all proxy issues. Contentious issues are identified as part of the research process undertaken by RREV and are raised independently with New Star, who uses the research provided to take any necessary actions. New Star has adopted the RREV standard policy for proxy voting and as such, is compliant with both NAPF Corporate Governance Policy and the ISS US Voting Manual Recommendations. The Investment Manager has agreed pursuant to the Investment Management Agreement to vote proxies in accordance with these guidelines subject to the Investment Manager's discretion to depart from such guidelines where necessary in the best interests of the Fund and Unitholders.

The Advisory Board

The Fund has established an advisory board (the "Advisory Board") consisting of two members appointed by the Manager each of whom will be independent of the Manager, the Investment Manager, and each of their

affiliates, and free from any interest and any business or other relationship which could, or could be reasonably perceived to, materially interfere with the exercise of an Advisory Board member's judgement. The Advisory Board will provide independent advice to the Manager to assist the Manager in performing its services under the Trust Agreement, including with respect to conflicts of interest or potential conflicts of interest (other than those described under "Conflicts of Interest") or related party transactions identified by the Manager. The members of the Advisory Board are required to act honestly and in good faith in the best interests of the Fund and the Unitholders, and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager will report to the Advisory Board on the operation and performance of the Fund on a quarterly basis, including with respect to compliance with applicable investment restrictions and material contracts as amended from time to time.

The Manager will be required under the Trust Agreement to notify each member of the Advisory Board in writing of any conflicts of interest, potential conflicts of interest or related party transactions concerning the Manager or the Fund (other than any such conflicts of interest, potential conflicts of interest or related party transactions relating to matters with respect to which the approval of Unitholders is required under the Trust Agreement) and to consult with the Advisory Board in respect of any such conflicts of interest, potential conflicts of interest or related party transactions.

In the event of a dispute between the Advisory Board and the Manager with respect to a conflict of interest, potential conflict of interest or related party transaction, upon written direction of the Advisory Board, the Manager will call a meeting of Unitholders to consider the conflict of interest, potential conflict of interest or related party transaction.

The Fund's annual report to Unitholders will include any report by the Advisory Board summarizing any recommendations made by the Advisory Board, including recommendations made and not followed by the Manager, as applicable, and any other matter that the Advisory Board determines to be appropriate in the circumstances.

All fees and expenses of the Advisory Board incurred in connection with its duties with respect to the Fund will be paid by the Fund. The Advisory Board will have the authority to retain, at the expense of the Fund, independent counsel or other advisors if the Advisory Board deems it appropriate to do so. See "Fees and Expenses".

The members of the Advisory Board will be indemnified by the Fund except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care. The Advisory Board members will not be responsible for the investments made by the Fund or for the performance of the Fund. The members of the Advisory Board may serve in a similar capacity in respect of other entities managed by the Manager.

The following is a brief description of the backgrounds of the proposed members of the Advisory Board:

Arthur Donner is a Toronto based economic consultant. His research and consulting have ranged widely in the field of economics and public policy — macroeconomics, finance, pension issues, labour economics, environmental issues, industrial policy and communications policy. His career has moved between universities, governments and the private sector, and he continues to be a commentator in the media. Mr. Donner is on the Board of Directors of the First Ontario Fund, an Ontario based venture capital fund. He is also a member of the Investment Advisory Committee of the Nunavut Trust. In September of 2002, Mr. Donner was appointed to the Board of Social Housing Services Corporation Financial Inc. As well, he has been a member of the Investment Committee of the Atkinson Charitable Foundation for a number of years, and has been Chair of the Investment Committee for the past four years. Between July and October 2005, Mr. Donner was a special advisor to the Federal Minister of Housing, Joe Fontana, on the development of new aboriginal housing institutions.

Selwyn Kletz recently retired from his role as President, North America of Asset Management Investment Company, PLC, a British based company engaged in the business of investing in investment counselling companies, having served as President and CEO of AMIC Canada, Limited since its inception. He was previously a Managing Director of CIBC Wood Gundy Securities Inc. where he managed the Global Equity

Research Department and served as a member of the Equity Management Committee and the Investment Committee of the merchant banking arm. Earlier in his career, Mr. Kletz founded and managed MYW Financial Management (since incorporated into Scotia Investment Management Limited), Laurim Capital Management Inc. and Laurentian Investment Management (Canada) Inc. Mr. Kletz has more than 30 years of experience in the investment business.

The Trustee

RBC Dexia Investor Services Trust is the trustee of the Fund under the Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including calculating NAV, net income and net realized capital gains of the Fund and executing instruments on behalf of the Fund.

The Trustee may resign upon 60 days' notice to Unitholders. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to corporate trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

The Custodian

RBC Dexia Investor Services Trust will act as custodian (the "Custodian") of the assets of the Fund pursuant to the Trust Agreement to be entered into prior to the closing of the Offering between the Fund and the Custodian. The Custodian, or an affiliate of the Custodian, will also carry 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.

THE INVESTMENT MANAGER

The Investment Manager will provide investment advisory and portfolio management advice to the Fund and will actively manage the Portfolio in a manner consistent with the investment restrictions of the Fund pursuant to an investment management agreement (the “Investment Management Agreement”) between the Manager, as manager of the Fund, and in its own capacity and the Investment Manager dated as of February 27, 2007.

The Investment Manager will be responsible for execution of the Fund’s investment strategy. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions in connection with the Portfolio will be made by the Investment Manager. The Investment Manager was established in June 2000 and has offices in London, England and had approximately £21.1 billion directly under its management as at December 31, 2006. The principal office of the Investment Manager is located in London, England and it and certain other companies in the New Star Group are authorized and regulated in the UK by the Financial Services Authority.

The name, municipality of residence, position with the Investment Manager and principal occupation of the relevant directors and officers of the Investment Manager are set out below.

<u>Name and Municipality</u>	<u>Position with the Investment Manager</u>	<u>Principal Occupation</u>
JOHN DUFFIELD London, UK	Executive Chairman	Executive Chairman, New Star Asset Management Group
HOWARD COVINGTON London, UK	Chief Executive Officer	Chief Executive Officer, New Star Asset Management Group
RUPERT RUVIGNY London, UK	Finance Director and Group Chief Operating Officer	Finance Director and Group Chief Operating Officer, New Star Asset Management Group
RAVI ANAND London, UK	Corporate Finance Director and Head of Structured Products	Corporate Finance Director and Head of Structured Products, New Star Asset Management Limited
PHILIP GOLDSMITH	Managing Director, International Sales and Marketing	Managing Director, International Sales and Marketing, New Star Asset Management Limited

Each of the foregoing has held his or her current office or has held a similar office with the Investment Manager during the five years preceding the date hereof.

John Duffield: Mr. Duffield founded New Star in June 2000. Until 2000, Mr. Duffield was chief executive officer of Jupiter International Group, which he founded in 1985.

Howard Covington: Mr. Covington joined New Star as a non-executive director in August 2000, becoming chief executive officer in January 2001. Previously, Mr. Covington was chief executive officer of the European investment banking firm of Wasserstein Parella from 1996 to 2001. Prior to such time, Mr. Covington was a director of SG Warburg, where he was a corporate financier for 10 years.

Rupert Ruvigny: Mr. Ruvigny joined New Star in October 2000. Prior to joining New Star, Mr. Ruvigny was deputy chairman of PricewaterhouseCoopers’ financial services regulatory practice. He qualified as a chartered accountant with Price Waterhouse in 1984. Mr. Ruvigny was made a partner in 1992 and specialized in asset management and regulation. He was seconded to IMRO initially as head of investigations and subsequently as director of monitoring.

Ravi Anand: Mr. Anand joined New Star in June 2001. Prior to joining New Star, Mr. Anand was a director in HSBC’s equity capital markets business. He worked for HSBC for five years after working in business development at Robert Fleming & Co. and qualifying as a chartered accountant at KPMG.

Philip Goldsmith: Mr. Goldsmith joined New Star in 2001. Prior to joining New Star, Mr. Goldsmith was head of international sales and marketing at Kenmar, a leading alternative investment manager. Mr. Goldsmith worked for a City-based financial adviser before founding Finexco International, the multinational financial adviser, which subsequently became part of Old Mutual. He became a director of Old Mutual's international business in 1986 and remained there until 1992. He was a founding director of Greystone International, part of ConAgra.

The team of investment professionals responsible for investment management at the Investment Manager all have significant experience in managing investment portfolios. The employees of the Investment Manager who will be primarily responsible for managing the Portfolio are Guy de Blonay supported by Nick Brind.

Guy de Blonay: *Law, University of Geneva.* Mr. de Blonay joined the Investment Manager from Jupiter Asset Management, where he was co-manager of the highly successful Jupiter Ecology Fund. Mr. de Blonay has managed the New Star Global Financials Fund since its launch in December 2001, the New Star Financials Hedge Fund since its launch in April 2002 and the New Star Global British Lion Fund from 2002 to 2004. Mr. de Blonay has demonstrated his skills as a portfolio manager in global financial equities and also has extensive experience in Asian and Latin American markets. Mr. de Blonay was AAA rated by Citywire as at the end of December, 2006.

Nick Brind: *BSc, University of Southampton; Securities Institute Diploma.* Mr. Brind joined the Investment Manager from Exeter Asset Management in April 2005. He is the lead fund manager of the New Star Financial Opportunities Fund (formerly Exeter Financials Fund). At Exeter Asset Management, Mr. Brind was a fund manager with responsibility for a number of funds including, Exeter Financials Fund and Exeter Capital Growth Fund. These funds have since been acquired by the Investment Manager, with the latter renamed the New Star UK Strategic Capital Unit Trust. Prior to joining Exeter Asset Management in 1997, Mr. Brind worked for three years at Capel-Cure Myers as a portfolio manager.

Investment Management Agreement

Under the Investment Management Agreement, the Investment Manager is required to act honestly, in good faith and in the best interests of Unitholders of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment Manager shall not be liable in any way for the making, retention or sale of any investment or for any loss to or diminution of, the assets of the Fund if it has satisfied the duties and standard of care, diligence and skill set forth above. The Investment Manager will incur liability in cases of wilful misconduct, bad faith, negligence or breach of its standard of care. Any investment by the Fund in an affiliate of the Investment Manager will be subject to review and approval by the Manager.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Fund. If the Manager is terminated, the Investment Management Agreement will terminate at such time. The Manager may terminate the Investment Management Agreement if the Investment Manager has committed certain events of bankruptcy or insolvency, has lost any registration, license or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days after notice thereof has been given to the Investment Manager and the Trustee by the Manager. Except as described above, the Investment Manager cannot be terminated as investment manager of the Fund.

The Investment Manager may terminate the Investment Management Agreement upon 20 business days' notice in the event that the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to the Trustee, or in the event that there is a material change in the investment restrictions of the Fund.

If the Investment Management Agreement is terminated, the Manager will promptly appoint a successor investment manager to carry out the activities of the Investment Manager until a meeting of Unitholders of the Fund is held to confirm such appointment.

The Investment Manager is entitled to fees for its services under the Investment Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by the Investment Manager on behalf of the Fund. In addition, the Investment Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all claims whatsoever brought against the Investment Manager for any act or omission, except those resulting from the Investment Manager's wilful misconduct, bad faith, negligence or breach of its standard of care.

DESCRIPTION OF UNITS

Units

The beneficial interest in the net assets and net income of the Fund is divided into the Units and Class F Units. The Fund is authorized to issue an unlimited number of transferable, redeemable units of each class. The only differences between the Units and the Class F Units are the agents' fees payable on the issuance of units of the class and the Service Fee component of the management fees payable in respect of the units of each class, as described under "Fees and Expenses". Accordingly, the NAV per unit of each class will not be the same as a result of the different fees allocable to each class of units. Generally, the NAV per unit of the Class F Units will be higher than the NAV per Unit. The NAV and NAV per unit of each class will be calculated by the Custodian, as described below under "Calculation of Net Asset Value".

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund will be a reporting issuer under the *Securities Act* (Ontario) prior to the closing of the Offering and the Fund is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

All units of a class have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable.

The Trust Agreement provides that the Fund will not issue additional units following completion of the Offering, except: (i) for net proceeds per unit of a class of not less than 100% of NAV per unit of that class, (ii) by way of unit distributions, (iii) with the approval of unitholders voting together and voting separately as a class by Extraordinary Resolution (defined below under "Acts Requiring Unitholder Approval"), or (iv) pursuant to the Reinvestment Plan (defined below under "Distribution Reinvestment Plan"). Immediately after a *pro rata* distribution of units of a class to all unitholders of that class in satisfaction of any non-cash distributions allocable *pro rata* to that class, the number of outstanding units of that class will be consolidated such that each unitholder will hold, after the consolidation, the same number of units of that class as the unitholder held before the non-cash distribution. Subject to the foregoing, the Fund may also allot and issue other securities at such time or times, and in such manner, as the Trustee in its sole discretion shall determine.

Mandatory Market Purchase Program

To enhance liquidity and to provide market support for the Units, the Fund will have a mandatory market purchase program under which the Fund will, subject to certain exceptions contained in the Trust Agreement and in compliance with any applicable regulatory requirements, be obligated to purchase Units for cancellation on and subject to the terms below. If, on the business day following any Valuation Date, the weighted average price of the Units is less than 95% of the net asset value of the Fund ("NAV") per Unit (the "NAV per Unit") determined as at the most recently published Valuation Date, the Fund will offer to purchase for cancellation any Units offered in the market at or below 95% of the NAV per Unit on the following business day. The maximum number of Units purchased in any three month period will be 1.25% of the number of Units outstanding at the beginning of the period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering). The Fund is not obligated to make such purchases if (i) the Fund lacks the cash, debt capacity or other resources to make such purchases, or (ii) in the opinion of the Manager, such market purchases would adversely affect the ongoing activities of the Fund.

Other Market Purchases

In addition, the Trust Agreement provides that the Fund has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market at prices not exceeding the NAV per Unit, subject to any applicable regulatory requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Trust Agreement or as otherwise permitted by applicable securities laws.

Book-Entry Only System

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. On the date of closing of the Offering, the Fund will deliver to CDS certificates evidencing the aggregate Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager, the Investment Manager and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by unitholders holding not less than 10% of the units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of unitholders. The quorum at any such meeting is two unitholders present in person or by proxy except for the purpose of any meeting called to consider item (d) below under "Acts Requiring Unitholder Approval" in which case the quorum shall be unitholders holding 15% of the outstanding units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of unitholders or for the purpose of item (d), will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of unitholders, each unitholder will be entitled to one vote for each whole unit registered in the unitholder's name.

The Fund does not intend to hold annual meetings of unitholders.

Acts Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of unitholders by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast at a meeting called and held for such purpose (an "Extraordinary Resolution"), other than items (c), (f) and (j), which require approval of unitholders by a simple majority vote at

a meeting called and held for such purpose (an “Ordinary Resolution”). A separate class vote is also required if one class of units would be affected differently than the other in respect of items (c), (g), (h), (l) and (m).

- (a) a change in the investment objectives of the Fund as described under “The Fund — Investment Rationale and Objectives”;
- (b) a change in the investment restrictions of the Fund as described under “The Fund’s Investment Guidelines — Investment Restrictions”;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;
- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (e) except as described under “Management of the Fund — The Trustee”, a change in the trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) a change in the auditors of the Fund;
- (g) a reorganization with, or transfer of assets to, a mutual fund trust, if
 - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in unitholders becoming securityholders in the mutual fund trust;
- (h) a reorganization with, or acquisition of assets of, a mutual fund trust, if
 - (i) the Fund continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the securityholders of the mutual fund trust becoming unitholders of the Fund; and
 - (iii) the transaction would be a significant change to the Fund;
- (i) a termination of the Fund prior to the Termination Date other than as set forth under “Termination of the Fund”;
- (j) an extension of the Fund beyond the Termination Date as described under “Termination of the Fund”;
- (k) an amendment, modification or variation in the provisions or rights attaching to the units;
- (l) the issuance of additional units, other than (i) for net proceeds equal to or greater than 100% of the NAV per unit of a class; or (ii) by way of unit distribution; and
- (m) a reduction in the frequency of calculating the NAV per unit of a class.

Amendments to the Trust Agreement

The Manager may, without the approval of or notice to unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of securities regulatory authorities or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of the unitholders;

- (d) maintain, or permit the Trustee to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act; or
- (e) provide added protection to unitholders.

Except for changes to the Trust Agreement which require the approval of unitholders or changes described above which do not require approval of or prior notice to unitholders, the Trust Agreement may be amended from time to time by the Manager upon not less than 30 days’ prior written notice to unitholders.

Information and Reports to Unitholders

The Fund will furnish to unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law to be furnished by the Manager, including prescribed forms needed for the completion of unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

Non-Resident Unitholders

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the units, and the Trustee shall inform the registrar and transfer agent of the Fund of this restriction. The Trustee may require declarations as to the jurisdictions in which a beneficial owner of units is resident and, if a partnership, its status as a Canadian partnership. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the units then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that more than 40% of the units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Trustee may send a notice to such non-resident unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to sell their units or a portion thereof within a specified period of not less than 30 days. If the unitholders receiving such notice have not sold the specified number of units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Trustee may on behalf of such unitholders sell such units and, in the interim, shall suspend the voting and distribution rights attached to such units. Upon such sale, the affected holders shall cease to be beneficial holders of units and their rights shall be limited to receiving the net proceeds of sale of such units.

Notwithstanding the foregoing, the Trustee may determine not to take any of the actions described above if the Trustee has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date but may be terminated (the “Termination Date”) upon not less than 90 days written notice to the Manager from the Trustee with the approval of the unitholders by a two-thirds majority vote passed at a duly convened meeting of unitholders called for the purpose of considering such termination, provided that unitholders holding at least 10% of the units outstanding on the record date of the meeting vote in favour of such termination.

The Manager, may, in its discretion, terminate the Fund without the approval of unitholders if, in the opinion of the Manager, the Net Asset Value of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the best interest of the unitholders to terminate the Fund. The Fund will provide unitholders notice in writing through CDS no less than 30 days and no more than 60 days prior to such Termination Date and will issue a press release in respect thereof

at least 10 business days in advance to such Termination Date. The Fund will include a description of the entitlement of the unitholders, which will be based on the net asset value, in such notice and press release.

Immediately prior to the Termination Date, the Investment Manager will, to the extent possible, convert the assets of the Fund to cash and the Trustee, after paying or making adequate provision for all of the Trust's liabilities, shall distribute the net assets of the Fund to unitholders as soon as practicable after the Termination Date.

DISTRIBUTIONS

The Fund will provide a stable stream of monthly distributions to unitholders of record on or about the last business day of each month (such date, a "Record Date") initially equal to approximately \$0.05 per unit (\$0.60 per annum, approximately 6.0% per annum yield on the original issue price of \$10.00 per unit).

The Fund expects that the initial distribution will be payable to unitholders of record on April 30, 2007 and, based on an anticipated closing date of March 22, 2007, is expected to be \$0.0662 per unit, representing a yield of 6.0% per annum on the issue price. Distributions will be payable to unitholders of record at 5:00 p.m. (Toronto time) on the Record Date. The Manager will determine and announce annually an indicative distribution amount (the "Indicative Distribution") for the following year based upon prevailing market conditions and the Manager's estimate of total returns from the Portfolio for the year. All distributions will be paid to unitholders proportionately based on their respective holdings of units within 15 days following the Record Date or paid in such other manner as may be agreed to by the Manager. In determining the Indicative Distribution, the Manager does not intend to set the distribution rate above the expected total return of the Portfolio for that year. Any returns in excess of the Indicative Distribution will serve to increase NAV and will therefore provide an opportunity for capital appreciation.

Based on the expected initial asset allocation as described under "The Portfolio", the Portfolio is expected to generate dividends and distributions of approximately 1.8% per annum (before taking into account fees and expenses, the effect of leverage and net of any withholding taxes). Assuming (i) an Offering size of \$100 million, (ii) 10% leverage is employed, (iii) the fees and expenses are as described under "Summary of Fees and Expenses", and (iv) the deduction of withholding tax, the Portfolio would be required to appreciate at a rate of 6.1% per annum in order for the Fund to maintain a stable NAV while making monthly cash distributions for the year at the initial Indicative Distribution rate. Any portion of the distribution not funded from dividends and distributions is expected to be generated through the realization of capital gains. To ensure the Indicative Distribution for the year is maintained, to the extent necessary, the Manager may return a portion of the capital of the Fund to unitholders.

The Fund intends that the aggregate distributions of net income and net capital gains made in each year will be sufficient to ensure that the Fund will not be liable for non-refundable income tax thereon under the Tax Act. To the extent that the Fund realizes net income and net capital gains in excess of the Indicative Distribution in a year, the Fund intends to distribute to unitholders on or before December 31 of that year such portion of the excess as is necessary to ensure that it will not be liable for income tax thereon under the Tax Act. Such distributions will be made in units and/or cash. To the extent that the Fund makes a distribution in units, the number of outstanding units of the Fund will be automatically consolidated such that each unitholder of a class of the Fund will hold after the consolidation the same number of units of the applicable class of the Fund as it held before the distribution of additional units (except in the case of non-resident unitholders, where withholding is required).

The Fund may also, at the discretion of the Manager, make special distributions in cash or in units at any time in addition to monthly cash distributions. To the extent that the Fund makes a distribution in units, the number of outstanding units held by unitholders of each class of the Fund will be automatically consolidated such that each unitholder of the Fund will hold after the consolidation the same number of units of the Fund as it held before the distribution of additional units (except in the case of non resident unitholders, where withholding is required).

Each unitholder will be provided annually with the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of its preceding taxation year. See “Canadian Federal Income Tax Considerations”.

DISTRIBUTION REINVESTMENT PLAN

The Fund intends to adopt a distribution reinvestment plan (the “Reinvestment Plan”) no earlier than four months after the closing of the Offering which will provide that all monthly cash distributions made by the Fund shall, at the election of a Unitholder, be automatically reinvested in additional Units on such Unitholder’s behalf in accordance with the terms of such plan (as described below) and the reinvestment plan agency agreement (the “Reinvestment Plan Agency Agreement”) to be entered into by the Manager on behalf of the Fund, the Manager and Computershare Trust Company of Canada (the “Plan Agent”) to establish the Reinvestment Plan. Notwithstanding the foregoing, Unitholders who are not residents of Canada will not be able to participate in the Reinvestment Plan and Unitholders who cease to be residents of Canada will be required to terminate such Unitholder’s participation in the Reinvestment Plan.

All monthly cash distributions payable to Unitholders that elect to participate in the Reinvestment Plan (“Plan Participants”) will be automatically reinvested in additional Units held by such Plan Participants on behalf of those Plan Participants. A Unitholder that wishes to enrol in the Reinvestment Plan as of a particular distribution record date should notify the participant in CDS Clearing and Depository Services Inc. (“CDS”) through which that Unitholder holds Units (a “CDS Participant”) sufficiently in advance of that distribution record date to allow such CDS Participant to notify CDS by 4:00 p.m. (Toronto time) on the business day immediately prior to that distribution record date. Plan Participants may also make optional cash payments under the Plan by notifying their CDS Participants sufficiently in advance of the distribution payment date to allow such CDS Participant to notify the Plan Agent by 4:00 p.m. (Toronto time) on the business day immediately prior to that distribution payment date. Each optional cash payment must be for a minimum of \$100 and the aggregate number of Plan Units that may be purchased with optional cash payments cannot exceed 2% of the outstanding Units of the class at the commencement of such calendar year.

Distributions due to Plan Participants holding Units, along with any optional cash payments, will be applied, on behalf of Plan Participants, to purchase Units (“Plan Units”) directly from the Fund or in the market as follows:

- If the weighted average trading price of the Units on the TSX for the 10 business days immediately preceding the relevant distribution payment date, plus applicable commissions and brokerage charges on a per Unit basis (the “Market Price”) is less than the NAV per Unit as of the distribution payment date, Units will be purchased in the market during the five business day period following such distribution payment date on any business day when the Market Price is less than the NAV per Unit as at the relevant distribution payment date.
- No later than the sixth business day after the relevant distribution payment date, the unused part, if any, of the distributions attributable to the Plan Participants holding Units and optional cash payments will be used to purchase Plan Units from the Fund at a purchase price equal to the higher of: (i) the NAV per Unit on the relevant distribution payment date; and (ii) 95% of the Market Price.
- If the Market Price on the relevant distribution payment date is equal to or greater than the NAV per Unit on such distribution payment date, distributions attributable to the Plan Participants holding Units and optional cash payments will be used to purchase Plan Units from the Fund through the issue of new Units at the higher of: (i) the NAV per Unit on the relevant distribution payment date; and (ii) 95% of the Market Price on the relevant distribution payment date.
- Plan Units purchased from the Fund’s treasury or in the market will be allocated *pro rata* based on the number of Units held by Plan Participants holding Units. Plan Units will be credited for the benefit of Plan Participants to the account of the CDS Participant through whom that Plan Participant holds Units.
- No fractional Plan Units will be issued under the Plan. Any remaining uninvested funds in lieu of fractional Plan Units will be credited to Plan Participants via their CDS Participant.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. See “Canadian Federal Income Tax Considerations”.

If the Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Plan Agent’s fees for administering the Reinvestment Plan in respect of a class of Units will be paid by the Fund and allocated as an expense of that class.

Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular distribution record date by notifying their CDS Participant sufficiently in advance of that distribution record date to allow such CDS Participant to notify CDS and for CDS to notify the Plan Agent by 4:00 p.m. (Toronto time) on the business day immediately prior to that distribution record date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days’ notice to the Plan Participants and the Plan Agent. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its right to terminate participation in the Reinvestment Plan.

Subject to any regulatory approval, the Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders, which notice may be given by the Fund by issuing a press release or by publishing an advertisement containing a summary description of the amendment in at least one major daily newspaper of general and regular paid circulation in Canada, or in any other manner the Manager determines to be appropriate. The Fund will not be required to issue Plan Units into any jurisdiction where that issuance would be illegal.

REDEMPTION OF UNITS

Annual Redemptions

Commencing in 2008, units of a class may be redeemed on the last business day of September in each year (the “Redemption Date”), subject to the Fund’s right to suspend redemptions, for a redemption price per unit of a class (the “Annual Redemption Amount”) based on the NAV per unit of a class 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 of a class will be entitled to receive a redemption price per unit based on the NAV per unit of a class determined as of the Redemption Date. Any unpaid distribution payable on or before the Redemption Date in respect of units of a class 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 of a class 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 per unit of a class as of that date. See “Termination of the Fund”.

Monthly Redemptions

Units of each class 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 (the “Monthly Redemption 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. Notwithstanding the foregoing, a Unitholder who properly surrenders a Unit for redemption during the Notice Period for an annual redemption will receive the Annual Redemption Amount.

A unitholder who surrenders a Class F Unit for a monthly redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit.

A holder of Class F Units may convert Class F Units into Units. Class F Units may be converted in any month by delivering a notice and surrendering such units by 5:00 p.m. (Toronto time) by the tenth Business Day before the Monthly Redemption Date and any such Class F Units so surrendered shall be converted into Units on such Monthly Redemption Date. A Class F Unitholder may convert such units and redeem the Units to which such holder is entitled for the same Monthly Redemption Date. For each Class F Unit so converted, a holder will receive a number of Units equal to the Net Asset Value per unit of a Class F Unit as of the Monthly Redemption Date divided by the Net Asset Value per Unit as of the Monthly Redemption Date.

Exercise of Redemption Right

An owner of units who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem units. An owner who desires to redeem units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Suspension of Redemptions” below, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem units, an owner shall be deemed to have irrevocably surrendered his or her units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the owner.

Suspension of Redemptions

The Manager may direct the Trustee to suspend the redemption of units or payment of redemption proceeds (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the securities regulatory authorities where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale

of assets of the Fund or which impair the ability of the Trustee to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

Purchase for Cancellation

Subject to applicable law and regulatory requirements, the Fund will have a mandatory market purchase program and may, at any time and from time to time, purchase units of a class for cancellation at prices not exceeding the NAV per unit of a class on the Valuation Date immediately prior to such purchase. See “Description of Units — Mandatory Market Purchase Program”.

VALUATION

Net Asset Value and NAV per Unit

The net asset value (the “NAV”) of each class of units on a particular date will be equal to the aggregate value of the assets of the Fund allocated *pro rata* to that class less the aggregate value of the liabilities of the Fund allocated *pro rata* to that class, including an allocation of any income, net realized capital gains or other amounts payable to unitholders of that class on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The NAV per unit of a class on any day will be obtained by dividing the NAV of that class on such day by the number of units of that class then outstanding.

The NAV and NAV per unit of each class will be calculated as of 4:00 p.m. (Toronto time) or such other time the Trustee deems appropriate (the “Valuation Time”) on the following days (each, a “Valuation Date”): (i) each Friday during the year (or, if a Friday is not a business day, then on the business day following such Friday); (ii) each Redemption Date; and (iii) upon the implementation of the Reinvestment Plan, each distribution payment date. If the Fund elects to have a December 15 year-end for tax purposes as permitted by the Tax Act, the NAV and NAV per unit of each class will also be calculated on December 15. Such information will be provided by the Manager to unitholders on request and will be posted on the Manager’s website (www.cclcapitalmarkets.com).

The Manager will review and, if satisfactory, approve the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Fund, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of the Fund.

The total assets of the Fund consists of the assets of the Portfolio. The total assets of a class consists of the assets of the Portfolio that are allocated *pro rata* to that class based on the immediately preceding NAV of that class.

In determining the NAV of a class of units, at any time the Trustee will take into account the following:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Trustee determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the fair value thereof;
- (b) any security that is listed or dealt in on a stock exchange shall be valued by taking the latest available bid price as at the Valuation Date on which the NAV of the Fund is being valued (or such other value as Canadian generally accepted accounting principles or the Canadian Securities Administrators may require or permit), as reported by any means in common use;

- (c) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (d) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (e) Restricted Securities (as that term is defined in NI 81-102) shall be valued at the lesser of:
 - (i) the value thereof based on reported quotations of such Restricted Securities in common use; and
 - (ii) that percentage of the market value of securities of the class or series of a class of which the Restricted Securities form part that are not Restricted Securities equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the Restricted Securities will cease to be Restricted Securities;
- (f) if any date on which NAV is determined is not a business day, then the property of the Fund will be valued as if such date was the preceding business day;
- (g) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustee to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustee shall make such valuation as it considers fair and reasonable;
- (h) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and
- (i) estimated operating expenses of the Fund shall be accrued to the date as of which the NAV is being determined.

Monthly redemptions, repurchases of units and issuances of units of a class under the Reinvestment Plan will be taken into account when calculating the NAV of a class.

Audit of Financial Statements

The annual financial statements of the Fund shall be audited by the Fund's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other "Canadian securities" owned or subsequently owned by such Unitholders, treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary is also based on the assumptions that none of the issuers of the securities in the Portfolio will be foreign affiliates of the Fund or of any Unitholder and that none of the securities in the Portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act or a "participating interest" in a "tracking entity" or a "foreign investment entity" (other than an "exempt

interest”) or an interest in a non-resident trust other than an “exempt foreign trust” under the proposed amendments to the Tax Act tabled on November 9, 2006 (or such proposals as amended or enacted, or successor provisions thereto). This summary is also based on the advice of the Manager and of the Agents respecting certain factual matters.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the “CRA”) and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units.

An additional condition to qualify as a mutual fund trust for purposes of the Tax Act is that the Fund may not be established or maintained primarily for the benefit of non-resident persons unless, at all times, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act. If certain Tax Proposals released on September 16, 2004 are enacted as proposed, the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents, or partnerships that are not “Canadian partnerships” for the purpose of the Tax Act, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Units unless no more than 10% (based on fair market value) of the Fund’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. The Fund’s investment restrictions prohibit the Fund from acquiring or holding such “taxable Canadian property” or “specified property”.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations as described below and under “Eligibility for Investment” would in some respects be materially and adversely different.

On October 31, 2006, the Minister of Finance (Canada) announced Tax Proposals relating to the taxation of income trusts (the “October 31, 2006 Tax Proposals”), which proposed that the Tax Act be amended to impose tax on certain income earned by income trusts and other publicly traded trusts and partnerships. On December 21, 2006 the Minister of Finance (Canada) released draft legislative proposals (the “December 21, 2006 Tax Proposals”) to implement the October 31, 2006 Tax Proposals. Under the December 21, 2006 Tax Proposals, trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed on a public market and that hold one or more “non-portfolio properties” (as defined) would effectively be taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian public corporations.

Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) would be treated as eligible dividends from a taxable Canadian corporation. The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure, consistent with the terms of the December 21, 2006 Tax Proposals, that it will not be SIFT trust. This summary assumes that the Fund will at no time be a SIFT trust. There can be no assurance that the December 21, 2006 Proposals will be enacted as proposed.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

The Fund will be required to include in its income for each taxation year all interest on the debt securities it holds that accrues or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a previous taxation year.

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio securities with the objective of earning distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Manager has advised counsel that the Fund will elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in the Tax Act) treated as capital property. Such election will ensure that gains or losses realized by the Fund on the disposition of Canadian securities are taxed as capital gains or capital losses.

The Portfolio may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on the Loan Facility generally to the extent borrowed funds are used to purchase Portfolio securities. The Fund may generally deduct the costs and expenses of this Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace such Tax Proposal would be released for comment. This proposal has not been released as of the date hereof. There can be no assurance that such alternative proposal will not adversely affect the Fund.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund, (ii) income of the Fund from foreign sources, and (iii) dividends (including eligible dividends) received on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A taxable Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to the general foreign tax credit rules under the Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. Amendments to the Tax Act enacted on February 21, 2007 provide an enhanced dividend gross-up and tax credit for eligible dividends received after 2005 from taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount.

The NAV per Unit will reflect any income and gains of the Fund that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. If a Unitholder acquires Units on the automatic reinvestment of a distribution at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly

increased. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as eligible dividends received on shares of taxable Canadian corporations, or net realized taxable capital gains or taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, provided that the Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows:

	Maximum Offering	Minimum Offering
Gross proceeds to the Fund	\$200,000,000	\$40,000,000
Agents' fees	\$ 10,000,000	\$ 2,000,000
Expenses of issue	\$ 710,000	\$ 578,000
Net proceeds to the Fund	\$189,290,000	\$37,422,000

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) and of the exempt issue of any Class F Units, together with any borrowings under the Loan Facility, to acquire the Portfolio.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of February 27, 2007 (the "Agency Agreement") between Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., HSBC Securities (Canada) Inc., Dundee Securities Corporation, Raymond James Ltd., Canaccord Capital Corporation and Desjardins Securities Inc. (collectively, the "Agents"), the Manager, the Investment Manager and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$0.50 for each Unit sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, to offer up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of this Offering. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.50 per Unit purchased.

If subscriptions for a minimum of 4,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing of the Offering will take place on March 22, 2007 or such later date as may be agreed upon by the Fund and the Agents that is on or before April 30, 2007.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Units subject to fulfillment by the Fund of the requirements of the TSX by May 15, 2007.

The Agents have also agreed to offer Class F Units at a price of \$10.00 per unit on a private placement basis and will receive a fee equal to \$0.22 for each Class F Unit sold. It is expected that at least \$5 million of Class F Units will be issued pursuant to the private placement and that the closing of the issuance of Class F Units will occur at the time of the Closing of the Units offered hereunder.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

It is anticipated that a Canadian chartered bank or an affiliate of a Canadian chartered bank, either or both of which may be affiliated with one of the Agents will enter into the Loan Facility with the Fund. Consequently, the Fund may be considered a “connected issuer” of the Fund under applicable securities legislation. The Loan Facility will be negotiated at arm’s length between the Canadian chartered bank or its affiliate and the Fund, and as such will be on market terms and conditions.

CONFLICTS OF INTEREST

The management and administrative services provided by the Manager to the Fund pursuant to the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The investment management services provided by the Investment Manager to the Fund under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents the Investment Manager from providing similar services for its own account or to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Fund and other investment funds or trusts for which the Investment Manager provides investment management services will be allocated to the Fund and such other investment funds or trusts on a pro rata basis according to the size of the order and the applicable investment restrictions and policies of the Fund and the other investment funds or trusts.

The Trust Agreement acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, other investment funds or trusts.

FEES AND EXPENSES

Initial Expenses

The expenses of the Offering, subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents' fees, be paid by the Fund from the gross proceeds of the Offering. The Offering expenses include the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses. The Offering expenses are estimated to be \$710,000 in the case of the maximum Offering and \$578,000 in the case of the minimum Offering.

Fees and Other Expenses

Pursuant to the terms of the Trust Agreement, the Manager is entitled to an annual fee of 1.1% of the NAV of the Fund, plus applicable taxes. The Manager will also be paid, as an additional fee, an amount equal to the Service Fee (defined below), plus any applicable taxes, to be paid by the Manager to dealers. Fees payable to the Manager (but not the Service Fee portion) will accrue daily and be payable monthly in arrears. The Investment Manager will be remunerated by the Manager, in its capacity as manager of the Fund, out of the management fee.

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration, which expenses will be allocated *pro rata* to each class of units. It is expected that these expenses will include, without limitation, mailing and printing expenses for periodic reports to unitholders and other unitholder communications including marketing and advertising expenses; fees payable to Computershare Investor Services Inc. for acting as registrar, transfer agent and distribution agent and performing certain financial, record keeping, reporting and general administrative services; fees payable to the Trustee for acting as trustee of the Fund, any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; fees payable to the auditors and legal advisors; regulatory filing, stock exchange and licensing fees; any expenditures incurred upon the termination of the Fund; and fees payable to the independent members of the Advisory Board. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$328,000. The Fund will also be responsible for any debt service and costs relating to the Loan Facility, fees associated with interest hedging activities and any extraordinary expenses which it may incur from time to time. These expenses will be allocated to each class *pro rata* based on the NAV of the class.

Service Fee

The Manager will pay to registered dealers a servicing fee (the "Service Fee") initially equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealer (accrued daily and paid at the end of each calendar quarter), plus any applicable taxes. The Service Fee payable to the registered dealers in respect of the period ending June 30, 2007, shall be pro-rated based on the fraction, the numerator of which is the number of days from and including the closing of the Offering to and including June 30, 2007, the denominator of which is equal to the number of days in the three months ended June 30, 2007. No Service Fee is payable in respect of the Class F Units.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "Fees and Expenses" for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund. The Manager is the promoter of the Fund.

RISK FACTORS

The following are certain considerations which prospective investors should consider before making an investment in Units:

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its total return or distribution objectives, nor that the NAV per Unit will be preserved or any capital appreciation attained. There is no assurance that the Fund will be able to pay monthly distributions in the short or long term.

General Risks of Investments in Securities

The value of securities in which the Fund may from time to time invest may fluctuate in accordance with changes in the financial condition of the issuers of such securities, the condition of equity markets generally and other factors. The identity and weighting of the securities comprising the Portfolio also may change from time to time. Distributions and dividends on those securities generally will depend upon the declaration of distributions and dividends from constituent issuers but there can be no assurance that those issuers will pay distributions or dividends on their securities. The declaration of such distributions and dividends generally depends upon various factors, including the financial condition of the issuer and general economic conditions.

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

In some circumstances, the issuers in which the Fund may invest may have limited operating histories. The value of the Portfolio will be influenced by factors beyond the control of the Fund, which may include the financial performance of the respective issuers, interest rates, exchange rates, and the hedging policies employed by such issuers.

Concentration Risk

The Portfolio will consist only of securities of the companies in the financial services industry and, as a result, the Fund's holdings will not be diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the provision of financial services. This may have a negative impact on the value of the Units.

Fluctuations in Net Asset Value

The NAV per Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities held in the Portfolio and the distributions paid thereon. Fluctuations in the market values of the securities held in the Portfolio may occur for a number of reasons beyond the control of the Investment Manager or the Fund.

Use of Leverage

The Fund will enter into a Loan Facility to enhance returns when it considers market conditions appropriate. The obligations under the Loan Facility are expected to be secured by the securities held by the Fund. By adding additional leverage, there is a potential to enhance returns but also to involve additional risks. There can be no assurance that the leveraging strategy employed for the Fund will enhance returns. The use of leverage may result in a capital loss or decrease in net cash distributions to Unitholders. If the securities in the Portfolio suffer a substantial decrease in value, the leverage component will cause a decrease in the NAV in excess of that which would otherwise be experienced.

In addition, if the aggregate amount of borrowings under the Loan Facility exceed at any time 15% of the total assets of the Fund, the Fund will be required, on a commercially reasonable basis and as soon as is practicable, to redeem or sell securities in order to reduce the aggregate amount of borrowings to such 15% level. If the aggregate amount of borrowings at any time exceeds 20% of the total assets of the Fund, the Fund will be required to immediately effect transactions to reduce leverage to within 15% of total assets. Such transactions may be required to be effected at prices or on terms that may adversely affect the NAV of the Fund. If the Loan Facility is called by the Lender, the Fund may have to redeem or dispose of securities in the Portfolio to pay back debt at a time when market conditions are not favourable, resulting in a loss to the Fund.

The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investments in securities in the Portfolio. In addition, the Fund may not be able to renew the Loan Facility on acceptable terms.

There is a possibility that some of the interest paid on the Loan Facility may not be deductible by the Fund for tax purposes.

Reliance on the Manager and the Investment Manager

Unitholders will be primarily dependent on the Manager and the Investment Manager. There is no certainty that the individuals who are principally responsible for providing investment advisory and portfolio management services will continue to be employed by the Investment Manager while it provides investment advisory and portfolio management services to the Fund in respect of the Portfolio.

Sensitivity to Interest Rates

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

Foreign Currency Exposure

Most of the securities included in the Portfolio, at any time, will be denominated in currencies other than the Canadian dollar and, accordingly, the value of the Portfolio will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar and such fluctuations may be significant and adversely affect the Fund's net asset value.

Foreign Security Risk

The value of foreign securities will be affected by factors affecting other similar securities and could also be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social risk factors may involve risks not typically associated with investing in Canada. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry potential exposure to the risk of political upheaval, acts of terrorism and war, and/or expropriation by governments all of which could have an adverse impact on the value of such securities.

Use of Derivatives

The Fund may utilize derivatives for hedging purposes. Derivative instruments will only be used in ways that are consistent with the investment restrictions of the Fund. Such instruments may include but are not limited to futures, forwards, options and swaps.

The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be

a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; (v) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer; and (vi) if a derivative is based on a stock market index and trading is halted on a substantial number of stocks in the index or there is a change in the composition of the index, there could be an adverse effect on the derivative. In circumstances where there is an interest rate hedge employed, total return on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

Securities Lending

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans, and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and should the collateral be insufficient to reconstitute the portfolio of loaned securities. In addition, the Fund will bear the risk of loss of any investment of cash collateral.

Trading Price of Units

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no guarantee that Units will trade at prices that reflect their net asset value.

Change to Portfolio

The composition of the Portfolio may vary widely from time to time and may be concentrated by type of security, commodity or industry, resulting in the Portfolio being less diversified than anticipated.

Illiquid Securities

There is no assurance that an adequate market will exist for the securities held in the Portfolio. The Fund cannot predict whether the securities held by it will trade at a discount to, a premium to, or at their respective net asset values, if applicable. If the market for a specific security is particularly illiquid, including for example securities of private companies, the Fund may be unable to acquire or dispose of such securities or may be unable to acquire or dispose of such securities at an acceptable price.

Risks Related to Redemptions

If holders of a substantial number of units exercise their redemption rights, the number of units outstanding and the NAV of the Fund could be significantly reduced. If a substantial number of units is redeemed, this could decrease the liquidity of the units in the market and increase the management expense ratio of the Fund. In any such circumstance, the Manager may determine it appropriate to (i) suspend redemptions of units (as described under “Redemptions of Units — Suspension of Redemptions”) or (ii) terminate the Fund without the approval of the unitholders if, in the opinion of the Manager, it is no longer economically feasible to continue the Fund or the Manager determines that it would be in the best interests of unitholders to terminate the Fund.

Status of the Fund for Securities Law Purposes

The Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund. See “The Fund’s Investment Guidelines — Investment Restrictions”.

Potential Conflicts of Interest

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other account, fund or trust which invests primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Investment Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, the staff of the Manager and the Investment Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Investment Manager.

Taxation of the Fund

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under the Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace such Tax Proposal would be released for comment. This proposal has not been released as of the date hereof. There can be no assurance that such alternative proposal will not adversely affect the Fund.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would be materially and adversely different in certain respects.

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released the September 16th Tax Proposals, which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the September 16th Tax Proposals are enacted as proposed, and if these circumstances applied to the Fund, the Fund would thereafter cease to be a mutual fund trust and the income tax considerations as described under "Canadian Federal Income Tax Considerations" and under "Eligibility for Investment" would in some respects be materially different. The September 16th Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes pending further consultation with interested parties.

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities in the Portfolio as capital gains and losses. In addition, in accordance with the CRA's published administrative practice, derivatives used to hedge capital items will be treated and reported for purposes of the Tax Act on capital account and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund are not on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The October 31, 2006 Tax Proposals propose that the Tax Act be amended to impose tax on certain income earned by income trusts and other publicly traded trusts and partnerships. The December 21, 2006 Tax Proposals implement the October 31, 2006 Tax Proposals. Under the December 21, 2006 Tax Proposals, trusts or

partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed on a public market and that hold one or more “non-portfolio properties” (as defined) would effectively be taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian public corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) would be treated as eligible dividends from a taxable Canadian corporation. The Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure, consistent with the terms of the December 21, 2006 Tax Proposals, that it will not be SIFT trust. There can be no assurance that the December 21, 2006 Tax Proposals will be enacted as proposed. If the Fund were to qualify as a SIFT trust within the meaning of the December 21, 2006 Tax Proposals, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

Operating History

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

Past Performance

Past performance of the UK Fund or of Connor, Clark & Lunn Global Financials Fund is not and should not be construed to be an indication of future performance of the Fund. In particular, the Fund may have a greater emphasis on the generation of income than the UK Fund and Connor, Clark & Lunn Global Financials Fund and stock weightings may differ.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund.

Loss of Investment

An investment in Units is appropriate only for an investor that can withstand distributions not being made on the Units for any period of time, and that can withstand a partial or total loss of its investment.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Trust Agreement described under “Management of the Fund — Trust Agreement”;
- (b) the Agency Agreement described under “Plan of Distribution”; and
- (c) the Investment Management Agreement described under “The Investment Manager”.

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby.

PROMOTER

The Manager may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces and territories of Canada by reason of its initiative in organizing the Fund. The promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under “Fees and Expenses”.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Fund and the Manager by Osler, Hoskin & Harcourt LLP, and on behalf of the Agents by Stikeman Elliott LLP.

AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario.

Pursuant to the registrar, transfer agency and distribution agency agreement to be dated as of the date of the closing of the Offering, Computershare Investor Services Inc., at its principal offices in Toronto, will be appointed the registrar, transfer agent and distribution agent for the units.

RBC Dexia Investor Services Trust will act as the custodian of the assets of the Fund and is responsible for paying redemptions to the distribution agent, calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. See “Management of the Fund — The Custodian”.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the prospectus of Connor, Clark & Lunn Global Financials Fund II (the "Fund") dated February 27, 2007 relating to the sale and issuance of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the trustee of the Fund on the statement of financial position of the Fund as at February 27, 2007. Our report is dated February 27, 2007.

Toronto, Ontario
February 27, 2007

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

AUDITORS' REPORT

To the Trustee of
Connor, Clark & Lunn Global Financials Fund II

We have audited the statement of financial position of Connor, Clark & Lunn Global Financials Fund II (the "Fund") as at February 27, 2007. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Fund as at February 27, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
February 27, 2007

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II
STATEMENT OF FINANCIAL POSITION
February 27, 2007

ASSETS

Cash	<u>\$10</u>
Total	<u>\$10</u>

UNITHOLDER'S EQUITY (Note 1)

Unitholder's equity (1 Unit)	<u>\$10</u>
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Approved by the Manager:

(Signed) W. NEIL MURDOCH
Director

(Signed) PHILIP K. GOW
Director

The accompanying notes are an integral part of this Statement of Financial Position.

NOTES TO STATEMENT OF FINANCIAL POSITION

February 27, 2007

1. UNITS AUTHORIZED AND OUTSTANDING

Establishment of the Fund and Authorized Units

Connor, Clark & Lunn Global Financials Fund II (the "Fund") was established under the laws of the Province of Ontario on February 27, 2007 by a trust agreement (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 of the Fund. The Fund is authorized to issue an unlimited number of Units and an unlimited number of Class F Units. On February 27, 2007 the Fund issued 1 unit for \$10 cash.

The beneficial interest in the net assets and net income of the Fund is divided into the Units and the Class F Units. The only differences between the Units and the Class F Units are the agents' fees payable on the issuance of units of each class and the Service Fee component of the management fees payable in respect of the units of each class. Accordingly, although the units of each class will initially be issued on the same date and for the same price, the NAV per unit of each class will not be the same as a result of the different fees allocable to each class of units.

Redemption of Units

Commencing in 2008, units of a class may be redeemed on the last business day of September in each year (the "Redemption Date"), subject to the Fund's right to suspend redemptions, for a redemption price per unit of a class based on the NAV per unit of a class less any costs of funding the redemption and the unitholder will receive payment on or before the fifteenth day following the Redemption Date. Notice of Redemption must be provided between 45 days and the 20th business day before the Redemption Date. Redeeming unitholders will be entitled to receive a redemption price per unit of a class based on the NAV per unit of a class determined as of the Redemption Date. Any unpaid distribution payable on or before the Redemption Date in respect of units of a class 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 per unit of a class as of that date. Units may also be redeemed monthly for a redemption price per unit based on the market price of the units.

2. AGENCY AGREEMENT

The Fund has engaged Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., HSBC Securities (Canada) Inc., Dundee Securities Corporation, Raymond James Ltd., Canaccord Capital Corporation and Desjardins Securities Inc. (collectively, the "Agents") to offer Units for sale to the public pursuant to a prospectus dated February 27, 2007 (the "Offering"). Class F Units will be offered by the Agents on a private placement basis.

3. COMMITMENTS

As compensation for management and investment management services rendered to the Fund pursuant to the Trust Agreement, the Manager is entitled to receive an annual management fee payable by the Fund in an amount equal to 1.1% of the net asset value of the Fund accrued daily and payable monthly in arrears, together with an amount equal to the service fee (the "Service Fee") to be paid by the Manager to dealers, plus applicable taxes. The Manager will pay the Investment Manager out of its management fee. The Service Fee is equal to 0.40% annually of the net asset value per Unit for Units held by clients of the dealers, and is payable quarterly. No Service Fee is payable in respect of the Class F Units.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: February 27, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

CONNOR, CLARK & LUNN CAPITAL MARKETS INC.

(as Manager and on behalf of the Fund)

(Signed) W. NEIL MURDOCH
Chief Executive Officer

(Signed) PHILIP K. GOW
Chief Financial Officer

**On behalf of the Board of Directors of
Connor, Clark & Lunn Capital Markets Inc.**

(Signed) W. NEIL MURDOCH
Director

(Signed) PHILIP K. GOW
Director

(Signed) MICHAEL W. FREUND
Director

CONNOR, CLARK & LUNN CAPITAL MARKETS INC.

(as Promoter)

(Signed) W. NEIL MURDOCH
Director

CERTIFICATE OF THE AGENTS

Dated: February 27, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SCOTIA CAPITAL INC.

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) BRIAN D. MCCHESENEY By: (Signed) RONALD W.A. MITCHELL By: (Signed) EDWARD V. JACKSON

BMO NESBITT BURNS INC.

TD SECURITIES INC.

By: (Signed) DAVID R. THOMAS

By: (Signed) CAMERON GOODNOUGH

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL D. SHUH

RICHARDSON PARTNERS FINANCIAL LIMITED

WELLINGTON WEST CAPITAL INC.

By: (Signed) DAVID FINNBOGASON

By: (Signed) BRENT BOTTOMLEY

HSBC SECURITIES (CANADA) INC.

By: (Signed) JAY K. LEWIS

DUNDEE SECURITIES CORPORATION

RAYMOND JAMES LTD.

By: (Signed) DAVID G. ANDERSON

By: (Signed) SARA MINATEL

CANACCORD CAPITAL CORPORATION

DESJARDINS SECURITIES INC.

By: (Signed) BINA N. PATEL

By: (Signed) NITIN KAUSHAL

