



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn  
Global Financials Fund II**

Semi-Annual Report

June 30, 2011

August 29, 2011

**Dear Investor,**

As August comes to an end the capital markets have become more challenging again. We have had some good performance but the stock markets in general, and financial services in particular, have been hit by a number of factors. They include a dampening economic outlook, sovereign debt problems, the deleveraging required by the global financial crisis and uncertainty caused by the prospect of greater government regulation. The government is unpredictable and the markets are wondering what they will do and how they will do it. As a result management teams find it difficult to manage their businesses and investors have to add a significant risk premium when they are valuing the businesses.

The financial services sector is currently out of favour with investors. We still believe that the sector can be rewarding for investors. It is very diverse in nature, from banks to insurance companies to asset managers, so it is important to have an experienced portfolio manager whose only focus is to search the sector around the world for good investment opportunities.

When the Global Financials Fund and Global Financials Fund II were launched they were designed to take advantage of the long term track record and proven expertise of Guy de Blonay, a portfolio manager with New Star Asset Management. After the purchase of New Star by Henderson Group, Guy left Henderson to join Jupiter Asset Management, another large UK fund manager. He is the lead portfolio manager of the Jupiter Global Financial Opportunities Fund. We have recently issued a Management Information Circular which proposes a merger between the Fund and the Focused Global Trends Fund (another CC&L closed end fund). As part of the merger proposal we would engage Jupiter as the Investment Manager and Mr. de Blonay would become the portfolio manager again. I encourage you to read the circular thoroughly when you receive it in the mail. In it you will see that the board of directors of Connor Clark & Lunn Capital Markets has recommended that you vote in favour of the merger proposal. The unitholder meeting will take place on September 20<sup>th</sup> and, if you are not coming to the meeting in person, then you will need to submit your vote by September 16<sup>th</sup> at 5:00 pm.

Please check our web site for quarterly investment updates and other timely information. We appreciate your investment in the Fund and would like to thank you for your continued support.

Yours truly,



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

# Management Report of Fund Performance

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

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

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

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

## Investment Objectives and Strategy

The Connor, Clark & Lunn Global Financials Fund II (the “Fund”) is a closed-end investment fund that is listed on the Toronto Stock Exchange under the symbol GFT.UN. It was established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 27, 2007.

Beneficial interest in the net assets and net income of the Fund is divided between the common units (“the Common Units”) and class F units (the “Class F Units”). The principal differences between the Common Units and the Class F Units are that the agents’ fees payable with respect to the original issuance of the units were lower for the Class F Units, and that the service fee component of the manager’s fee and the TSX listing fees are not paid by Class F Units.

The Fund’s investment objectives are to:

- (i) provide holders of the Common Units and the Class F 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);
- (ii) preserve and enhance the Transactional NAV per Unit of the Fund.

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

On October 22, 2008, the Fund announced a change to the monthly distribution rate as a result of ongoing difficult market conditions. The monthly distribution level was changed from \$0.05 to \$0.0375 per unit for both the Common and Class F Units (or from \$0.60 to \$0.45 per annum).

## **Risk**

### ***Leverage***

The Fund's investment restrictions contemplate leverage of up to 15.0% of total net asset value. Leverage increases the exposure of the fund to market fluctuations. The Fund pays interest on the amount borrowed and such interest payments may exceed the total return on the leveraged portion of the Fund's portfolio. The Credit Facility was paid in full in February 2010.

## **Recent Developments**

### ***Future accounting changes***

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

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

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

### ***Proposed merger with Focused Global Trends Fund***

On August 26, 2011, the Manager announced a proposal that would result in the merger of the Fund and Focused Global Trends fund ("FTF"). FTF will be the continuing fund and, as a result, unitholders of the Fund would become unitholders of FTF. The objectives of the merger proposal are to: (i) lower the administrative costs and increase trading liquidity by establishing a larger fund; and (ii) benefit from gaining access to the expertise of Mr. Guy de Blonay at his new employer, Jupiter Asset Management Limited, and to thereby provide greater potential for capital appreciation and utilization of accumulated tax losses.

Special meetings of holders of Common Units and Class F Units of the Fund and of holders of Class A Units and Class F Units of FTF will be held at 8:30 a.m. (Toronto time) on September 20, 2011.

## **Results of Operations**

### ***Investment Manager Commentary (July 2011)***

#### ***Overview***

The first six months of 2011 have continued with the uncertainty and volatility which characterised the majority of 2010. Top down macroeconomic issues have been the drivers of sentiment towards the financials sector globally. While the greatest investor concern has been focused on the potential exit path from the current peripheral European sovereign crisis

and creating a governance framework for the next steady state for the eurozone beyond the current crisis, there have also been the negative issues surrounding the extension of the US debt ceiling, inflationary pressures in the BRIC countries and the necessary speed of monetary tightening around the globe.

The European sovereign crisis is a significant impediment to risk appetite towards European banks. While the leading politicians provided a package in July intending to limit the contagion from spreading to Italy, it still remains to be seen whether the sovereign credit market will support the large amount of debt refinancing at a sustainable cost for Italy due in September 2011. There are two main risks for the European banks. Firstly, capital at risk due to sovereign haircuts, and secondly, a spill over into funding concerns if the sovereigns struggle to raise financing. The European bank share prices will continue to be closely correlated to moves in the 10-year bond yields and sovereign CDS spreads because of the risks.

For the financial sector, while contending with the challenging top down environment, the sector has also had the overhang of regulation and how this would impact future profitability. The regulatory debate continues to be ongoing, however, there has been a steady flow of news on the issue and the global systemically important financial institution capital charge is the latest hurdle for investors. While investors have been provided with the framework, the exact impact on individual companies is still unclear and remains an overhang. Within Europe in April we saw a few banks able to complete rights issues to shore up capital levels, however, with the escalation in the sovereign crisis and the results of the most recent stress test results highlighting potential capital shortfalls, further capital raises can be expected later this year. For the US banks, comments from managements of those affected seem to imply this is a benign issue and as the implementation deadline is five years away, they are capable of reaching the required capital levels through earnings retention or asset disposals over this period.

### *Performance*

The Fund has underperformed over the first six months of 2011 losing 2.5% versus a decline of 0.9% from the MSCI World Financials index in CAD. Nevertheless, on a 12 month view the fund has outperformed with a return of 11.6% versus 10.1% for the benchmark. The near-term underperformance was generated by the large reversal seen in the share prices for peripheral European banks which respond sharply (+25% in four weeks to mid February 2011) on reduced fears of debt restructuring or sovereign debt default in early January 2011. At this time, the fund had very little exposure to the large cap Spanish, Italian and French. We were cautious in chasing this repositioning momentum due to the lack of resolution to the sovereign crisis and also unattractive fundamentals for many of the banks in these countries. However, the Fund's cautiousness proved to be correct as the optimism was relatively short lived and the banks in Europe steadily underperformed into the end of the first half of the year.

The Fund having reduced emerging market exposure at the end of 2010 on over-stretched valuations and on the belief that the monetary policy tightening cycle in many emerging economies would create greater market headwinds than in the advanced economies; the exposure has gradually been increasing towards the end of the period under review. We feel the longer-term case for emerging market outperformance justifies maintaining a healthy exposure and if global growth fears can abate, these regions will seen outperformance. In addition, with the risk aversion to these countries over these last six months, valuations for some banks in China and South East Asia especially have become much more compelling.

On the other side, exposure has been reduced to the insurance sector. The life insurers outperformed over the first four months of the year in Europe and the US as the move higher in the long end of the yield curve and positive equity markets was supportive to economic book value increases. In addition to trading at low valuation multiples, these stocks provided an investment opportunity for those investors needing to have financials exposure. However, we feel for the time being there is little further upside for share prices.

For the non-life insurance companies, especially the reinsurers, there has been renewed investor interest after the natural catastrophes in the first quarter of 2011. While there was a compelling argument that the losses could have been significant enough to generate a turn for the industry wide pricing cycle, it seems the most recent renewal season was fairly lacklustre and a bad hurricane season is now needed to turn the cycle. More importantly, the reporting season will be carefully monitored to have confirmation that the Q1 catastrophic losses purely impacted earnings rather than capital.

In the diversified financials sub-sector, the fund has seen positive performance from both private equity specialist companies KKR & Co., LP and Blackstone Group LP. These companies still are relatively out of favour and yet they are reporting rising net asset values as equity markets improve and the positive growth outlook improves the environment for merger and acquisitions.

The Fund having maintained a more defensive positioning in the global banks sector for the majority of the period under review took the opportunity recently to neutralise exposure into European and the US banks. From a bottom-up perspective

there are nascent signs of loan growth in the US while credit quality continues to improve, margin pressure is moderating, expense discipline is being seen industry wide and importantly earnings estimates have stopped declining for the first time since early 2010. If the sector can be invested from a fundamental valuation framework rather than being driven by top-down macro issues, there are many attractive capital return or re-valuation opportunities.

### *Outlook*

The next few months will be critical for how the sector can perform on a longer term basis. How the US debt ceiling issue will be resolved, the moves in developed world sovereign funding costs, whether inflation has peaked in emerging markets, the competitive devaluation of currencies and the outlook for growth are all combining to create a very uncertain investing environment.

However, the financial sector remains the most unloved and underweight sector within investor positioning. While there are credible explanations for this, and the path to change this view is not straight forward, there is the risk that a sharp rotational rally could happen for the sector by the end of this year. Valuations are very compelling if market conditions can stabilise on the back of less politically driven news flow and if the first half global GDP slowdown was really caused by the supply chain interference from the Japanese earthquake.

### *Capital transactions*

On February 1, 2008, upon following the merger of Connor, Clark & Lunn Global Financials Fund and the Fund, the Fund received 4,750,154 Common Units for an equivalent value of \$40,366,371.

The Fund has issued to holders of its common units warrants (the “Warrants”) to subscribe for Units pursuant to a final prospectus dated May 23, 2008 and to holders of its Class F units Class F warrants (the “Class F Warrants”) to subscribe for Class F Units on a private placement basis.

No Warrants or Class F Warrants were exercised during the exercise period which ran from July 3, 2008 to July 5, 2010.

The Fund also issued on a private placement basis one-half of a Class F Warrant for each Class F Unit held by holders of record of the Class F Units on the Record Date. Each whole Class F Warrant entitles the holder thereof to purchase one Class F Unit on the second business day after the last day of each month, commencing on July 3, 2008 and ending on July 5, 2010. This means that the Class F Warrants may be exercised on any of 24 specific dates. The exercise price for the Class F Warrants will be an amount equal to the Transactional NAV per Class F Unit determined as of the valuation date immediately preceding the relevant exercise date.

### *Market repurchases*

As set out in the Prospectus, the Fund is obligated, under certain conditions, to purchase Common Units in the market for cancellation. If, on any day, the Common Units weighted average trading price is less than 95% of the Transactional NAV per Common Unit determined on the most recent valuation date, the Fund must purchase any Common Units offered in the market the following day at 95% of Transactional NAV per unit or less.

The Fund purchased no Common Units during the six month period ended June 30, 2011 (6,422 Common Units were purchased for a total cost of \$33,193 during the six month period ended June 30, 2010).

### **Distributions**

The Fund has made all its scheduled distributions during the six month period ended June 30, 2011 paying, \$0.225 per Common Unit and \$0.225 per Class F Unit (\$0.225 per Common Unit and \$0.225 per Class F Unit during the period ended June 30, 2010).

## **Related Party Transactions**

### ***Management Fees***

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

The total management fees charged to the Fund were \$152,539 during the six month period ended June 30, 2011 (\$268,973 during the six month period ended June 30, 2010).

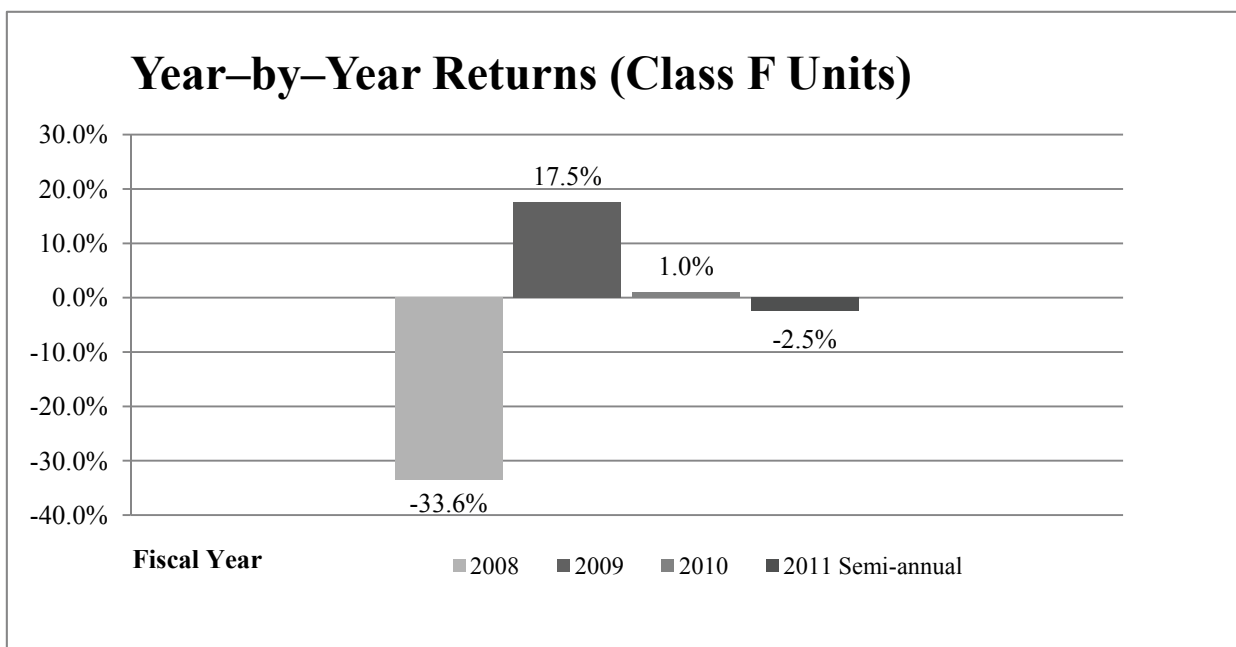
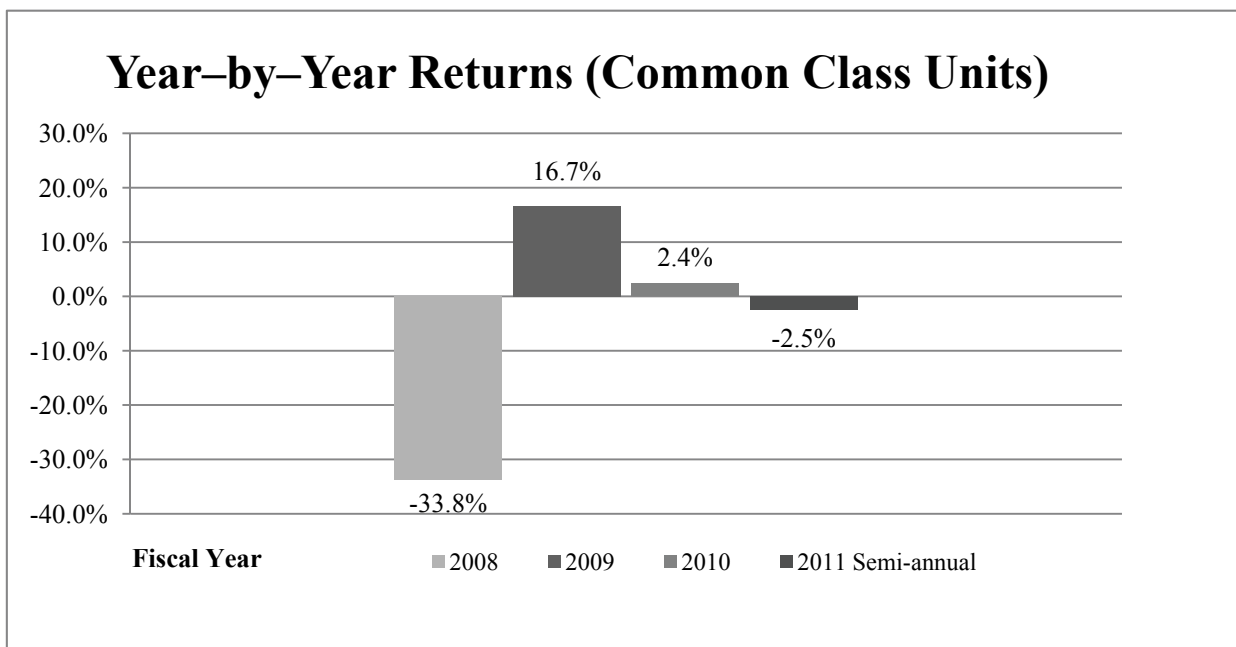
The Manager pays the Investment Manager out of the above management fees.

### **Recommendations or Reports by the Independent Review Committee**

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

## Past Performance

The following bar charts show the Fund's annual performance of the Common Class and the F Class Units for the years ended December 31, 2010, 2009 and 2008. It also shows the semi-annual performance for the six-month period ended June 30, 2011 assuming all the distributions made by the Fund during the period shown were reinvested. These bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



## Financial Highlights

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

### Common Units:

The Fund's Net Assets per Common Unit:					
	Jun. 30, 2010 <sup>(2)</sup>	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	<b>5.74</b>	<b>6.07</b>	<b>5.61</b>	<b>9.22</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenues	0.12	0.14	0.16	0.27	0.24
Total expenses	(0.11)	(0.17)	(0.23)	(0.27)	(0.30)
Share issue expense <sup>(3)</sup>	–	–	–	–	(0.56)
Realized gains (losses) for the period	0.19	0.31	1.20	(2.56)	(0.71)
Unrealized gains (losses) for the period	(0.33)	(0.25)	(0.01)	(0.48)	1.01
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>(0.13)</b>	<b>0.03</b>	<b>1.12</b>	<b>(3.04)</b>	<b>(0.32)</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	(0.36)	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(0.23)	(0.08)	(0.45)	(0.56)	(0.47)
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.23)</b>	<b>(0.45)</b>	<b>(0.45)</b>	<b>(0.56)</b>	<b>(0.47)</b>
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>5.38</b>	<b>5.74</b>	<b>6.07</b>	<b>5.61</b>	<b>9.22</b>

<sup>(1)</sup> Results for the period from March 22, 2007 (commencement of operations) to December 31, 2007.

<sup>(2)</sup> Results for the six month period ended June 30, 2011.

<sup>(3)</sup> Issue expense of \$5,977,500 incurred in connection with the Common Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.

<sup>(4)</sup> Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units of 5,200,048 common units outstanding as of June 30, 2011 (December 31, 2010 – 7,741,937).

<sup>(5)</sup> The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

<sup>(6)</sup> This is not reconciliation between the opening and the closing net assets per unit.

<sup>(7)</sup> The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

### Ratios and Supplemental Data (Common Units):

	Jun. 30, 2011 <sup>(2)</sup>	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007 <sup>(1)</sup>
Net asset value (000's)	28,032	29,908	51,513	66,145	98,209
Number of units outstanding	5,200,048	5,200,048	8,465,941	11,705,576	10,606,228
Base Management expense ratio (annualized) <sup>(3)(4)</sup>	2.28%	2.05%	2.26%	2.47%	2.24%
Issue expenses ratio <sup>(3)(4)</sup>	0.00%	0.00%	0.00%	0.00%	5.97%
Interest expense ratio <sup>(3)(4)</sup>	0.00%	0.11%	0.16%	0.00%	0.53%
Management expense ratio (annualized) <sup>(4)</sup>	2.28%	2.16%	2.42%	2.47%	8.74%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	2.28%	2.16%	2.42%	2.47%	8.74%
Portfolio turnover rate <sup>(5)</sup>	205.53%	228.05%	476.86%	674.04%	205.64%
Trading expense ratio <sup>(6)</sup>	1.51%	0.81%	1.64%	1.39%	1.29%
Net asset value per unit	5.39	5.75	6.08	5.65	9.26
Closing market price (TSX) - units	5.11	5.27	5.23	4.74	8.63
Closing market price (TSX) - warrants	–	–	0.005	0.02	N/A

<sup>(1)</sup> Results for the period from March 22, 2007 (commencement of operations) to December 31, 2007.

<sup>(2)</sup> Results for the six month period ended June 30, 2011.

<sup>(3)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses, and Interest expense ratio: representing cost of leverage.

<sup>(4)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(5)</sup> The Fund's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

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

## Class F Units:

### The Fund's Net Assets per Class F Unit:

	Jun. 30, 2011 <sup>(2)</sup>	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	<b>5.96</b>	<b>6.37</b>	<b>5.82</b>	<b>9.51</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenues	0.12	0.15	0.23	0.29	0.25
Total expenses	(0.11)	(0.17)	(0.26)	(0.25)	(0.28)
Share issue expense <sup>(3)</sup>	—	—	—	—	(0.27)
Realized gains (losses) for the period	0.20	0.33	1.74	(2.71)	(0.74)
Unrealized gains (losses) for the period	(0.35)	(0.27)	(0.02)	(0.51)	1.01
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>(0.14)</b>	<b>0.04</b>	<b>1.69</b>	<b>(3.18)</b>	<b>(0.03)</b>
<b>Distributions:</b>					
From income (excluding dividends)	—	(0.36)	—	—	—
From dividends	—	(0.01)	—	—	(0.02)
From capital gains	—	—	—	—	—
Return of capital	(0.23)	(0.08)	(0.45)	(0.56)	(0.45)
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.23)</b>	<b>(0.45)</b>	<b>(0.45)</b>	<b>(0.56)</b>	<b>(0.47)</b>
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>5.60</b>	<b>5.96</b>	<b>6.37</b>	<b>5.82</b>	<b>9.51</b>

<sup>(1)</sup> Results for the period from March 22, 2007 (commencement of operations) to December 31, 2007.

<sup>(2)</sup> Results for the six month period ended June 30, 2011.

<sup>(3)</sup> Issue expense of \$95,894 incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.

<sup>(4)</sup> Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of units of 37,500 of Class F units outstanding as of June 30, 2011 (December 31, 2010 – 47,637).

<sup>(5)</sup> The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

<sup>(6)</sup> This is not reconciliation between the opening and the closing net assets per unit.

<sup>(7)</sup> The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

### Ratios and Supplemental Data (Common Units):

	Jun. 30, 2011 <sup>(2)</sup>	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007 <sup>(1)</sup>
Net asset value (000's)	210	224	367	1,979	3,446
Number of units outstanding	37,500	37,500	57,500	337,630	360,880
Base Management expense ratio (annualized) <sup>(3)(4)</sup>	2.28%	1.97%	2.11%	2.05%	1.93%
Issue expenses ratio <sup>(3)(4)</sup>	0.00%	0.00%	0.00%	0.00%	2.77%
Interest expense ratio <sup>(3)(4)</sup>	0.00%	0.12%	0.22%	0.00%	0.51%
Management expense ratio (annualized) <sup>(4)</sup>	2.28%	2.09%	2.33%	2.05%	5.21%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	2.28%	2.09%	2.33%	2.05%	5.21%
Portfolio turnover rate <sup>(5)</sup>	205.53%	228.05%	476.86%	674.04%	205.64%
Trading expense ratio <sup>(6)</sup>	1.51%	0.81%	1.64%	1.39%	1.29%
Net asset value per unit	5.60	5.97	6.38	5.86	9.55

<sup>(1)</sup> Results for the period from March 22, 2007 (commencement of operations) to December 31, 2007.

<sup>(2)</sup> Results for the six month period ended June 30, 2011.

<sup>(3)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses, and Interest expense ratio: representing cost of leverage.

<sup>(4)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(5)</sup> The Fund's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

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

## Summary of Investment Portfolio as of June 30, 2011

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com) and at [www.sedar.com](http://www.sedar.com).

<b>Portfolio by Category</b>	<b>Market Value \$</b>	<b>% of NAV</b>
USA	8,801,202	31.2%
Britain	2,250,551	8.0%
France	1,890,726	6.7%
Netherlands	1,788,013	6.3%
Japan	1,719,799	6.1%
Germany	1,678,954	5.9%
Spain	1,274,351	4.5%
Italy	1,235,328	4.4%
Sweden	1,012,206	3.6%
Canada	927,350	3.3%
Cash & Equivalents	669,987	2.4%
Malaysia	602,926	2.1%
Hong Kong	589,376	2.1%
Indonesia	568,758	2.0%
Bermuda	547,275	1.9%
Russia	442,773	1.6%
Switzerland	371,529	1.3%
Brazil	290,131	1.0%
Luxemburg	283,289	1.0%
Guernsey	269,611	1.0%
Greece	222,944	0.8%
Belguim	219,283	0.8%
Australia	185,302	0.7%
Singapore	177,193	0.6%
China	585	0.0%
Foreign Currency Forward Contracts	(2,197)	0.0%
<b>Top 25 Holdings</b>		
Swedbank AB	1,012,206	3.6%
ING Groep NV	884,060	3.1%
Societe Generale	880,902	3.1%
Banco Bilbao Vizcaya Argentaria SA	848,303	3.0%
AON Corp.	831,169	2.9%
Intesa Sanpaolo SpA	822,443	2.9%
Delta Lloyd NV	782,886	2.8%
Old Mutual PLC	740,692	2.6%
Bank of Montreal	704,789	2.5%
Bank of America Corp.	693,631	2.5%
Mitsubishi UFJ Financial Group Inc.	686,506	2.4%
JPMorgan Chase & Co.	683,229	2.4%
Wells Fargo & Co.	680,567	2.4%
Cash & Equivalents	669,987	2.4%
Banque Cantonale Vaudoise	663,339	2.3%
Aareal Bank AG	635,959	2.3%
US BanCorp.	601,387	2.1%
Citigroup Inc.	599,748	2.1%
Shimao Property Holdings Ltd.	588,791	2.1%
BNP Paribas SA	573,734	2.0%
Bank Rakyat Indonesia	568,758	2.0%
Lincoln National Corp.	562,013	2.0%
KKR & Co., LP	559,267	2.0%
Credit Saison Co., Ltd.	553,736	2.0%
The Goldman Sachs Group Inc.	548,847	1.9%
<b>Net asset value (NAV)</b>	<b>28,241,689</b>	

## **Connor, Clark & Lunn Global Financials Fund II**

Financial Statements (Unaudited)

**June 30, 2011**

***Notice to Reader:***

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

## Connor, Clark & Lunn Global Financials Fund II

Statements of Net Assets (Unaudited)

As at June 30, 2011 and December 31, 2010

	2011	2010
	\$	\$
<b>Assets</b>		
Cash	669,987	2,827,599
Investments at fair value (cost - \$27,609,196; 2010 - \$26,420,813)	27,934,361	28,346,495
Unrealized gain on forward currency contracts	1,159,625	780,486
Dividends and interest receivable	141,955	211,391
Receivable from investment sales	3,212,355	193,771
Prepaid expenses	9,628	1,518
	<u>33,127,911</u>	<u>32,361,260</u>
<b>Liabilities</b>		
Payable for investment purchases	3,453,154	1,302,507
Distributions payable	196,408	196,408
Accounts payable and accrued liabilities	79,442	104,760
Management fees payable	25,865	46,428
Unrealized loss on foreign currency forward contracts	1,161,822	638,731
	<u>4,916,691</u>	<u>2,288,834</u>
<b>Net Assets and Unitholders' Equity</b>	<u>28,211,220</u>	<u>30,072,426</u>
<b>Net Assets</b>		
<b>Common Units</b>	28,001,349	29,849,043
<b>Class F</b>	<u>209,871</u>	<u>223,383</u>
	<u>28,211,220</u>	<u>30,072,426</u>
<b>Units issued and outstanding (note 5)</b>		
<b>Common Units</b>	5,200,048	5,200,048
<b>Class F</b>	37,500	37,500
<b>Net assets per unit</b>		
<b>Common Units</b>	5.38	5.74
<b>Class F</b>	5.60	5.96
<b>Unitholders' Equity</b>		
Unit capital (note 5)	37,695,217	38,873,666
Contributed surplus	22,292,113	22,292,113
Deficit	<u>(31,776,110)</u>	<u>(31,093,353)</u>
<b>Total Unitholders' Equity</b>	<u>28,211,220</u>	<u>30,072,426</u>

Approved by the Manager



Director



Director

## Connor, Clark & Lunn Global Financials Fund II

Statements of Operations (Unaudited)

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

	2011	2010
	\$	\$
<b>Income</b>		
Dividends	672,207	708,042
Interest	14,145	385
Less: Withholding taxes	<u>(74,733)</u>	<u>(76,943)</u>
	<u>611,619</u>	<u>631,484</u>
<b>Expenses</b>		
Transaction costs	223,346	183,079
Management fees (note 9)	152,539	268,973
Custodial and other unitholders' fees	56,990	89,292
Service fees (note 7)	56,451	48,708
Audit fees	12,533	8,235
Board of Advisors fees	11,695	10,472
Transfer agent fees	10,045	18,571
Loan expenses (note 6)	10,640	14,446
Administration fees	9,980	9,723
Filing fees	4,607	4,545
Legal fees	2,792	2,753
Printing fees	2,513	2,478
Other fees	2,056	1,956
Independent Review Committee fees	1,437	1,295
TSX Listing fees	1,169	4,089
Interest expense	-	1,164
	<u>558,793</u>	<u>669,779</u>
<b>Net Investment income (loss) for the period</b>	<u>52,826</u>	<u>(38,295)</u>
<b>Net realized gain (loss) on investments</b>		
Net realized gain (loss) on investments	1,046,225	(774,677)
Net realized gain (loss) on foreign exchange	(72,644)	(106,115)
Net realized gain (loss) on foreign currency forward contracts	<u>37,500</u>	<u>-</u>
	<u>1,011,081</u>	<u>(880,792)</u>
<b>Net change in unrealized gain (loss) on investments</b>		
Change in unrealized gain (loss) on investments	(1,600,517)	(5,387,237)
Change in unrealized gain (loss) on foreign exchange	(2,195)	53,040
Change in unrealized gain (loss) on foreign currency forward contracts	<u>(143,952)</u>	<u>1,107,948</u>
	<u>(1,746,664)</u>	<u>(4,226,249)</u>
<b>Net gain (loss) on investments</b>	<u>(735,583)</u>	<u>(5,107,041)</u>
<b>Increase (decrease) in net assets from operations</b>	<u>(682,757)</u>	<u>(5,145,336)</u>
<b>Increase (decrease) in net assets from operations for</b>		
Common Units	(677,683)	(5,108,970)
Class F Units	(5,074)	(36,366)
<b>Increase (decrease) in net assets from operations per unit *</b>		
Common Unit	(0.13)	(0.61)
Class F Unit	(0.14)	(0.63)

\* (based on average number of units outstanding during the period)  
(See accompanying notes to financial statements)

## Connor, Clark & Lunn Global Financials Fund II

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

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

	Common shares		Class F		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
<b>Increase (decrease) in net assets from operations</b>	<u>(677,683)</u>	<u>(5,108,970)</u>	<u>(5,074)</u>	<u>(36,366)</u>	<u>(682,757)</u>	<u>(5,145,336)</u>
<b>Distributions to unitholders from:</b>						
Return of capital	<u>(1,170,011)</u>	<u>(1,903,392)</u>	<u>(8,438)</u>	<u>(12,938)</u>	<u>(1,178,449)</u>	<u>(1,916,330)</u>
	<u>(1,170,011)</u>	<u>(1,903,392)</u>	<u>(8,438)</u>	<u>(12,938)</u>	<u>(1,178,449)</u>	<u>(1,916,330)</u>
<b>Unitholders' transactions:</b>						
Market repurchases (note 4)	<u>-</u>	<u>(33,193)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,193)</u>
	<u>-</u>	<u>(33,193)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,193)</u>
<b>Change in net assets during the period</b>	<u>(1,847,694)</u>	<u>(7,045,555)</u>	<u>(13,512)</u>	<u>(49,304)</u>	<u>(1,861,206)</u>	<u>(7,094,859)</u>
<b>Net assets - Beginning of period</b>	<u>29,849,043</u>	<u>51,406,499</u>	<u>223,383</u>	<u>366,099</u>	<u>30,072,426</u>	<u>51,772,598</u>
<b>Net assets - End of period</b>	<u>28,001,349</u>	<u>44,360,944</u>	<u>209,871</u>	<u>316,795</u>	<u>28,211,220</u>	<u>44,677,739</u>
<b>Deficit, beginning of period</b>	<u>(30,488,373)</u>	<u>(27,895,902)</u>	<u>(604,980)</u>	<u>(576,865)</u>	<u>(31,093,353)</u>	<u>(28,472,767)</u>
Increase (decrease) in net assets from operations	<u>(677,683)</u>	<u>(5,108,970)</u>	<u>(5,074)</u>	<u>(36,366)</u>	<u>(682,757)</u>	<u>(5,145,336)</u>
Distributions to unitholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deficit, end of period</b>	<u>(31,166,056)</u>	<u>(33,004,872)</u>	<u>(610,054)</u>	<u>(613,231)</u>	<u>(31,776,110)</u>	<u>(33,618,103)</u>
<b>Contributed surplus , beginning of period</b>	<u>21,707,598</u>	<u>15,281,802</u>	<u>584,515</u>	<u>562,910</u>	<u>22,292,113</u>	<u>15,844,712</u>
Cost of shares redeemed/ repurchased at less than (in excess of) average price per unit	<u>-</u>	<u>15,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,371</u>
<b>Contributed surplus , end of period</b>	<u>21,707,598</u>	<u>15,297,173</u>	<u>584,515</u>	<u>562,910</u>	<u>22,292,113</u>	<u>15,860,083</u>

## Connor, Clark & Lunn Global Financials Fund II

Statements of Cash Flow (Unaudited)

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

	2011	2010
	\$	\$
<b>Operating Activities</b>		
Increase (decrease) in net assets from operations	(682,757)	(5,145,336)
Items not affecting cash:		
Net realized (gain) loss on investments	(1,046,225)	774,677
Unrealized (gain) loss on investments	1,600,517	5,387,237
Unrealized (gain) loss on foreign exchange forward contracts	143,952	(1,107,948)
Changes in non-cash working capital		
(Increase) decrease in dividends and interest receivable	69,436	(69,753)
(Increase) decrease in prepaid expenses	(8,110)	(7,835)
Increase (decrease) in accounts payable and accrued liabilities	(25,318)	(79,326)
Increase (decrease) in management fees payable	(20,563)	(12,453)
Cost of investments purchased	(57,551,095)	(42,489,046)
Proceeds from investments sold	<u>56,541,000</u>	<u>43,862,480</u>
<b>Net cash flow provided by (used in) operating activities</b>	<u>(979,163)</u>	<u>1,112,697</u>
<b>Financing Activities</b>		
Distributions to unitholders	(1,178,449)	(1,916,571)
Payments on redemption/cancellation of units	-	(33,193)
Repayment of bank indebtedness	<u>-</u>	<u>(3,000,000)</u>
<b>Net cash flow provided by (used in) financing activities</b>	<u>(1,178,449)</u>	<u>(4,949,764)</u>
<b>Net increase (decrease) in cash</b>	(2,157,612)	(3,837,067)
<b>Cash - beginning of period</b>	<u>2,827,599</u>	<u>4,808,550</u>
<b>Cash - end of period</b>	<u>669,987</u>	<u>971,483</u>
<b>Supplementary information</b>		
Interest paid	-	8,550

## Connor, Clark & Lunn Global Financials Fund II

Statement of Investment Portfolio (Unaudited)

As at June 30, 2011

	Rate	Maturity Date	Quantity	Average Cost \$	Market Value \$	% of NAV
<b>Investments</b>						
<b>Foreign Equities</b>						
<b>Australia (Australian Dollar)</b>						
Transaction Solutions International Ltd.			9,439,000	299,616	185,302	0.7%
<b>Belgium (Euro)</b>						
Ageas			83,760	201,278	219,166	0.8%
<b>Bermuda (British Pound Sterling)</b>						
Lancashire Holdings Ltd.			54,132	545,941	547,275	1.9%
<b>Brazil (Brazilian Real)</b>						
Porto Seguro SA			19,327	292,068	289,056	1.0%
<b>Canada (CAD Dollar)</b>						
Canadian Western Bank			7,226	222,338	222,416	0.8%
Bank of Montreal			11,488	708,156	703,985	2.5%
				930,494	926,401	3.3%
<b>China (Hong Kong Dollar)</b>						
Industrial & Commercial Bank of China, Class H			798	607	584	0.0%
<b>Switzerland (Swiss Franc)</b>						
Banque Cantonale Vaudoise			1,146	407,015	662,682	2.3%
Banque Privee Edmond de Rothschild SA			1	31,305	26,449	0.1%
GAM Holding AG			21,025	323,130	331,359	1.2%
				761,450	1,020,490	3.6%
<b>Greece (Euro)</b>						
National Bank of Greece SA			13345	91,627	91,497	0.3%
Bank of Cyprus PLC			46,079	146,435	131,531	0.5%
				238,062	223,028	0.8%
<b>Guernsey (British Pound Sterling)</b>						
Resolution Ltd.			59,186	285,906	269,519	1.0%
<b>France (Euro)</b>						
Credit Agricole SA			30,054	412,370	435,669	1.5%
BNP Paribas SA			7,703	545,227	573,734	2.0%
Societe Generale			15,385	945,537	880,902	3.1%
				1,903,134	1,890,305	6.6%
<b>Germany (Euro)</b>						
Commerzbank AG			50,531	195,382	209,076	0.7%
Aareal Bank AG			19,230	566,923	635,690	2.3%
Deutsche Bank AG			9,622	579,010	548,303	1.9%
Hannover Rueckversicherung AG			5,652	283,375	284,708	1.0%
				1,624,690	1,677,777	5.9%

## Connor, Clark & Lunn Global Financials Fund II

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

As at June 30, 2011

	Quantity	Average Cost \$	Market Value \$	% of NAV
<b>Britain (British Pound Sterling)</b>				
Chaucer Holdings PLC	171,787	123,628	141,071	0.5%
Amlin PLC	63,662	422,001	400,575	1.4%
Prudential PLC	44,401	493,480	495,332	1.8%
Old Mutual PLC	358,353	733,611	740,692	2.6%
Capital & Counties Properties PLC	154,809	421,899	472,055	1.7%
		<u>2,194,619</u>	<u>2,249,726</u>	<u>8.0%</u>
<b>Hong Kong (Hong Kong Dollar)</b>				
Shimao Property Holdings Ltd.	494,500	650,909	588,791	2.1%
<b>Indonesia (Indonesian Rupiah)</b>				
Bank Rakyat Indonesia	777,500	565,612	568,758	2.0%
<b>Italy (Euro)</b>				
Unione di Banche Italiane SCPA	26,068	140,919	141,452	0.5%
UniCredit SpA	132,795	280,241	270,544	1.0%
Intesa Sanpaolo SpA	320,139	834,042	821,995	2.9%
		<u>1,255,202</u>	<u>1,233,991</u>	<u>4.4%</u>
<b>Japan (Japanese Yen)</b>				
Mitsubishi UFJ Financial Group Inc.	147,300	676,919	686,506	2.4%
Credit Saison Co., Ltd.	34,400	567,501	553,325	2.0%
T&D Holdings Inc.	19,500	520,777	442,990	1.6%
		<u>1,765,197</u>	<u>1,682,821</u>	<u>6.0%</u>
<b>Luxemburg (US Dollar)</b>				
Flagstone Reinsurance Holdings SA	34,820	287,214	282,953	1.0%
<b>Malaysia (Malaysian Ringgit)</b>				
Malayan Banking BHD	101,000	248,992	288,277	1.0%
Hong Leong Bank BHD	73,500	225,804	312,447	1.1%
		<u>474,796</u>	<u>600,724</u>	<u>2.1%</u>
<b>Netherlands (Euro)</b>				
SNS REAAL NV	28,101	147,326	121,067	0.4%
ING Groep NV	74,427	833,442	884,060	3.1%
Delta Lloyd NV	34,137	737,476	780,976	2.8%
		<u>1,718,244</u>	<u>1,786,103</u>	<u>6.3%</u>
<b>Russia (Russian Ruble)</b>				
Sberbank of Russian Federation, GDR	31,650	431,825	433,517	1.5%
<b>Singapore (US Dollar)</b>				
Jardine Strategic Holdings Ltd.	6,000	112,890	177,193	0.6%

## Connor, Clark & Lunn Global Financials Fund II

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

As at June 30, 2011

	Quantity	Average Cost \$	Market Value \$	% of NAV		
<b>Spain (Euro)</b>						
Banco Bilbao Vizcaya Argentaria SA	74,939	860,548	847,674	3.0%		
Mapfre SA	118,939	413,588	425,216	1.5%		
		<u>1,274,136</u>	<u>1,272,890</u>	<u>4.5%</u>		
<b>Sweden (Swedish Krona)</b>						
Swedbank AB	62,258	<u>1,061,500</u>	<u>1,012,206</u>	<u>3.6%</u>		
<b>USA (US Dollar)</b>						
Regions Financial Corp.	23,236	137,013	138,811	0.5%		
Huntington Bancshares Inc/OH	37,073	244,325	234,354	0.8%		
Zions Bancorporation	10,329	236,491	239,245	0.8%		
Citigroup Inc.	14,924	557,820	599,172	2.1%		
US Bancorp.	24,427	591,655	601,151	2.1%		
Wells Fargo & Co.	25,131	722,817	680,324	2.4%		
Ameriprise Financial Inc.	4,935	273,267	274,574	1.0%		
Blackstone Group LP	17,515	275,129	279,419	1.0%		
American Express Co.	5,683	273,186	283,503	1.0%		
State Street Corp.	9,357	409,348	407,003	1.4%		
The Goldman Sachs Group Inc.	4,273	575,940	548,517	1.9%		
KKR & Co., LP	35,508	529,789	559,610	2.0%		
JPMorgan Chase & Co.	17,292	757,404	682,728	2.4%		
Bank of America Corp.	65,576	771,450	692,998	2.5%		
Marsh & McLennan Cos Inc.	10,525	264,730	316,615	1.1%		
Hartford Financial Services Group Inc.	16,730	413,775	425,451	1.5%		
Prudential Financial Inc.	7,174	437,641	440,205	1.6%		
Lincoln National Corp.	20,440	549,977	561,421	2.0%		
AON Corp.	16,788	765,278	830,685	3.2%		
		<u>8,787,035</u>	<u>8,795,786</u>	<u>31.3%</u>		
<b>Total Foreign Equities</b>		<u>27,662,425</u>	<u>27,934,361</u>	<u>99.0%</u>		
<b>Total investments (GAAP net asset value)</b>		<u>27,662,425</u>	<u>27,934,361</u>	<u>99.0%</u>		
Transaction costs - Section 3855 adjustment (note 3)		(53,229)	-	0.0%		
<b>Total investments (GAAP net asset value)</b>		<u>27,609,196</u>	<u>27,934,361</u>	<u>99.0%</u>		
	<b>Maturity date</b>	<b>Number of contracts</b>	<b>Contract price / rate \$</b>	<b>Market value \$</b>	<b>Unrealized gain (loss) \$</b>	<b>% of NAV</b>
<b>Foreign currency forward contracts</b>						
Bought CAD 2,721,087 sold CHF 2,940,000	7/14/2011	1	0.92554	3,372,682	(651,595)	-2.3%
Bought CAD 5,907,372 sold EUR 4,480,000	7/14/2011	1	1.31861	6,267,615	(360,243)	-1.3%
Bought CAD 3,126,088 sold GBP 1,975,000	7/14/2011	1	1.58283	3,058,095	67,993	0.2%
Bought CAD 1,500,169 sold SGD 2,030,000	7/14/2011	1	0.73900	1,593,514	(93,345)	-0.3%
Bought CAD 1,675,962 sold JPY 136,925,000	7/14/2011	1	0.01224	1,640,327	35,635	0.1%
Bought CAD 11,971,997 sold USD 11,325,000	7/14/2011	1	1.05713	10,916,000	1,055,997	3.7%
Bought CAD 1,528,275 sold AUD 1,535,000	7/14/2011	1	0.99562	1,584,914	(56,639)	-0.1%
<b>Total foreign currency forward contracts</b>					<u>(2,197)</u>	<u>0.0%</u>
<b>Cash</b>					<u>669,987</u>	<u>2.4%</u>
<b>Liabilities, net of assets</b>					<u>(390,931)</u>	<u>-1.4%</u>
<b>Net assets</b>					<u>28,211,220</u>	<u>100.0%</u>

# Connor, Clark & Lunn Global Financials Fund II

## Notes to Financial Statements (Unaudited)

June 30, 2011

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### 1 Formation of 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 and commenced operating on March 22, 2007. The Manager was incorporated under the Business Corporations Act (Ontario) on January 15, 2001 and is wholly owned by Connor, Clark & Lunn Capital Markets Partnership.

At the close of business on February 4, 2008, the Fund issued 4,750,154 units to unitholders of the Connor, Clark & Lunn Global Financials Fund in exchange for \$40,366,371 in investments and other assets (net of liabilities)

### 2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated February 27, 2007 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); (ii) preserve and enhance the Transactional NAV per Unit of the Fund.

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

### 3 Summary of significant accounting policies

#### Basis of presentation

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

#### Future accounting changes

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. The Fund will adopt IFRS on January 1, 2011. Management has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on NAV of the Fund. Management has presently determined that there will be no significant impact to NAV per Unit as a result of the changeover to IFRS but will continue to assess based on any changes to existing IFRS.

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

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

#### Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded ("GAAP Net Assets"). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. The fund calculates its daily Net Asset Value for the purchase and redemption of units ("Transactional NAV") based on the fair value of the investment fund's assets and liabilities (being the last traded price for the day). The Fund did not change its methodology in this respect.

# Connor, Clark & Lunn Global Financials Fund II

## Notes to Financial Statements (Unaudited)

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The reconciliation between the Transactional NAV and the GAAP Net Assets as of June 30, 2011 and December 31, 2010 as a result of the adoption of Section 3855 is as follows:

	<u>Transactional</u> NAV	<u>Section 3855</u> Adjustment	<u>GAAP</u> Net Assets
<b>Per Unit Closing Value as of June 30, 2010</b>			
Common Unit	5.39	(0.01)	5.38
Class F Unit	5.60	–	5.60
<b>Per Unit Closing Value as of December 31, 2010</b>			
Common Unit	5.75	(0.01)	5.74
Class F Unit	5.97	(0.01)	5.96

### Cash

Cash includes cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

### Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash and cash equivalents) are attributable to investments and derivatives which are deemed held for trading.

### Foreign currency translation

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

### Foreign currency forward contracts

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

### Unit valuation

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

### Allocation of expenses

The Common Class is charged with the full amount of the Service fees (see note 9) and the TSX listing fees. All other expenses are allocated on a prorated basis between the Common Class and the Class F units.

### Expense recognition

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

### Increase (decrease) in net assets from operation per unit

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

### Valuation per class of units

A separate net assets per unit is calculated for each class. The net assets of a class are computed by calculating the class' proportionate share of the assets and liabilities to all classes, less the liabilities attributable only to that class. Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses are allocated proportionately to each class based upon the relative net assets of each class.

## 4 Market Purchase Program

As set out in the Prospectus, the Fund is obligated, under certain conditions, to purchase Common Units in the market for cancellation. If, on any day, the Common Units weighted average trading price is less than 95% of the Transactional NAV per Common Unit determined on the most recent valuation date, the Fund must purchase any Common Units offered in the market the following day at 95% of Transactional NAV per unit or less.

The Fund purchased no Common Units during the six month period ended June 30, 2011 (6,422 Common Units were purchased for a total cost of \$33,193 during the six month period ended June 30, 2010).

# Connor, Clark & Lunn Global Financials Fund II

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### June 30, 2011

#### 5 Units of the Fund

Units of the Fund were offered to the public by way of prospectus. The Fund is authorized to issue an unlimited number of transferable, redeemable Fund units of Common Units and Class F (subject to restrictions set forth in the Prospectus). The principal differences between the Common Units and the Class F Units are that the agents' fees payable with respect to the original issuance of the units were lower for the Class F Units, and that the service fee component of the manager's fee and the TSX listing fees are not paid by Class F Units.

Units may be surrendered for redemption in any month. Units properly surrendered for redemption by a Unitholder by 5:00 p.m. (Toronto time) on the 10<sup>th</sup> 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 15<sup>th</sup> business day following such Monthly Redemption Date, subject to the Fund's right to suspend redemptions in certain circumstances.

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

Commencing in 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 (the "Annual Redemption Amount") based on the Transactional NAV per Unit less any costs of funding the redemption and the Unitholder will receive payment on or before the 15<sup>th</sup> day following the Redemption Date. Notice of Redemption must be provided between 45 days and the 20th business day before the Redemption Date (the "Notice Period").

Redeeming Unitholders will be entitled to receive a redemption price per Unit based on the Transactional NAV per Unit determined as of the Redemption Date. Any unpaid distribution payable on or before the Redemption Date in respect of Units tendered for redemption on such Redemption Date will also be paid on the same day as the redemption proceeds are paid. The Transactional 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 Transactional NAV per unit of a class as of that date.

A holder of Class F Units may convert Class F Units into Common Units. Class F Units may be converted in any month by delivering a notice and surrendering such unit 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 is converted into Common Units on such Monthly Redemption Date. A Class F Unitholder may convert such units and redeem the Common 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 Common 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 Common Unit as of the Monthly Redemption Date.

On February 1, 2008, upon following the merger of Connor, Clark & Lunn Global Financials Fund and Connor, Clark & Lunn Global Financials Fund II, Connor, Clark & Lunn Global Financials Fund II received 4,750,154 Common Units for an equivalent value of \$40,366,371. This transaction was accounted for as a business acquisition for accounting purposes.

The Fund has issued to holders of its common units warrants (the "Warrants") to subscribe for Units pursuant to a final prospectus dated May 23, 2008 and to holders of its Class F units Class F warrants (the "Class F Warrants") to subscribe for Class F Units on a private placement basis.

Under the warrant offerings, the Fund issued one-half of a Warrant for each Unit of the Fund held by holders of record on June 9, 2008 (the "Record Date"). Each whole Warrant entitles the holder thereof to purchase one Unit at a price of \$8.20 per Unit on the second business day after the last day of each month, commencing on July 3, 2008 and ending on July 5, 2010. This means that the Warrants may be exercised on any of 24 specific dates. The Warrants started trading on June 5, 2008 under the ticker symbol "GFT.WT" and continued trading until July 5, 2010. On July 5, 2010, the Warrants and Class F Warrants expired. No Warrants or Class F Warrants were exercised during the exercise period which ran from July 3, 2008 to July 5, 2010.

The basic calculation of changes in the outstanding units is summarized as follows:

	Common Units		F Units	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Balance – beginning of period/year	5,200,048	8,465,941	37,500	57,500
Units converted	–	21,012	–	(20,000)
Units redeemed	–	(3,280,483)	–	–
Units redeemed under the Market Purchase Program (note 4)	–	(6,422)	–	–
Balance – end of period/year	<u>5,200,048</u>	<u>5,200,048</u>	<u>37,500</u>	<u>37,500</u>

The Unit Capital dollar amount represents the face value of the fund units minus any return on capital distributions and issue cost paid since March 22, 2007 (commencement of operations) to June 30, 2011. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the statements of net assets. If the price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated, and the remaining amount is charged to retained earnings (deficit).

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

# Connor, Clark & Lunn Global Financials Fund II

## Notes to Financial Statements (Unaudited)

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### 6 Bank indebtedness

As part of its strategy, the Investment Manager may employ leverage in the Portfolio to enhance returns when market conditions are considered appropriate. The Investment Manager will reduce or eliminate leverage and may increase the allocation to cash when they believe the outlook for market performance is unfavourable. The Fund has entered into a credit agreement with the Bank of Montreal ("BMO").

The Credit Facility was paid in full in February 2010.

### 7 Service Fees

The Fund pays a service fee to dealers whose clients hold Units in the Fund. The service fee is calculated and payable each calendar quarter in arrears and is equal to 0.40% annually of the net asset value of the Units held by clients of the dealers. The total service fees charged to the Fund during the six month period ended June 30, 2011 were \$56,451 (2010 - \$48,708).

### 8 Distributions

On October 22, 2008, the Fund announced a change to the monthly distribution rate as a result of ongoing difficult market conditions. The monthly distribution level was changed from \$0.05 to \$0.0375 per unit for both the Common and Class F Units (or from \$0.60 to \$0.45 per annum).

The Fund has made all its scheduled distributions during the six month period ended June 30, 2011 paying, \$0.225 per Common Unit and \$0.225 per Class F Unit (\$0.225 per Common Unit and \$0.225 per class F unit during the six month period ended June 30, 2010).

### 9 Management fees and other expenses

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

### 10 Income taxes

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

As at December 31, 2010, the Fund had net capital losses of \$35,877,549 (2009 - \$30,298,157), which may be carried forward indefinitely to reduce future realized capital gains. The Fund had no non-capital losses carried forward as of December 31, 2010 and 2009.

### 11 Broker commission charges and soft dollar services

There were \$223,346 broker commissions paid during the six month period ended June 30, 2011 (\$183,079 during the six month period ended June 30, 2010) in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

### 12 Financial instruments

	June 30, 2011	December 31, 2010
<b>Assets</b>	<b>\$</b>	
Cash	669,987	2,827,599
Held for trading	29,093,986	29,126,981
Loans and receivables	3,363,938	406,680
<b>Total assets</b>	<b>33,127,911</b>	<b>32,361,260</b>
<b>Liabilities</b>		
Held for trading	1,161,822	638,731
Financial liabilities at amortized cost	3,754,869	1,650,103
<b>Total liabilities</b>	<b>4,916,691</b>	<b>2,288,834</b>

# Connor, Clark & Lunn Global Financials Fund II

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

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

Assets at fair value as at June 30, 2011	Level 1	Level 2	Level 3	Total
Equities	27,934,361	–	–	27,934,361
Foreign currency forward contracts	–	1,159,625	–	1,159,625
<b>Total</b>	<b>27,934,361</b>	<b>1,159,625</b>	<b>–</b>	<b>29,093,986</b>
Liabilities at fair value as at June 30, 2011	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	1,161,822	–	1,161,822
<b>Total</b>	<b>–</b>	<b>1,161,822</b>	<b>–</b>	<b>1,161,822</b>
Assets at fair value as at December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	26,394,105	–	–	26,394,105
Bonds	–	1,952,390	–	1,952,390
Foreign currency forward contracts	–	780,486	–	780,486
<b>Total</b>	<b>26,394,105</b>	<b>2,732,876</b>	<b>–</b>	<b>29,126,981</b>
Liabilities at fair value as at December 31, 2010	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	638,731	–	638,731
<b>Total</b>	<b>–</b>	<b>638,731</b>	<b>–</b>	<b>638,731</b>

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

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

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

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

### 13 Financial instrument risk

The Fund's activities expose it to a variety of financial risks. The Investment Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically through the use of derivatives to hedge certain risk exposures.

#### Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in prevailing interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities and interest rate derivative instruments (if any). Other assets and liabilities are short-term in nature and non-interest bearing. As at June 30, 2011, interest rate risk was negligible as the Fund had no significant exposure to interest-bearing investments.

The table below summarizes the Fund's exposure to interest rate risks as at December 31, 2010. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

#### As at December 31, 2010:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	797,472	1,154,918	26,394,105	28,346,495
Cash	2,827,599	–	–	–	–	2,827,599
Other assets	–	–	–	–	1,187,166	1,187,166
Liabilities	–	–	–	–	(2,288,834)	(2,288,834)
<b>Net assets</b>						<b>30,072,426</b>

As at December 31, 2010, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$128,000. In practise, actual results may differ from this sensitivity analysis and the difference could be material.

#### Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investments identifies all securities denominated in foreign currencies.

# Connor, Clark & Lunn Global Financials Fund II

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The table below summarizes the Fund's exposure to foreign currencies as at June 30, 2011 and December 31, 2010. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets such as dividends and interest receivable, and receivable from investment sales and liabilities such as accounts payable and accrued liabilities and management fees payable denominated in foreign currencies do not expose the Fund to significant currency risk. The table below summarizes the Fund's exposure to foreign currencies and the approximate impact on net assets had the Canadian Dollar ("CAD") weakened by 5% in relation to these currencies. If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### As at June 30, 2011:

	Monetary instruments	Non- monetary instruments	Foreign Currency Contracts	Total	% of Net Assts	Sensitivity (based on devaluation of CAD)
	\$	\$	\$	\$	Assets	\$
Australian Dollar	(245,639)	185,302	(1,586,022)	(1,646,359)	-5.8%	(82,000)
Brazil Real	24,356	289,056	-	313,412	1.1%	16,000
British Pound Sterling	324,264	3,066,520	(3,060,118)	330,666	1.2%	17,000
European Union Euro	767,742	8,303,260	(6,268,627)	2,802,374	9.9%	140,000
Hong Kong Dollar	1,681	589,375	-	591,056	2.1%	30,000
Indonesian Rupiah	-	568,758	-	568,758	2.0%	28,000
Japanese Yen	-	1,682,821	(1,636,288)	46,533	0.2%	2,000
Malaysian Ringgit	-	600,724	-	600,724	2.1%	30,000
Russian Ruble	6,684	433,517	-	440,201	1.6%	22,000
Singapore Dollar	4,921	-	(1,596,042)	(1,591,121)	-5.6%	(80,000)
Swedish Krona	-	1,012,206	-	1,012,206	3.6%	51,000
Swiss Franc	(238,543)	1,020,490	(3,369,821)	(2,587,874)	-9.2%	(129,000)
US Dollar	(5,768)	9,255,932	(10,929,779)	(1,679,615)	-6.0%	(84,000)
<b>Total</b>	<b>639,698</b>	<b>27,007,960</b>	<b>(28,446,697)</b>	<b>(799,039)</b>	<b>-2.8%</b>	<b>(39,000)</b>

### As at December 31, 2010:

	Monetary instruments	Non- monetary instruments	Foreign Currency Contracts	Total	% of Net Assts	Sensitivity (based on devaluation of CAD)
	\$	\$	\$	\$	%	\$
Brazil Real	23,600	777,186	(3,352,069)	(2,553,283)	-8.5%	(128,000)
British Pound Sterling	175,325	3,263,358	(3,733,723)	(295,041)	-1.0%	(15,000)
European Union Euro	29,443	2,031,107	(3,599,184)	(1,538,634)	-5.1%	(77,000)
Hong Kong Dollar	815,360	639,569	-	1,454,929	4.8%	73,000
Indonesian Rupiah	1,874	305,087	-	306,961	1.0%	15,000
Japanese Yen	-	1,517,039	-	1,517,039	5.0%	76,000
Malaysian Ringgit	-	1,184,365	-	1,184,365	3.9%	59,000
Mexican Peso	36	572,287	-	572,323	1.9%	29,000
Norwegian Krone	-	581,490	-	581,490	1.9%	29,000
Polish Zloty	902	148,319	-	149,221	0.5%	7,000
Russian Ruble	6,293	991,710	-	998,003	3.3%	50,000
Singapore Dollar	1,060	1,993,432	(3,800,689)	(1,806,197)	-6.0%	(90,000)
Swiss Franc	838,156	3,411,734	(3,731,105)	518,785	1.7%	26,000
New Turkish Lira	213,816	-	-	213,816	0.7%	11,000
US Dollar	371,446	8,361,452	(9,837,141)	(1,104,242)	-3.7%	(55,000)
<b>Total</b>	<b>2,477,311</b>	<b>25,778,135</b>	<b>(28,053,911)</b>	<b>201,535</b>	<b>0.4%</b>	<b>10,000</b>

### Other market risk

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

# Connor, Clark & Lunn Global Financials Fund II

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If equity prices had increased or decreased by 10% on June 30, 2011, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately \$2,793,000 (December 31, 2010 - \$2,639,000). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

### Credit risk

Credit risk is the risk that the Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at June 30, 2011 and December 31, 2010.

The tables below summarize the Fund's exposure to credit risk as of June 30, 2011 and December 31, 2010. Amounts shown are based on the carrying value of debt investments and the unrealized gain on derivative instruments outstanding with counterparties.

#### June 30, 2011:

Rating	(% of Net Assets)
A+	0.0%
<b>Total</b>	<b>0.0%</b>

#### December 31, 2010:

Rating	(% of Net Assets)
AA-	1.3%
A+	1.1%
<b>BBB</b>	<b>5.2%</b>
<b>Total</b>	<b>7.6%</b>

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

### Liquidity risk

The Fund is exposed to daily cash redemptions due to its market purchase program which are limited to certain conditions (see note 4). The Fund is also exposed to unlimited annual anniversary redemptions on September 30 of every year (see note 5). Therefore, the Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund retains sufficient cash and/or cash equivalent positions to maintain liquidity. All liabilities are due within three months.

## 14 Subsequent event

On August 26, 2011, the Manager announced a proposal that would result in the merger of the Fund and Focused Global Trends fund ("FTF"). FTF will be the continuing fund and, as a result, unitholders of the Fund would become unitholders of FTF.

Special meetings of holders of Common Units and Class F Units of the Fund and of holders of Class A Units and Class F Units of FTF will be held at 8:30 a.m. (Toronto time) on September 20, 2011.