

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The Warrants and Units issuable upon the exercise of Warrants offered hereby have not been and will not be registered under the U.S. Securities Act and accordingly may not be offered or sold in the United States. See "Plan of Distribution – United States Unitholders".

PROSPECTUS

New Issue – Warrant Offering

May 23, 2008



Connor, Clark & Lunn Global Financials Fund II

Warrants to Subscribe for up to 7,668,191 Units

Subscription Price: \$8.20 per Unit

(Upon the exercise of one full Warrant)

Connor, Clark & Lunn Global Financials Fund II (the "Fund"), a non-redeemable investment fund, will issue to the holders of its outstanding common units (the "Units"), at the close of business (Toronto time) on June 9, 2008 (the "Record Date"), 7,668,191 transferable warrants (the "Warrants") to subscribe for and purchase an aggregate of 7,668,191 Units (based on the current number of Units outstanding) (the "Offering"). Each registered holder of Units (a "Unitholder") at the close of business on the Record Date is entitled to receive one-half of a Warrant for each Unit held. Each whole Warrant entitles the holder thereof to purchase one Unit at a price of \$8.20 per Unit (the "Subscription Price") on or before 4:00 p.m. (Toronto time) 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. **Warrants not exercised by July 5, 2010 will be void and of no value.**

This prospectus qualifies the distribution of the Warrants and the Units issuable upon the exercise thereof. The outstanding Units are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the trading symbol "GFT.UN". The closing price for the outstanding Units on the TSX on May 23, 2008 was \$7.41 per Unit.

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 has significant opportunity over the long term to outperform other sectors of the market. See "Organization and Management Details of the Fund – Investment Manager".

The Fund's investment objectives are to: (i) provide holders of the Units with a stable stream of monthly cash distributions; and (ii) preserve and enhance the net asset value per Unit of the Fund. See "Investment Objectives".

In order to achieve the Fund's investment objectives, the Fund invests in an actively managed portfolio (the "Portfolio") consisting of securities of global financial services businesses. The Portfolio is actively managed by New Star.

The Fund targets 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 "Investment Strategies – Leverage".

The Portfolio is 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 and has similar investment objectives to the Fund.

The Fund has paid all monthly distributions to date at a rate of 6.0% on the original issue price of its Units (totalling \$0.62 per Unit as of March 31, 2008). On March 31, 2008, the net asset value of the Fund was approximately \$124.6 million. Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) determines and announces 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 serve to increase net asset value and therefore provide an opportunity for capital appreciation.

The Portfolio generated dividends and distributions of approximately 2.5% in 2007 (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 5.94% per annum in order for the Fund to maintain a stable net asset value while making monthly cash distributions for the year at the current 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. acts as manager of the Fund and is responsible for the management and administration of the Fund. The Investment Manager provides investment advisory and portfolio management services to the Fund. The Manager is part of the Connor, Clark & Lunn Financial Group, which has approximately \$37 billion of assets under management as at January 31, 2008. See “Organization and Management Details of the Fund”.

	Subscription Price	Proceeds to the Fund ⁽¹⁾⁽²⁾
Per Unit	\$8.20	\$8.05
Total ⁽²⁾	\$62,879,166	\$61,728,938

Notes:

- (1) Before deducting the expenses of the Offering, estimated to be \$230,000, which will be paid by the Fund.
- (2) Assumes the exercise of all of the Warrants.

A subscriber may subscribe for Units by instructing the CDS Participant, as defined elsewhere in this prospectus, holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. As a result, subscriptions for Units made in connection with the exercise of Warrants issued under this Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Registration of interests in, and transfers and pledges of, the Units and Warrants will be made through a book-based system administered by CDS Clearing and Depository Services Inc., except where the issuance of physical certificates evidencing ownership in such securities is necessary to deal with Warrant exercises and restricted and/or legended securities. Subject to the foregoing, beneficial owners of Units or Warrants will not have the right to receive physical certificates evidencing their ownership of the Units or Warrants. See “Attributes of the Units – Registration Through CDS” and “Details of the Offering – Confirmation of Warrants”.

The TSX has conditionally approved the listing of the Warrants for Units subject to fulfillment by the Fund of the requirements of the TSX.

There is no market through which the Warrants may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “Risk Factors” for a discussion of certain factors that should be considered by holders of Warrants and investors in Units. There is no assurance that the Fund will be able to achieve its investment objectives. If a Unitholder does not exercise, or sells, the Unitholder’s Warrants, then the value of the Units

held by that Unitholder may be diluted as a result of the exercise of the Warrants by others. Upon the exercise of a Warrant, the Fund will pay a fee equal to \$0.15 to the dealer whose client is exercising the Warrant. See “Fees and Expenses – Warrant Exercise Fee”.

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, the Warrants and the Units issued on the exercise of such Warrants, when issued, will be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and registered education savings plans provided that, in the case of the Warrants, the Fund deals at arm’s length for the purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of such trust, and, in the case of both the Warrants and the Units, provided that the Fund continues to qualify as a “mutual fund trust” under the Tax Act. See “Income Tax Considerations” including “Taxation of Registered Plans”.

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.

No underwriter has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus.

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>		
PROSPECTUS SUMMARY	6	Change to Portfolio	27
SUMMARY OF FEES AND EXPENSES	14	Illiquid Securities	27
DETAILS OF THE OFFERING	15	Risks Related to Redemptions	27
Issue of Warrants and Record Date	15	Status of the Fund for Securities Law Purposes	27
Subscription Basis	15	Potential Conflicts of Interest	27
Exercise Dates and Expiration Date	15	Taxation of the Fund	27
Subscription and Transfer Agent	15	Operating History	28
Confirmation of Warrants	15	Past Performance	29
Subscription Right	16	No Ownership Interest	29
Sale or Transfer of Warrants	16	Loss of Investment	29
Dilution to Existing Unitholders	16		
Private Placement of Class F Warrants	17	DISTRIBUTION POLICY	29
		DISTRIBUTION REINVESTMENT PLAN	30
OVERVIEW OF THE LEGAL STRUCTURE		REDEMPTION OF UNITS	31
OF THE FUND	18	Annual Redemptions	31
Merger of the Fund with Connor, Clark & Lunn		Monthly Redemptions	31
Global Financials Fund	18	Exercise of Redemption Right	32
Status of the Fund	18	Suspension of Redemptions	33
		Purchase for Cancellation	33
INVESTMENT OBJECTIVES	18		
INVESTMENT STRATEGIES	18	CONSOLIDATED CAPITALIZATION	33
Investment Process	18	TRADING PRICE AND VOLUME	33
Leverage	19	INCOME TAX CONSIDERATIONS	34
Currency Hedging and Use of Other Derivative		Taxation of Unitholders	35
Instruments	19	Taxation of Registered Plans	35
Securities Lending	20		
		ORGANIZATION AND MANAGEMENT	
OVERVIEW OF THE SECTOR THAT THE		DETAILS OF THE FUND	36
FUND INVESTS IN	20	Manager of the Fund	36
Global Financial Services Sector	20	Duties and Services to be Provided by the	
The Portfolio	21	Manager	36
		Details of the Trust Agreement	37
INVESTMENT RESTRICTIONS	22	Accounting and Reporting	37
FEES AND EXPENSES	23	Officers and Directors of the Manager of the	
Expenses of the Offering	23	Fund	37
Warrant Exercise Fee	23	Investment Manager	39
Fees and Other Expenses	24	Details of the Investment Management	
Service Fee	24	Agreement	40
		Conflicts of Interest	41
RISK FACTORS	24	The Advisory Board	42
Warrants	24	Independent Review Committee	42
No Assurances on Achieving Objectives	24	Trustee	43
General Risks of Investments in Securities	24	Custodian	44
Sector Risk	25	Auditor	44
Fluctuations in Net Asset Value	25	Transfer Agent and Registrar	44
Use of Leverage	25	Promoter	44
Reliance on the Manager and the Investment			
Manager	25	CALCULATION OF NET ASSET VALUE	44
Sensitivity to Interest Rates	26	Net Asset Value and NAV per Unit	44
Foreign Currency Exposure	26	Valuation Policies and Procedures of the Fund	45
Foreign Security Risk	26	Reporting of Net Asset Value	46
Use of Derivatives	26	Audit of Financial Statements	46
Securities Lending	26		
Trading Price of Units	27		

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
ATTRIBUTES OF THE UNITS	46
Description of the Units.....	46
Description of the Warrants	46
Mandatory Market Purchase Program	47
Other Market Purchases.....	47
Registration Through CDS	47
UNITHOLDER MATTERS	48
Meetings of Unitholders	48
Matters Requiring Unitholder Approval.....	48
Amendments to the Trust Agreement.....	49
Reporting to Unitholders	49
Non-Resident Unitholders	49
TERMINATION OF THE FUND.....	50
USE OF PROCEEDS	50
PLAN OF DISTRIBUTION	50
Unitholders in Jurisdictions Outside of Canada	51
United States Unitholders	51
Certain Foreign Unitholders and Undeliverable Certificates	51
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	51
PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD	51
MATERIAL CONTRACTS	52
EXPERTS	52
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	52
AUDITORS' CONSENT	F-1
AUDITORS' REPORT	F-1
STATEMENT OF NET ASSETS	F-2
STATEMENT OF OPERATIONS	F-3
STATEMENT OF CHANGES IN NET ASSETS AND SURPLUS	F-4
STATEMENT OF CASH FLOW	F-5
STATEMENT OF INVESTMENT PORTFOLIO	F-6
NOTES TO FINANCIAL STATEMENTS	F-10
MANAGEMENT REPORT OF FUND PERFORMANCE	F-16
CERTIFICATE OF THE FUND AND THE PROMOTER.....	C-1

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution 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 “Overview of the Legal Structure of the Fund”. The manager of the Fund is Connor, Clark & Lunn Capital Markets Inc. (the “Manager”). The beneficial interest in the net assets and net income of the Fund is divided into common units (the “Units”) and class F units (the “Class F Units”). The Fund is authorized to issue an unlimited number of transferable, redeemable units of each class.

At a special meeting of unitholders of the Fund held on January 28, 2008, unitholders of the Fund approved the merger (the “Merger”) of the Fund with Connor, Clark & Lunn Global Financials Fund (“GF1”). The Merger became effective on February 4, 2008 and involved the acquisition by the Fund of substantially all of the net assets of GF1 and the issuance of 4,750,154 common units of the Fund to GF1 as part of the Merger. These common units of the Fund were distributed to unitholders of GF1 on the redemption of their GF1 units, so that unitholders of GF1 became unitholders of the Fund. As a result, there are currently an aggregate of 15,336,382 Units of the Fund outstanding and the Fund’s net asset value as at March 31, 2008 was approximately \$124.6 million.

Offering: The offering (the “Offering”) consists of 7,668,191 transferable Warrants to subscribe for up to 7,668,191 Units on the basis of one Unit for every whole Warrant held (based on the current number of Units outstanding). See “Details of the Offering – Issue of Warrants and Record Date”.

Record Date: June 9, 2008 (at the close of business (Toronto time)).

Exercise Dates: Warrants may be exercised on or before 4:00 p.m. (Toronto time) on the second business day after the last day of each month, commencing on July 3, 2008 and ending on July 5, 2010. Warrants not exercised on or before July 5, 2010 will be void and have no value.

Subscription Right: Each Unitholder on the Record Date will receive one-half of a Warrant for each Unit held. Each whole Warrant entitles the holder thereof to subscribe for one Unit at the Subscription Price per Unit. See “Details of the Offering — Subscription Right”. The Fund will also issue warrants to subscribe for Class F Units to holders of such units on a private placement basis.

Subscription Price: \$8.20 per Unit.

Expected Net Proceeds: Approximately \$61,498,938, after the deduction of estimated expenses, assuming the exercise of all of the Warrants. The net proceeds of the Offering will be invested by the Fund in accordance with the Investment Objectives, subject to the Investment Restrictions. See “Investment Objectives”, “Investment Restrictions” and “Use of Proceeds”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Fund of any minimum amount of subscription proceeds.

Investment Objectives: The Fund’s investment objectives are to: (i) provide holders of the Units (“Unitholders”) with a stable stream of monthly cash distributions; and (ii) preserve and enhance the net asset value per Unit of the Fund. See “Investment Objectives”.

Investment Strategies: In order to achieve the Fund’s investment objectives, the Fund invests in an actively managed portfolio (the “Portfolio”) consisting of securities of global financial services businesses. The Portfolio is actively managed by New Star Asset Management Limited (the “Investment

Manager” or “New Star”).

The Fund has been designed to take advantage of the expertise of New Star in investing in the global financial services sector. The Portfolio is managed using the same investment approach that New Star applies to its New Star Global Financials Fund (the “UK Fund”) which was launched in December 2001. The UK Fund has similar investment objectives to the Fund. Although the past performance of the UK Fund is not and should not be construed to be an indication of the future performance of the Fund as the Fund has a greater emphasis on the generation of income than the UK Fund has, the compound annual total return for the UK Fund from its inception on December 28, 2001 until December 31, 2007 was 22.0% per annum. The UK Fund has £338 million of assets under management as at December 31, 2007 and New Star manages in excess of £10.6 billion across its retail product range.

The Fund targets 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 has a strong track record in this area and believes that the global financial services sector has significant opportunity over the long term to outperform other sectors of the market.

The Portfolio:

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

The following are the top 25 holdings included in the Portfolio of the Fund as at March 31, 2008.

<u>Top 25 Holdings</u>	<u>Market Value of the Fund’s Holding</u>	<u>% of NAV</u>
1. Unrealized gain on foreign currency forward contracts	\$11,092,746	11.0%
2. Standard Chartered Plc	\$6,132,266	6.0%
3. Turkiye Halk Bankasi	\$5,356,528	5.2%
4. Man Group PLC	\$5,350,512	5.2%
5. Bank of Cyprus Ltd	\$4,549,911	4.5%
6. Turkiye Garanti Bankasi	\$3,931,018	3.9%
7. Deutsche Borse AG	\$3,696,387	3.7%
8. Temenos Group AG	\$3,559,462	3.5%
9. Prudential Corp.	\$3,542,938	3.5%
10. National Bank of Greece	\$3,373,806	3.3%
11. Banque Cantonale Vaudoise	\$3,100,896	3.1%
12. Muenchener Rueckver AG-Reg	\$2,975,364	2.9%
13. ICAP PLC	\$2,479,064	2.5%
14. Tour Eiffel	\$2,428,418	2.4%

15. Annaly Capital Management Inc	\$2,303,728	2.3%
16. Bank Sarasin & Co. Ltd	\$2,250,070	2.2%
17. Hellenic Exchanges SA	\$2,167,126	2.1%
18. DnB NOR ASA	\$2,147,735	2.1%
19. Schroders PLC	\$2,095,556	2.1%
20. Intesa Sanpaolo SPA	\$1,975,292	2.0%
21. Kardan NV	\$1,961,329	1.9%
22. London Stock Exchange	\$1,829,078	1.8%
23. State Bank of India (GDR)	\$1,784,365	1.8%
24. Julius Baer Holding AG	\$1,755,118	1.7%
25. CME Group Inc.	\$1,610,969	1.6%

The following is a breakdown of the Portfolio by category as at March 31, 2008.

<u>Portfolio By Category</u>	<u>Market Value of the Fund's Holding</u>	<u>% of NAV</u>
Britain	\$26,271,000	26.0%
Greece	\$13,036,310	12.8%
Switzerland	\$12,339,682	12.1%
Foreign currency forward contracts	\$11,092,746	11.0%
Turkey	\$10,738,515	10.5%
Germany	\$6,671,751	6.6%
USA	\$6,567,431	6.5%
France	\$3,604,891	3.6%
Italy	\$2,560,174	2.6%
Norway	\$2,147,735	2.1%
Netherlands	\$1,961,329	1.9%
India	\$1,784,365	1.8%
Hong Kong	\$1,574,778	1.6%
Russia	\$1,391,630	1.4%
Austria	\$1,104,787	1.1%
Spain	\$919,345	0.9%
Cash & Cash Equivalents	\$746,560	0.7%
Belgium	\$31	0.0%

The top 25 holdings of the Fund and the breakdown of the Portfolio of the Fund by category may change due to ongoing portfolio transactions of the Fund. A quarterly update that summarizes the top holdings of the fund by issuer and category is available at www.cclcapitalmarkets.com and at www.sedar.com.

Distributions: The Fund provides a stable stream of monthly distributions to Unitholders of record on or about the last business day of each month. For the 2007 calendar year, the Fund paid distributions of \$0.47 per Unit per annum on a monthly basis, representing a yield of 6.0% per annum on the issue price of the Units.

The Manager of the Fund determines and announces 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 are paid to Unitholders proportionately based on their respective holdings of Units within 15 days following the record date for such distributions 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. 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 Portfolio generated dividends and distributions of approximately 2.5% in 2007 (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 5.94% per annum in order for the Fund to maintain a stable NAV while making monthly cash distributions for the year at the current 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.

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 “Distribution Policy”.

Distribution Reinvestment Plan: The Fund adopted a distribution reinvestment plan (the “Reinvestment Plan”) which provides 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 the Reinvestment Plan and the reinvestment plan agency agreement entered into by the Manager on behalf of the Fund, the Manager and Computershare Trust Company of Canada (the “Plan Agent”) relating to the Reinvestment Plan. See “Distribution Reinvestment Plan”.

Currency Hedging: The Fund is exposed to a number of foreign currencies. The Investment Manager takes currency exposure into account in managing the Portfolio and attempts 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 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 has a mandatory market purchase program under which the Fund is, subject to certain exceptions contained in the Trust Agreement (as described under “Attributes of the Units — Mandatory Market Purchase Program”) and in compliance with any applicable regulatory requirements, obligated to purchase Units for cancellation on and subject to the terms below. If, on any business day, 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

“Calculation of Net Asset Value”), 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 began on the first day of April 2007) will be 1.25% of the number of Units outstanding at the beginning of such period. For the purpose of such purchases, NAV per Unit shall be the basic NAV per Unit unless such basic NAV per Unit is greater than \$8.05, in which case, NAV per Unit shall be the diluted NAV per Unit, as set forth under “Calculation of Net Asset Value — Net Asset Value and NAV per Unit”.

Leverage: The Fund has entered into a loan facility (the “Loan Facility”) with a Canadian chartered bank (the “Lender”). The Fund targets 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. Currently, the Fund is not using any leverage. The Loan Facility may be used to purchase additional securities for the Portfolio. The terms, conditions, interest rates, fees and expenses, as applicable, of and under the Loan Facility are typical for loans made to funds similar in nature to the Fund and the Lender has required the Fund provide a security interest in its assets in favour of the Lender to secure such obligations. See “Investment Strategies – Leverage”.

Net Asset Value: The net asset value of the Fund (the “Net Asset Value” or “NAV”) on a particular date is 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 “Calculation of Net Asset Value”.

Redemption: 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”.

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 interest 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”.

Taxation of Registered Plans:

In the opinion of Osler, Hoskin & Harcourt LLP, the Warrants and the Units issued on the exercise of such Warrants, when issued, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and registered education savings plans provided that, in the case of the Warrants, the Fund deals at arm's length for the purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of such trust, and, in the case of both the Warrants and the Units, provided that the Fund continues to qualify as a "mutual fund trust" under the Tax Act. See "Income Tax Considerations – Taxation of Registered Plans".

Income Tax Considerations:

No amount will be required to be included in computing the income of a Unitholder as a consequence of acquiring Warrants under the Offering, provided that the income of the Fund for 2008 does not exceed the amount of such income paid or made payable by the Fund to Unitholders in 2008. However, Unitholders will be required to reduce the adjusted cost base of their Units by the aggregate fair market value of all the Warrants acquired under the Offering. 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. The Manager has advised counsel that, in its opinion, the fair market value of a Warrant acquired under the Offering is \$0.25, as of the date the Warrant is issued, although the Canada Revenue Agency ("CRA") may not agree with such valuation. The cost of a Warrant received under the Offering will be nil.

The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Warrants. A Unit acquired by a Unitholder upon the exercise of Warrants will have a cost to the Unitholder equal to the aggregate of the subscription price for such Unit and the adjusted cost base, if any, to the Unitholder of the Warrants so exercised. The cost of a Unit acquired by a Unitholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Unitholder of all other Units held at that time as capital property to determine the adjusted cost base of each such Unit to the Unitholder.

Upon the disposition of a Warrant by a Unitholder, other than pursuant to the exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of a capital gain (a "taxable capital gain") will be included in the Unitholder's income, and one-half of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder.

The foregoing summary is subject to the qualifications and assumptions set out under "Income Tax Considerations". Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Warrants by obtaining advice from his or her tax advisor. See "Income Tax Considerations".

Risk Factors:

The exercise of Warrants and investment in Units are subject to certain risk factors that should be considered by prospective investors including the following:

- (a) the possibility that if a holder of Warrants does not exercise, or sells, the Warrants, then the value of such holder's Units may be diluted as a result of the exercise of Warrants by others;

- (b) there can be no assurance that the Fund will be able to achieve its investment objectives;
- (c) the risks of investing in common shares including the general risks of equity investments, such as general economic conditions;
- (d) 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;
- (e) 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;
- (f) the use of leverage to enhance yield;
- (g) 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;
- (h) sensitivity to interest rates;
- (i) risks relating to foreign currency exposure;
- (j) risks associated with foreign securities;
- (k) risks relating to the use of derivative instruments;
- (l) securities lending;
- (m) 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;
- (n) risks associated with changes in the composition of the Portfolio and concentration of investments;
- (o) the possibility of the Fund being unable to acquire or dispose of illiquid securities;
- (p) risks relating to substantial redemption of Units;
- (q) status of the Fund for securities law purposes;
- (r) potential conflicts of interest;
- (s) tax proposals respecting the deductibility of expenses and status of the Fund;
- (t) the current absence of a public trading market for the Warrants and there is no assurance that one will develop;
- (u) the past performance of the UK Fund is not and should not be construed to be an indication of future performance;
- (v) Unitholders will have no ownership interest in the securities comprising the Portfolio; and
- (w) the possible loss of an investment.

See "Risk Factors".

**ORGANIZATION AND MANAGEMENT
OF CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II**

- Manager:** Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) is responsible for the management and administration of the Fund. The Manager has approximately \$900 million 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 \$37 billion as at January 31, 2008. The municipal address of the Manager is Suite 300, 181 University Ave., Toronto, Ontario M5H 3M7. See “Organization and Management Details of the Fund — Manager of the Fund”.
- Investment Manager:** New Star Asset Management Limited (the “Investment Manager” or “New Star”), a wholly-owned subsidiary of New Star Asset Management Group PLC (together with its subsidiaries, “New Star Group”), provides investment advisory and portfolio management services to the Fund from its principal offices in London, UK. The Investment Manager was established in June 2000 and had approximately £9.5 billion directly under its management as at March 18, 2008.
- 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. New Star Group has total assets under management of approximately £20.3 billion as of March 18, 2008 and has established itself as one of the UK’s leading independently-owned mutual fund management groups.
- See “Organization and Management Details of the Fund — Investment Manager”.
- Trustee and Custodian:** RBC Dexia Investor Services Trust (the “Trustee” and the “Custodian”), both the trustee of the Fund and the custodian of the assets of the Fund, is responsible for certain aspects of the day-to-day administration of the Fund, paying redemptions to the distribution agent, calculating NAV, net income and net realized capital gains of the Fund, executing instruments on behalf of the Fund and maintaining the books and records of the Fund. RBC Dexia Services Trust, both in its capacity as the Trustee and as the Custodian, provides its services to the Fund in Toronto, Ontario. See “Trustee” and “Custodian”, both under “Organization and Management Details of the Fund”.
- Registrar and Transfer Agent:** Computershare Investor Services Inc., at its offices in Toronto, Ontario, acts as the registrar, transfer agent and distribution agent for the units of the Fund. Computershare Trust Company of Canada, at its offices in Toronto, Ontario, has been appointed the subscription agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to a warrant indenture. See “Organization and Management Details of the Fund – Transfer Agent and Registrar”.
- Auditor:** PricewaterhouseCoopers LLP, Chartered Accountants, are the auditors of the Fund and provide their services to the Fund from their principal offices in Toronto, Ontario. See “Organization and Management Details of the Fund – Auditor”.
- 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. 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”.

SUMMARY OF FEES AND EXPENSES

The following is a summary of the fees and expenses payable by Connor, Clark & Lunn Global Financials Fund II. As the Fund pays these fees and expenses, the value of an investor's investment in the Fund is reduced as a result. See "Fees and Expenses".

Fees and Expenses Payable by the Fund

<u>Type of Fee</u>	<u>Amount and Description</u>
Expenses of the Offering:	The Fund will pay the expenses incurred in connection with the offering of Warrants by the Fund, estimated to be \$230,000.
Warrant Exercise Fee:	\$0.15 per Warrant will be payable by the Fund at the time a Warrant is exercised to the dealer whose client is exercising the Warrant.
Management Fees and Investment Management Fees:	The Fund pays 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) paid by the Manager to dealers, plus applicable taxes. The Manager pays the Investment Manager out of its management fee.
Operating Expenses:	The Fund pays for all ordinary expenses incurred in connection with the operation and administration of the Fund, which were \$325,000 in 2007 and are estimated to be approximately \$330,000 per annum going forward. The main components of such ordinary expenses are custodial, transfer agent and audit fees. The Fund is also responsible for any extraordinary expenses which it may incur from time to time.
Service Fee:	A service fee (the "Service Fee") is payable to each dealer whose clients hold Units. The Service Fee accrues daily and is paid at the end of each calendar quarter and is equal to 0.40% annually of the NAV of the Units held by clients of the dealer.

DETAILS OF THE OFFERING

Issue of Warrants and Record Date

Registered holders (“Unitholders”) of common units (“Units”) of Connor, Clark & Lunn Global Financials Fund II (the “Fund”) will receive on June 9, 2008 (the “Record Date”) transferable warrants (the “Warrants”) on the basis of one-half of a Warrant for each Unit held on the Record Date. The Warrants permit the holders thereof to subscribe for and purchase from the Fund an aggregate of approximately 7,668,191 Units assuming exercise in full of the Warrants offered hereunder (based on the current number of Units outstanding). The Warrants are fully transferable by the holders thereof. See “Sale or Transfer of Warrants” below.

Each Unitholder holds its Units through a participant in CDS (a “CDS Participant”) and therefore will not receive physical certificates evidencing its ownership of Warrants.

Subscription Basis

One whole Warrant entitles the holder to subscribe for one Unit at the Subscription Price of \$8.20 per Unit, which exceeds the closing price of a Unit on the Toronto Stock Exchange (the “TSX”) on May 23, 2008.

Exercise Dates and Expiration Date

The Warrants will be eligible for exercise on the second business day after the last day of each month, commencing on July 3, 2008 and ending July 5, 2010. This means that the Warrants may be exercised on any of 24 specific dates. The Warrants will expire at 4:00 p.m. (Toronto time) on July 5, 2010. Holders who exercise the Warrants will become holders of Units issued through the exercise of the Warrants. **Warrants not exercised by July 5, 2010 will be void and of no value.**

Subscription and Transfer Agent

Computershare Trust Company of Canada (the “Subscription Agent”) has been appointed the agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to a warrant indenture (the “Warrant Indenture”). The Fund will pay for the services of the Subscription Agent. Subscriptions and payment under the offering of Warrants and the underlying Units (the “Offering”) should be sent to the Subscription Agent (by mail, hand or courier) at: Computershare Trust Company of Canada, 9th Floor, North Tower, 100 University Avenue, Toronto, Ontario M5J 2Y1, Attention: Manager, Client Services.

Confirmation of Warrants

All Unitholders hold their Units through a CDS Participant. The Fund expects that each beneficial Unitholder will receive a confirmation of the number of Warrants issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant.

None of the Fund, the Trustee, the Manager or the Subscription Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants, or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holdings must arrange purchases or transfers of Warrants through CDS Participants. It is anticipated by the Fund that each such purchaser of a Unit or Warrant will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Warrant is issued or such Unit is purchased in accordance with the practices and policies of such CDS Participant.

Subscription Right

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Subscription Agent, exercise Warrants on behalf of its accounts on the same basis as if the beneficial owners of Units were holders of record on the Record Date.

A subscriber may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the CDS Participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding \$8.20 (the "Subscription Price") for each Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber's Warrants (the "Subscription Right").

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber's brokerage account or, by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the expiry time on the applicable exercise date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the expiry time on the applicable exercise date to allow the CDS Participant to properly exercise the Warrants on its behalf.

Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Units for resale to any such person.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Holders of Warrants who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the holder.

Sale or Transfer of Warrants

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants are exercised, it should purchase all of the Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If that Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted by the issue of Units under this Offering.

The Warrants contain the following anti-dilution provisions:

The subscription rights in effect under the Warrants for Units of the Fund issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the expiry time on July 5, 2010, the Fund shall:

- (a) subdivide, redivide or change its outstanding Units into a greater number of Units;
- (b) reduce, combine or consolidate its outstanding Units into a smaller number of Units;
- (c) distribute to holders of all or substantially all of the Fund's outstanding Units any securities of the Fund including rights, options or warrants to acquire Units of the Fund or securities convertible into or exchangeable for Units of the Fund or property or assets, including evidence of indebtedness;

- (d) reclassify the Units or reorganize the capital of the Fund; or
- (e) consolidate, amalgamate, or merge the Fund with or into any other trust or other entity, or sell or convey the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Units).

In any such case, the Fund shall make such adjustment, if any, as the Fund shall consider appropriate to the Subscription Price and the number and type of security into which the Warrants are exercisable.

Any determination as to such adjustment shall be made by Connor, Clark & Lunn Capital Markets Inc., as manager on behalf of the Fund, in its sole and absolute discretion, shall be subject to the prior approval of the Toronto Stock Exchange, and shall for all purposes be conclusive and binding on all holders of Warrants.

Private Placement of Class F Warrants

In addition to the issue of Warrants to subscribe for Units offered hereby, the Fund will also issue on a private placement basis 180,440 transferable Class F warrants ("Class F Warrants") to subscribe for and purchase an aggregate of 180,440 Class F Units (based on the current number of Class F Units outstanding). Each registered holder of Class F Units at the close of business on the Record Date is entitled to receive one-half of a Class F Warrant for each Class F Unit held. Each whole Class F Warrant entitles the holder thereof to purchase one Class F Unit on or before 4:00 p.m. (Toronto time) 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. Class F Warrants not exercised by July 5, 2010 will be void and of no value. The exercise price for the Class F Warrants will be an amount equal to NAV per Class F Unit determined as of the Valuation Date immediately preceding the relevant exercise date.

OVERVIEW OF THE LEGAL STRUCTURE OF 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, as amended and restated (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 Fund and the Manager is Suite 300, 181 University Ave., Toronto, Ontario M5H 3M7.

The Fund’s continuous disclosure documents are available at www.sedar.com and on the Manager’s website at www.cclcapitalmarkets.com.

Merger of the Fund with Connor, Clark & Lunn Global Financials Fund

At a special meeting of unitholders of the Fund held on January 28, 2008, unitholders of the Fund approved the merger (the “Merger”) of the Fund with Connor, Clark & Lunn Global Financials Fund (“GF1”). The Merger became effective on February 4, 2008 and involved the acquisition by the Fund of substantially all of the net assets of GF1 and the issuance of 4,750,154 common units of the Fund to GF1 as part of the Merger. These common units of the Fund were distributed to unitholders of GF1 on the redemption of their GF1 units, so that unitholders of GF1 became unitholders of the Fund. As a result, there are currently an aggregate of 15,336,382 Units of the Fund outstanding and the Fund’s net asset value as at March 31, 2008 was approximately \$124.6 million.

Further information relating to the Merger is provided in the joint management information circular of the Fund and GF1 dated December 10, 2007 available at www.sedar.com.

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 OBJECTIVES

The Fund’s investment objectives are to: (i) provide holders of the Units (“Unitholders”) with a stable stream of monthly cash distributions; and (ii) preserve and enhance the net asset value per Unit of the Fund. In order to achieve the Fund’s investment objectives, the Fund invests in an actively managed portfolio (the “Portfolio”) consisting of securities of global financial services businesses.

INVESTMENT STRATEGIES

The Portfolio is actively managed by New Star Asset Management Limited (the “Investment Manager” or “New Star”). The Fund has been designed to take advantage of the expertise of New Star in investing in the global financial services sector. The Portfolio is managed using the same investment approach that the Investment Manager applies to its New Star Global Financials Fund (the “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 50–70 stocks in respect of which New Star implements an active strategy which often diverges substantially from benchmark weightings. New Star invests 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.

Investment Process

New Star follows a four-step investment process.

First, New Star identifies key trends and economic 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; mergers, acquisitions and restructuring activity; de-leveraging of balance sheets by financial services companies in response to tighter credit markets; re-pricing of risk; and increased volatility in market trading activity.

Second, New Star analyzes 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: business strategy, quality management, sound finances and attractive valuations.

Third, New Star monitors the opportunity cost of the holdings in the Portfolio. 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.

Fourth, New Star practices risk control. 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.

Leverage

The Fund has entered into a loan facility (the "Loan Facility") with a Canadian chartered bank (the "Lender"). The Fund targets 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. Currently, the Fund is not using any leverage. The Loan Facility may be used to purchase additional securities for the Portfolio. The terms, conditions, interest rates, fees and expenses, as applicable, of and under the Loan Facility are typical for loans made to funds similar in nature to the Fund and the Lender has required the Fund to provide a security interest in 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 is exposed to a number of foreign currencies. The Investment Manager takes currency exposure into account in managing the Portfolio and attempts 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 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. Derivative instruments used by the Fund may include but are not limited to futures, forwards, options and swaps.

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.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

Global Financial Services Sector

The Fund seeks to generate income and long term capital growth principally through investment in the securities of global financial services companies that make up the 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.

Global financial services companies have experienced increased levels of volatility and underperformed the general equity market since the summer of 2007. The impact of concerns that the United States (the “U.S.”) was going into a recession and what the subsequent effect on global growth would be combined with the credit crisis has led to a prolonged bear market in the global financial services sector. The effects of the credit crunch have become more prevalent as banks have tightened their lending criteria, particularly as a result of significant increases in the short term interbank lending rates. The second round consequences of the collapse in the U.S. subprime mortgage market have also weighed heavily on the sector as large write-downs have continued to be announced and there are few signs of improvements in the underlying mortgage market.

However, the Investment Manager expects that the effects of the U.S. subprime mortgage crisis on the broader financial markets have now largely been felt and the worst should soon pass. At this time, the U.S. financial

sector should begin a period of rehabilitation. Continued deflation and economic healing are likely to be the dominant themes for the second quarter of 2008 and going forward.

The Portfolio

The following are the top 25 holdings included in the Portfolio of the Fund as at March 31, 2008.

<u>Top 25 Holdings</u>	<u>Market Value of the Fund's Holding</u>	<u>% of NAV</u>
1. Unrealized gain on foreign currency forward contracts	\$11,092,746	11.0%
2. Standard Chartered Plc	\$6,132,266	6.0%
3. Turkiye Halk Bankasi	\$5,356,528	5.2%
4. Man Group PLC	\$5,350,512	5.2%
5. Bank of Cyprus Ltd	\$4,549,911	4.5%
6. Turkiye Garanti Bankasi	\$3,931,018	3.9%
7. Deutsche Borse AG	\$3,696,387	3.7%
8. Temenos Group AG	\$3,559,462	3.5%
9. Prudential Corp.	\$3,542,938	3.5%
10. National Bank of Greece	\$3,373,806	3.3%
11. Banque Cantonale Vaudoise	\$3,100,896	3.1%
12. Muenchener Rueckver AG-Reg	\$2,975,364	2.9%
13. ICAP PLC	\$2,479,064	2.5%
14. Tour Eiffel	\$2,428,418	2.4%
15. Annaly Capital Management Inc	\$2,303,728	2.3%
16. Bank Sarasin & Co. Ltd	\$2,250,070	2.2%
17. Hellenic Exchanges SA	\$2,167,126	2.1%
18. DnB NOR ASA	\$2,147,735	2.1%
19. Schroders PLC	\$2,095,556	2.1%
20. Intesa Sanpaolo SPA	\$1,975,292	2.0%
21. Kardan NV	\$1,961,329	1.9%
22. London Stock Exchange	\$1,829,078	1.8%
23. State Bank of India (GDR)	\$1,784,365	1.8%
24. Julius Baer Holding AG	\$1,755,118	1.7%
25. CME Group Inc.	\$1,610,969	1.6%

The following is a breakdown of the Portfolio by category as at March 31, 2008.

<u>Portfolio By Category</u>	<u>Market Value of the Fund's Holding</u>	<u>% of NAV</u>
Britain	\$26,271,000	26.0%
Greece	\$13,036,310	12.8%
Switzerland	\$12,339,682	12.1%

Foreign currency forward contracts	\$11,092,746	11.0%
Turkey	\$10,738,515	10.5%
Germany	\$6,671,751	6.6%
USA	\$6,567,431	6.5%
France	\$3,604,891	3.6%
Italy	\$2,560,174	2.6%
Norway	\$2,147,735	2.1%
Netherlands	\$1,961,329	1.9%
India	\$1,784,365	1.8%
Hong Kong	\$1,574,778	1.6%
Russia	\$1,391,630	1.4%
Austria	\$1,104,787	1.1%
Spain	\$919,345	0.9%
Cash & Cash Equivalents	\$746,560	0.7%
Belgium	\$31	0.0%

The top 25 holdings of the Fund and the breakdown of the Portfolio of the Fund by category may change due to ongoing portfolio transactions of the Fund. A quarterly update that summarizes the top holdings of the fund by issuer and category is available at www.cclcapitalmarkets.com and at www.sedar.com.

INVESTMENT RESTRICTIONS

In purchasing and holding securities for 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 15% of total assets. See “Investment Strategies – 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 10% of the Fund’s total assets).
- (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 Bill C-10, which received second reading in the Senate on December 4, 2007 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (xi) **Foreign Affiliates.** The Fund will not invest in any securities of any entity that would be a 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 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).
- (xiii) **SIFT Trust.** The Fund will not make or hold any investment that would result in the Fund becoming a “SIFT trust”, as defined in subsection 122.1(1) of the Tax Act for purposes of amendments to the Tax Act enacted on June 22, 2007 (the “SIFT Amendments”), as such provisions may be amended. 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 SIFT Amendments) 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 SIFT Amendments) 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.

Pursuant to the Trust Agreement, a change in the investment objectives of the Fund as described under “Investment Objectives” and a change in the investment restrictions described above would require the approval of unitholders of the Fund by resolution passed by at least 66⅔% of the votes cast at a meeting called and held for such purpose.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering will be paid by the Fund. The Offering expenses include the costs of printing and preparing this prospectus, legal expenses of the Fund and certain other expenses. The Offering expenses are estimated to be \$230,000.

Warrant Exercise Fee

The Fund will pay \$0.15 per Warrant at the time the Warrant is exercised to the dealer whose client is exercising the Warrant.

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 is also 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) accrue daily and are payable monthly in arrears. The Investment Manager is remunerated by the Manager, in its capacity as manager of the Fund, out of the management fee.

The Fund pays for all ordinary expenses incurred in connection with its operation and administration, which expenses are allocated *pro rata* to each class of units. It is expected that these expenses 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 and the members of the independent review committee. Such expenses 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 amount of these fees and expenses for 2007 was approximately \$325,000. The Fund is also 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 are allocated to each class *pro rata* based on the NAV of the class.

Service Fee

The Manager pays to registered dealers a service fee (the "Service Fee") 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. No Service Fee is payable in respect of the Class F Units.

RISK FACTORS

The following are certain considerations which prospective investors should consider in connection with an investment in the Units and the Warrants:

Warrants

If a holder of Warrants does not exercise, or sells, the Warrants, then the value of such holder's Units may be diluted as a result of the exercise of Warrants by others.

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.

Sector 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 has entered into a Loan Facility secured by the securities held by the Fund. By adding 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 “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 Proposed Amendment (as defined under “Income Tax Considerations”) relating to the deductibility of losses under the Tax Act. Under the Proposed Amendment, 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 Proposed Amendment 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 Proposed

Amendment 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 “Income Tax Considerations” and the sub-heading “Taxation of Registered Plans” 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 Proposed Amendments 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 (the “September 16th Proposed Amendments”). If the September 16th Proposed Amendments 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 “Income Tax Considerations” and under “Taxation of Registered Plans” would in some respects be materially different. The September 16th Proposed Amendments 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. Bill C-52, which received Royal Assent on June 22, 2007, amended the relevant provision of the Tax Act such that a trust is deemed not to be a “mutual fund trust” after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the proposal released on September 16, 2004.

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 published administrative practice of the Canada Revenue Agency (the “CRA”), 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.

Under the SIFT Amendments, certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined) are effectively 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 taxable Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are 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 SIFT Amendments, that it will not be a SIFT trust. If the Fund were to qualify as a SIFT trust within the meaning of the SIFT Amendments, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects.

Operating History

There is currently no public market for the Warrants 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 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 does.

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.

DISTRIBUTION POLICY

The Fund provides a stable stream of monthly distributions to unitholders of record on or about the last business day of each month. For the 2007 calendar year, the Fund paid distributions of \$0.47 per unit per annum on a monthly basis, representing a yield of 6.0% per annum on the issue price of the units.

The Manager of the Fund determines and announces 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 are paid to unitholders proportionately based on their respective holdings of units within 15 days following the record date for such distributions 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.

The Portfolio generated dividends and distributions of approximately 2.5% in 2007 (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 5.94% per annum in order for the Fund to maintain a stable NAV while making monthly cash distributions for the year at the current 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.

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 paid to unitholders of each class of 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).

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 “Income Tax Considerations”.

DISTRIBUTION REINVESTMENT PLAN

The Fund has adopted a distribution reinvestment plan (the “Reinvestment Plan”) which provides 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 the Reinvestment Plan (as described below) and the reinvestment plan agency agreement (the “Reinvestment Plan Agency Agreement”) entered into by the Manager on behalf of the Fund, the Manager and Computershare Trust Company of Canada (the “Plan Agent”) on July 23, 2007 relating to 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”) are automatically reinvested in additional Units of the class 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 of a class 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 of that class. 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 “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 may 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 may 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 is available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice are for the account of the Plan Participant exercising its right to terminate participation in the Reinvestment Plan.

The Manager may also 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 is not required to issue Plan Units into any jurisdiction where that issuance would be illegal.

REDEMPTION OF UNITS

Annual Redemptions

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 that 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 that class as of that date. See “Termination of the Fund”.

For Redemption Dates occurring on or before July 5, 2010, for the purposes of such redemptions, NAV per Unit shall be the basic NAV per Unit unless such basic NAV per Unit is greater than \$8.05, in which case, NAV per Unit shall be the diluted NAV per Unit, as set forth under “Calculation of Net Asset Value – Net Asset Value and NAV per Unit.”

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 Unit of a Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit.

For the purposes of such redemptions, NAV per Unit shall be the basic NAV per Unit unless such basic NAV per Unit is greater than \$8.05, in which case, NAV per Unit shall be the diluted NAV per Unit, as set forth under "Calculation of Net Asset Value – Net Asset Value and NAV 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 10th 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 of a Unit as of the Monthly Redemption Date.

For the purposes of conversions of Class F Units into Units, NAV per Unit shall be the basic NAV per Unit unless such basic NAV per Unit is greater than \$8.05, in which case, NAV per Unit shall be the diluted NAV per Unit, as set forth under "Calculation of Net Asset Value – Net Asset Value and NAV per Unit."

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 "Attributes of the Units — Mandatory Market Purchase Program".

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Fund before and after giving effect to this Offering:

<u>Designation</u>	<u>Authorized</u>	<u>Outstanding as at March 31, 2008⁽¹⁾</u>	<u>Outstanding as at March 31, 2008 after giving effect to this Offering⁽¹⁾⁽²⁾</u>
Units	Unlimited	\$121,637,122 (15,338,882 Units)	\$183,136,060 ⁽³⁾ (23,057,073 Units)

Notes:

- (1) After giving effect to the merger of the Fund and Connor, Clark & Lunn Global Financials Fund.
- (2) Assuming full subscription under the Subscription Right.
- (3) Based on the number of Units outstanding as at March 31, 2008 less the expenses of the Offering estimated to be \$230,000.

TRADING PRICE AND VOLUME

Units are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the trading symbol "GFT.UN". On May 23, 2008, the closing price of the outstanding Units on the TSX was \$7.41 per Unit.

The following table sets forth the market price range and trading volume of the Units on TSX for the months indicated commencing after the inception of the Fund on March 22, 2007.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
			(thousands of units)
2007			
April	\$10.50	\$10.00	211
May	\$10.60	\$9.92	236
June	\$10.25	\$9.00	153
July	\$9.65	\$9.07	156
August	\$9.20	\$7.29	215
September	\$8.95	\$7.36	223
October	\$9.25	\$8.55	205
November	\$9.19	\$8.25	405
December	\$8.94	\$7.88	342
2008			
January	\$8.75	\$7.15	289
February	\$8.00	\$7.49	291
March	\$7.78	\$6.96	442
April	\$7.80	\$7.25	547
May 1 to May 23	\$7.75	\$7.40	1,417

INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, the following is a general summary of the principal Canadian federal income tax considerations of the receipt of Warrants under the Offering. This summary is applicable only to Unitholders who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length with the Fund and hold their Units, and will hold the Warrants and the Units issued pursuant to the exercise of the Warrants, as capital property. This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the "CRA"). This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), but does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, or the CRA's published administrative practices. No assurances can be given that the Proposed Amendments will be enacted as proposed or at all. See "Risk Factors".

This summary does not apply to a Unitholder that is a "financial institution" or "specified financial institution" as defined for purposes of the Tax Act, nor does it apply to a taxpayer an interest in which is a tax shelter investment for the purposes of the Tax Act.

This summary is of a general nature only and does not take into account or consider the tax laws of any province or territory or of any jurisdiction outside Canada. This is a general summary of the principal Canadian federal income tax considerations of the receipt of Warrants under the Offering. Unitholders should consult the joint management information circular dated December 10, 2007, for a summary of the principal Canadian federal income tax considerations relating to the merger of the Fund with Connor, Clark & Lunn Global Financials Fund. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder, and no representations concerning the tax consequences to any particular Unitholder are made. Unitholders should consult their own tax advisers regarding the income tax considerations applicable to them having regard for their particular circumstances.

Taxation of Unitholders

Receipt of Warrants

No amount will be required to be included in computing the income of a Unitholder as a consequence of acquiring Warrants under the Offering, provided that the income of the Fund for 2008 does not exceed the amount of such income paid or made payable by the Fund to Unitholders in 2008. However, Unitholders will be required to reduce the adjusted cost base of their Units by the aggregate fair market value of all the Warrants acquired under the Offering. 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. The Manager has advised counsel that, in its opinion, the fair market value of a Warrant acquired under the Offering is \$0.25, as of the date the Warrant is issued. However, the CRA may not agree with such valuation. The cost of a Warrant received under the Offering will be nil.

The cost of a Warrant acquired by a Unitholder will be averaged with the adjusted cost base to the Unitholder of any other Warrants held at that time as capital property to determine the adjusted cost base of each such Warrant to the Unitholder.

Exercise of Warrants

The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Warrants. A Unit acquired by a Unitholder upon the exercise of Warrants will have a cost to the Unitholder equal to the aggregate of the subscription price for such Unit and the adjusted cost base, if any, to the Unitholder of the Warrants so exercised. The cost of a Unit acquired by a Unitholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Unitholder of all other Units held at that time as capital property to determine the adjusted cost base of each such Unit to the Unitholder.

Disposition of Warrants

Upon the disposition of a Warrant by a Unitholder, other than pursuant to the exercise thereof, the Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of a capital gain (a "taxable capital gain") will be included in the Unitholder's income, and one-half of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Expiry of Warrants

Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder.

Taxation of Registered Plans

In the opinion of Osler, Hoskin & Harcourt LLP, the Warrants and the Units issued on the exercise of such Warrants, when issued, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and registered education savings plans provided, in the case of the Warrants, the Trust deals at arm's length for the purposes of the Tax Act with each person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of such trust, and, in the case of both the Warrants and the Units, provided that the Trust continues to qualify as a "mutual fund trust" under the Tax Act.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Manager of the Fund

Connor, Clark & Lunn Capital Markets Inc. performs management services for the Fund pursuant to the terms of the Trust Agreement. The Manager is 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 approximately \$900 million in assets under management as at January 31, 2008. 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 \$37 billion in assets under management as at January 31, 2008, 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 PRINTS Trust, SNP Health Split Corp. (options advisor), Connor, Clark & Lunn Conservative Income Fund, Connor, Clark & Lunn Conservative Income Fund II, Connor, Clark & Lunn Real Return Income Fund, ROC Pref Corp., ROC Pref II Corp., ROC Pref III Corp., Connor, Clark & Lunn ROC Pref Corp., Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp., Focused Global Trends Fund, Connor, Clark & Lunn 2007 Flow-Through Limited Partnership, Faircourt Gold Income Corp. (options advisor) and Connor, Clark & Lunn 2008 Flow-Through Limited Partnership. In addition, the Manager acted as manager to Connor, Clark & Lunn Global Financials Fund prior to its merger with the Fund which became effective on February 4, 2008.

The municipal address of the Manager is Suite 300, 181 University Ave., Toronto, Ontario M5H 3M7.

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 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 also monitors the Fund’s investment strategy to ensure compliance with the Investment Restrictions and that any net proceeds received on the exercise of Warrants under the Offering are invested as described under “Use of Proceeds”.

The Fund entered into the registrar, transfer agency and distribution agency agreement, as referred to under “Transfer Agent and Registrar” below. Such agreement does not in any way release the Manager from compliance

with its obligations to the Fund under the Trust Agreement. The Fund may terminate the foregoing agreement upon notice.

Details of the 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 entered into the Investment Management Agreement with the Investment Manager and the Fund, pursuant to which the Investment Manager acts as a sub-advisor to the Manager and the Fund. The Manager is 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 is the calendar year or such other fiscal period permitted under the Tax Act as the Fund elects. The Manager ensures that the Fund complies with all applicable reporting and administrative requirements.

The Manager keeps books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has 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 of the Fund

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.

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
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.
DARREN N. CABRAL Toronto, Ontario	Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.
JOHN COLANGELO Toronto, Ontario	Vice-President Sales, Ontario	Vice-President Sales, Ontario, 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.

W. Neil Murdoch: *CFA; B.Comm, 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 Cape Town.* 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.

Darren N. Cabral: *CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University.* Mr. Cabral joined Connor, Clark & Lunn Capital Markets Inc. in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

John Colangelo: *BA, University of Guelph, Ontario.* Mr. Colangelo joined Connor, Clark & Lunn Capital Markets in April 2007. Prior thereto, Mr. Colangelo was Vice-President Sales for Faircourt Asset Management Inc., Regional Sales Manager of Franklin Templeton Investments Corp., and Regional Vice-President of Spectrum Investments Inc.

Bonnie L.M. Chwartacki: *B.Comm (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.

Investment Manager

New Star Asset Management Limited (the “Investment Manager”), a wholly-owned subsidiary of New Star Asset Management Group PLC (together with its subsidiaries, “New Star Group”), provides investment advisory and portfolio management services to the Fund and actively manages 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.

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 £20.3 billion as of March 18, 2008 and has established itself as one of the UK’s leading independently-owned mutual fund management groups.

The Portfolio is 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 its inception on December 28, 2001 until December 31, 2007 was 22.0% per annum. The UK Fund has £338 million of assets under management as at December 31, 2007 and New Star manages in excess of £10.6 billion across its retail product range.

The Investment Manager is responsible for the 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 are made by the Investment Manager. The Investment Manager was established in June 2000 and had approximately £9.5 billion directly under its management as at March 18, 2008. 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 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 Perella 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. Guy de Blonay, supported by Nick Brind, is the primary employee of the Investment Manager responsible for managing the Portfolio. All investment decisions with respect to the Portfolio are made subject to his oversight and approval.

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 and the New Star Financials Hedge Fund since its launch in April 2002. 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, 2007 and was named Specialist Fund Manager of the Year in Citywire's Top 100 awards 2007.

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.

Details of the 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.

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 Fund's holding in New Star Asset Management Group PLC ("New Star Group") closely mirrors the holding of New Star Group by New Star's UK mutual fund, which follows the same strategy as the Fund. These shares are held in accordance with the Investment Manager's investment policies and procedures and, as such, are subject to the same criteria and restrictions as all other portfolio holdings as well as an additional senior management approval prior to any trading in them. The Investment Manager believes that the holding in New Star Group offers the Fund exposure to a fast growing, leading fund manager with a diversified client base. The Manager and the Investment Manager believe that neither New Star nor any of its directors, officers or employees derive any measurable benefit from the Fund holding shares in New Star Group, such shares being acquired solely based on investment considerations that are in the best interests of unitholders of the Fund.

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.

The Advisory Board

The Fund established an advisory board (the “Advisory Board”) consisting of two members appointed by the Manager each of whom is 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 provides independent advice to the Manager to assist the Manager in performing its services under the Trust Agreement. 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 reports 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.

All fees and expenses of the Advisory Board incurred in connection with its duties with respect to the Fund are 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 are indemnified by the Fund except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care. The Advisory Board members are 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 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 has been a member of the Investment Advisory Committee of the Nunavut Trust since 1993. The Nunavut Trust administers and invests the Federal Government’s land claim settlement to the Inuit of the Eastern Arctic. 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 five 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.

Independent Review Committee

The Canadian Securities Administrators approved the final version of National Instrument 81-107 (“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. Fred Lazar, Frank Santangeli and Joseph

Wright are members of the Fund's independent review committee. The principal occupations and biographies of such individuals are set out below.

Fred Lazar is a Professor of Economics at York University's Schulich School of Business. In addition to a distinguished academic career, Mr. Lazar has served as a senior advisor to the governments of Canada and Ontario and to a number of national and international companies.

Frank Santangeli has worked in the financial services industry since 1960. Positions he has held include Vice-President of Sunlife Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice-President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

Joseph Wright currently serves on the board of directors of several public companies and private organizations, including Loblaw Companies Limited and BFI Canada Income Fund. His former positions include the Chief Executive Officer of Swiss Bank Corporation (Canada) and Vice-Chairman and Director of Burns Fry Limited.

The Fund's independent review committee prepares a report, at least annually, of its activities for Unitholders which is available on the Manager's website at www.cclcapitalmarkets.com, or at the request of Unitholders, at no cost, by contacting the Fund at more_info@cclgroup.com.

The Fund is responsible for the payment of all fees and expenses related to the services of its independent review committee. Compensation for members of the independent review committee in respect of the Fund is currently \$10,000 per member per year.

Trustee

RBC Dexia Investor Services Trust, providing services from its principal offices in Toronto, Ontario, 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.

Custodian

RBC Dexia Investor Services Trust acts as custodian (the “Custodian”) of the assets of the Fund pursuant to the Trust Agreement and has the power to appoint sub-custodians. 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.

Auditor

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, located at Royal Trust Tower, Suite 3000, Toronto Dominion Centre, Toronto, Ontario, M5K 1G8.

Transfer Agent and Registrar

Pursuant to the registrar, transfer agency and distribution agency agreement dated March 22, 2007, Computershare Investor Services Inc. acts as the registrar, transfer agent and distribution agent for the units of the Fund. Computershare Trust Company of Canada will be appointed registrar, transfer agent and distribution agent for the Warrants. The offices of both Computershare Investor Services Inc. and Computershare Trust Company of Canada, where the applicable registers are and will be maintained, are located in Toronto, Ontario.

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. 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”.

CALCULATION OF NET ASSET VALUE

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 (the Warrants will not be treated as liabilities for these purposes) allocated *pro rata* to that class, including by allocating 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 basic NAV per unit of each class on any day shall be calculated by dividing the NAV of such class of unit on such day by the total number of units of that class then issued and outstanding. Where as a result of such calculation the basic NAV per unit of a class is greater than the exercise price of the Warrant net of any fee payable on exercise, the diluted NAV per unit of a class shall be calculated by adding to the denominator the total number of Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the exercise price of the Warrant net of any fee payable on exercise and the diluted NAV per unit of the class shall be deemed to be the resulting quotient.

The basic and diluted NAV and NAV per unit of each class, as applicable, 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 basic and diluted NAV and NAV per unit of each class, as applicable, will also be calculated on December 15.

Valuation Policies and Procedures of the Fund

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 of a class 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 of each class 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.

Reporting of Net Asset Value

The NAV per unit of each class, is made available to Unitholders by the Manager, at no cost, upon their request and is posted on the Manager's website at www.cclcapitalmarkets.com on a weekly basis.

Audit of Financial Statements

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

ATTRIBUTES OF THE UNITS

Description of the Units

The beneficial interest in the net assets and net income of the Fund is divided into common units (the "Units") and class F units (the "Class F Units"). The Fund is authorized to issue an unlimited number of transferable, redeemable units of each class. The only difference between the Units and the Class F Units is 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. The NAV and NAV per unit of each class is calculated by the Custodian, as described above 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 is a reporting issuer under the *Securities Act* (Ontario) and 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 its initial public offering, except: (i) upon the exercise of Warrants, (ii) for net proceeds per unit of a class of not less than 100% of NAV per unit of that class, (iii) by way of unit distributions, (iv) with the approval of unitholders voting together and voting separately as a class by Extraordinary Resolution (defined below under "Acts Requiring Unitholder Approval"), or (v) 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.

Description of the Warrants

Registered holders ("Unitholders") of Units of the Fund will receive on June 9, 2008 (the "Record Date") transferable warrants (the "Warrants") on the basis of one-half of a Warrant for each Unit held on the Record Date. The Warrants will permit the holders thereof to subscribe for and purchase from the Fund an aggregate of approximately 7,668,191 Units assuming exercise in full of the Warrants offered hereunder (based on the current number of Units outstanding). The Warrants are fully transferable by the holders thereof. Each whole Warrant entitles the holder thereof to purchase one Unit at a price of \$8.20 per Unit (the "Subscription Price") on or before 4:00 p.m. (Toronto time) on the second business day after the last day of each month, commencing on July 3, 2008 and ending on July 5, 2010. Warrants not exercised by July 5, 2010 will be void and of no value.

Computershare Trust Company of Canada has been appointed the subscription agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture.

Mandatory Market Purchase Program

To enhance liquidity and to provide market support for the Units, the Fund has a mandatory market purchase program under which the Fund is, subject to certain exceptions contained in the Trust Agreement and in compliance with any applicable regulatory requirements, 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 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 (commencing with the three-month period that began on the first day of April 2007) will be 1.25% of the number of Units outstanding at the beginning of such period. 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.

For the purpose of such purchases, NAV per Unit shall be the basic NAV per Unit unless such basic NAV per Unit is greater than \$8.05, in which case, NAV per Unit shall be the diluted NAV per Unit, as set forth under "Calculation of Net Asset Value."

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.

Registration Through CDS

Registration of interests in, and transfers and pledges of, the Warrants and Units will be made through a book-based system administered by CDS Clearing and Depository Services Inc., except where the issuance of physical certificates evidencing ownership in such securities is necessary to deal with Warrant exercises and restricted and/or legended securities. Warrants must be exercised and transferred and Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Warrants or 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 Warrants or Units. References in this prospectus to a holder of Warrants or Units means, unless the context otherwise requires, the owner of the beneficial interest in such Warrants or Units.

The Fund, the Manager and the Investment Manager will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Warrants or Units or the book-based 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 Warrants or Units to pledge such Warrants or Units or otherwise take action with respect to such owner's interest in such Warrants or Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate. The Fund can, however, issue physical certificates evidencing ownership in such Warrants and Units where such certificates are necessary to deal with Warrant exercises and restricted and/or legended securities.

The Fund has the option to terminate registration of the Warrants or Units through the book-based system in which case certificates for Warrants or Units in fully registered form will be issued to beneficial owners of such Warrants or 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 required in the unitholder's name.

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

Matters 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 requested if one class would be affected differently than the other in respect of item (c), (g), (h), (l) and (m).

- (a) a change in the investment objectives of the Fund as described under "Investment Objectives";
- (b) a change in the investment restrictions of the Fund as described under "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 "Organization and Management Details of the Fund — 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) upon the exercise of Warrants; (ii) for net proceeds equal to or greater than 100% of the NAV per unit of a class; (iii) by way of unit distribution; or (iv) pursuant to the Reinvestment Plan; 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.

Reporting 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 of such Termination Date. The Fund will include a description of the entitlement of the unitholders 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.

USE OF PROCEEDS

The Fund will use the proceeds from the issuance of Units (assuming all Warrants are exercised in full) as follows:

Proceeds to the Fund	\$61,728,938
Less:	
Estimated Expenses of the Offering	<u>\$230,000</u>
Net proceeds to the Fund	\$61,498,938

The net proceeds received on the exercise of Warrants under the Offering will be invested by the Fund in accordance with the Investment Objectives, subject to the Investment Restrictions.

PLAN OF DISTRIBUTION

The Warrants and Units are being distributed in reliance on an exemption from the dealer registration requirements.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Warrants for Units subject to fulfillment by the Fund of the requirements of the TSX.

Unitholders in Jurisdictions Outside of Canada

All Unitholders whose recorded address is outside of Canada will be advised by letter that their Warrants will be held by their CDS Participant for the account of such Unitholders, who will benefit as set out below. It is expected that CDS Participants will sell the Warrants received by ineligible Unitholders on behalf of such Unitholders and provide any proceeds received through such sale to Unitholders in accordance with the practices and procedures of the CDS Participant.

United States Unitholders

The Units of the Fund are not registered under the *United States Securities Act of 1933*. This Offering is made in each of the provinces of Canada and not in the United States of America or any territory or possession thereof. This Offering is not, and under no circumstances is to be constructed as, an offering of any Units for sale in the United States of America or any territory or possession thereof or a solicitation therein of any offer of Units of the Fund. Accordingly, a subscription will not be accepted from any person, or his agent, who appears to be, or who the Fund has reason to believe is, a national or resident of the United States of America or its territories or possessions (a “United States Unitholder”).

It is expected that the CDS Participant will, prior to July 5, 2010, attempt to sell for the United States Unitholders the Warrants allotable to such United States Unitholders at the price or prices it determines in its discretion. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such United States Unitholders.

Certain Foreign Unitholders and Undeliverable Certificates

Unitholders whose recorded addresses are outside of Canada, other than the United States Unitholders, will be permitted to subscribe for Units pursuant to the terms of the Offering or, if they do not wish to exercise any of their Warrants to subscribe for Units, will be permitted to sell or otherwise transfer their Warrants through a CDS Participant provided that they represent to the Fund that the receipt by them of Warrants and the issuance to them of Units upon the exercise of the Warrants will not be in violation of the laws of their jurisdiction of residence.

By exercising Warrants, holders exercising through CDS Participants will be deemed to be confirming to the Fund that such Unitholders are eligible to receive Warrants and exercise Warrants to subscribe for Units under the Offering.

If any Warrant offering documents are returned to a CDS Participant prior to July 5, 2010 as undeliverable, the respective Warrants will be sold and the net proceeds held by the CDS Participant for the account of the Unitholders whose Warrant offering documents were undeliverable, and in the event such proceeds are not claimed before July 5, 2011, such proceeds will be paid to the Fund.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager receives the fees described under “Fees and Expenses” for its services to the Fund and is 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.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

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.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to Unitholders who are issued Warrants hereunder:

- (a) the Trust Agreement described under “Organization and Management Details of the Fund — Details of the Trust Agreement”;
- (b) the Investment Management Agreement described under “Organization and Management Details of the Fund — Details of the Investment Management Agreement”; and
- (c) the Warrant Indenture described under “Details of the Offering – Subscription and Transfer Agent”.

EXPERTS

The matters referred to under “Income Tax Considerations” and certain other legal matters relating to the issuance of the Warrants will be passed upon on behalf of the Fund and the Manager by Osler, Hoskin & Harcourt LLP.

PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Fund and are independent in accordance with the rules of professional conduct outlined by the Institute of Chartered Accountants of Ontario. The financial statements listed under “Auditors’ Consent” have been audited by PricewaterhouseCoopers LLP.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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 May 23, 2008 relating to the issuance of transferable warrants to subscribe for 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 unitholders of the Fund on the following financials statements:

- Statement of Net Assets as at December 31, 2007;
- Statement of Operations for the period from March 22, 2007 (commencement of operations) to December 31, 2007;
- Statement of Changes in Net Assets and Surplus for the period from March 22, 2007 (commencement of operations) to December 31, 2007;
- Statement of Cash Flow for the period from March 22, 2007 (commencement of operations) to December 31, 2007; and
- Statement of Investment Portfolio as at December 31, 2007.

Our report is dated March 13, 2008.

Toronto, Ontario
May 23, 2008

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants,
Licensed Public Accountants

AUDITORS' REPORT

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

We have audited the statements of investment portfolio and net assets of Connor, Clark & Lunn Global Financials Fund II (the "Fund") as at December 31, 2007 and the statements of operations, changes in net assets and surplus and cash flow for the period from March 22, 2007 (commencement of operations) to December 31, 2007. These financials statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of operations, the changes in its net assets and its cash flow for the period from March 22, 2007 to December 31, 2007, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 13, 2008

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants,
Licensed Public Accountants

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

STATEMENT OF NET ASSETS

December 31, 2007

	\$
Assets	
Cash.....	746,560
Investments at market value (cost – \$92,674,826)	92,673,754
Unrealized gain on forward currency contracts.....	11,092,746
Dividends and interest receivable.....	225,947
Receivable from investment sales	3,117,908
Total Assets	<u>107,856,915</u>
Liabilities	
Payable for investment purchases.....	5,655,647
Distributions payable.....	548,665
Accounts payable and accrued liabilities	225,432
Management fees payable.....	198,179
Total Liabilities	<u>6,627,923</u>
Net Assets and Unitholders' Equity.....	<u>101,228,992</u>
Net Asset Value	
Common Units	97,798,143
Class F.....	3,430,849
	<u>101,228,992</u>
Units Issued and Outstanding (note 5)	
Common Units	10,606,228
Class F.....	360,880
Net Asset Value per Unit	
Common Units	9.22
Class F.....	9.51
Unitholders' Equity	
Unit capital (note 5).....	98,511,012
Contributed surplus	66,701
Surplus (deficit).....	2,651,279
Total Unitholders' Equity	<u>101,228,992</u>

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 Net Assets.

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

STATEMENT OF OPERATIONS

For the period from March 22, 2007 (commencement of operations) to December 31, 2007

	\$
Income	
Dividends.....	2,831,908
Interest.....	161,318
Less: Withholding taxes	(331,797)
	2,661,429
Expenses	
Transaction costs.....	1,040,941
Management fees (note 9).....	938,817
Loan interest expenses (note 6).....	420,827
Service fees (note 9).....	317,017
Custodial and other unitholders' fees	230,392
Interest expenses	205,011
Transfer agent fees	22,910
Audit fees.....	20,229
Board of Advisors fees	16,889
TSX Listing fees	12,622
Legal fees.....	12,371
Printing fees.....	8,247
Filing fees	7,836
Administration fees	1,483
Other.....	717
	3,256,309
Investment income (loss) for the period	(594,880)
Net realized gain (loss) on investments	
Net realized gain (loss) on investments	(10,482,776)
Net realized gain (loss) on foreign exchange	1,492,265
Net realized gain (loss) on foreign exchange contracts.....	1,146,472
	(7,844,039)
Net unrealized gain (loss) on investments	
Unrealized gain (loss) on investments	(1,072)
Unrealized gain (loss) on foreign exchange forward contracts	11,092,746
Unrealized gain (loss) on foreign exchange.....	6,817
	11,098,491
Net gain (loss) on investments	3,254,452
Increase (decrease) in net assets from operations	2,659,572
Increase (decrease) in net assets from operations for	
Common Units	2,573,387
Class F Units	86,185
Increase (decrease) in net assets from operations per*	
Common Unit	0.24
Class F Unit	0.24
Distributions paid per	
Common Unit	0.47
Class F Unit	0.47

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

The accompanying notes are an integral part of this Statement of Operations

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

STATEMENT OF CHANGES IN NET ASSETS AND SURPLUS

**For the period from March 22, 2007
(commencement of operations) to December 31, 2007**

	Common Units	Class F Units	Total
	\$	\$	\$
Increase (decrease) in net assets from operations	2,573,387	86,185	2,659,572
Distributions to unitholders from:			
Net investment income	-	(8,293)	(8,293)
Return of capital	(4,970,709)	(159,949)	(5,130,658)
	<u>(4,970,709)</u>	<u>(168,242)</u>	<u>(5,138,951)</u>
Unitholders' transactions:			
Proceeds from issue of units (note 5)	106,850,000	3,608,800	110,458,800
Agents' fees and issue expenses	(5,977,500)	(95,894)	(6,073,394)
Distributions reinvested	1,125	-	1,125
Payments on redemption/cancellation of units (note 4 & 5) ...	(678,160)	-	(678,160)
	<u>100,195,465</u>	<u>3,512,906</u>	<u>103,708,371</u>
Change in net assets during the period	97,798,143	3,430,849	101,228,992
Net assets – Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net assets – End of period	<u>97,798,143</u>	<u>3,430,849</u>	<u>101,228,992</u>
Surplus (deficit), beginning of period	-	-	-
Increase (decrease) in net assets from operations	2,573,387	86,185	2,659,572
Distributions to unitholders	-	(8,293)	(8,293)
Surplus (deficit), end of period	<u>2,573,387</u>	<u>77,892</u>	<u>2,651,279</u>
Contributed surplus, beginning of period	-	-	-
Cost of shares repurchased at less than original price	66,701	-	66,701
Contributed surplus, end of period	<u>66,701</u>	<u>-</u>	<u>66,701</u>

The accompanying notes are an integral part of this Statement of Changes in Net Assets and Surplus

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

STATEMENT OF CASH FLOW

**For the period from March 22, 2007
(commencement of operations) to December 31, 2007**

	\$
Operating Activities	
Increase (decrease) in net assets from operations	2,659,572
Items not affecting cash:	
Net Realized (gain) loss on investments	10,482,776
Unrealized (gain) loss on investments	1,072
Unrealized (gain) loss on foreign exchange forward contracts	(11,092,746)
Changes in non-cash working capital	
(Increase) decrease in interest and dividends receivable	(225,947)
Increase (decrease) in accounts payable and accrued liabilities	225,432
Increase (decrease) in management fees payable	198,179
Net cash flow provided by (used in) operating activities	<u>2,248,338</u>
Investing Activities	
Cost of investments purchased	(310,387,176)
Proceeds from investments sold	209,767,313
Net cash provided by (used in) investing activities	<u>(100,619,863)</u>
Financing Activities	
Proceeds from issuance of units	110,458,800
Distributions reinvested	1,125
Distributions to unitholders	(4,590,286)
Payments on redemption/cancellation of units	(678,160)
Unit issue costs	(6,073,394)
Proceeds from bank indebtedness	16,872,263
Repayment of bank indebtedness	(15,308,643)
(gain) loss on foreign exchange from bank indebtedness	(1,563,620)
Net cash flow provided by (used in) financing activities	<u>99,118,085</u>
Net increase (decrease) in cash and short-term investments	746,560
Cash and short-term investments – beginning of period	<u>-</u>
Cash and short-term investments – end of period	<u>746,560</u>
Supplementary information	
Interest paid	625,838

The accompanying notes are an integral part of this Statement of Cash Flow

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II
STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2007

Investments	Quantity	Average Cost \$	Market Value \$	% of NAV
Foreign Equities and mutual funds				
Austria				
Raiffeisen International Bank AG	7,455	1,188,102	1,104,787	1.1%
Belgium				
Groupe Bruxelles Lambert Rights	1,081	—	31	0.0%
Britain				
ICAP PLC	173,688	2,176,411	2,479,064	2.5%
IG Group Holdings PLC	146,136	1,163,800	1,161,336	1.2%
Investcorp Bank	44,636	1,283,180	1,231,298	1.3%
London Stock Exchange	47,044	1,778,056	1,829,078	1.8%
Man Group PLC	479,052	5,450,527	5,350,512	5.2%
New Star Asset Management Group PLC (note 10)	348,736	3,407,980	1,219,548	1.2%
Prudential Corp.	253,815	3,522,636	3,542,938	3.5%
Resolution PLC	35,450	532,133	495,186	0.5%
Schroders PLC	81,986	2,315,455	2,095,556	2.1%
Speymill Macau Property Company	590,416	913,866	734,218	0.7%
Standard Chartered Plc	169,361	5,990,800	6,132,266	6.0%
		<u>28,534,844</u>	<u>26,271,000</u>	<u>26.0%</u>
France				
Banque BNP Paribas SA	5,285	579,880	565,708	0.6%
Les Nouveaux Constructeurs SA	48,208	1,812,519	610,765	0.6%
Tour Eiffel	17,932	3,357,995	2,428,418	2.4%
		<u>5,750,394</u>	<u>3,604,891</u>	<u>3.6%</u>
Germany				
Deutsche Borse AG	18,954	2,754,434	3,696,387	3.7%
Muenchener Rueckver AG-Reg	15,542	2,907,712	2,975,364	2.9%
		<u>5,662,146</u>	<u>6,671,751</u>	<u>6.6%</u>

	Quantity	Average Cost \$	Market Value \$	% of NAV
Greece				
Alpha Bank SA	27,825	973,408	998,955	1.0%
Bank Of Cyprus Ltd	254,285	4,611,593	4,549,911	4.5%
Hellenic Exchanges SA	63,262	1,710,281	2,167,126	2.1%
Marfin Financial Group Holdings SA	52,717	508,077	451,853	0.4%
Marfin Popular Bank	73,633	966,718	975,384	1.0%
National Bank Of Greece	49,959	3,244,672	3,373,806	3.3%
Piraeus Bank SA	13,478	501,897	519,275	0.5%
		<u>12,516,646</u>	<u>13,036,310</u>	<u>12.8%</u>
Hong Kong				
Rex Financial	8,350,000	<u>1,278,472</u>	<u>1,574,778</u>	<u>1.6%</u>
India				
State Bank of India (GDR)	15,257	<u>1,289,839</u>	<u>1,784,365</u>	<u>1.8%</u>
Italy				
Intesa Sanpaolo SPA	253,265	1,948,955	1,975,292	2.0%
UBI Banca	21,583	614,673	584,882	0.6%
		<u>2,563,628</u>	<u>2,560,174</u>	<u>2.6%</u>
Netherlands				
Kardan NV	118,399	<u>2,047,057</u>	<u>1,961,329</u>	<u>1.9%</u>
Norway				
DnB NOR ASA	142,362	<u>2,179,238</u>	<u>2,147,735</u>	<u>2.1%</u>
Russia				
Sberbank	338,949	<u>1,420,305</u>	<u>1,391,630</u>	<u>1.4%</u>
Spain				
Bolsas y Mercados Espanoles SA	13,672	<u>944,698</u>	<u>919,345</u>	<u>0.9%</u>

	Quantity	Average Cost \$	Market Value \$	% of NAV
Switzerland				
Bank Sarasin & Co. Ltd	487	2,176,628	2,250,070	2.2%
Banque Cantonale Vaudoise	7,100	4,027,190	3,100,896	3.1%
Banque Privee Edmond de Rothschild SA Series B	15	494,236	546,586	0.5%
Gottex Fund Management	19,162	1,104,794	1,127,550	1.1%
Julius Baer Holding AG	21,556	1,634,880	1,755,118	1.7%
Temenos Group AG	150,669	3,594,180	3,559,462	3.5%
		<u>13,031,908</u>	<u>12,339,682</u>	<u>12.1%</u>
Turkey				
Asya Katilim Bankasi	158,109	1,006,765	1,450,969	1.4%
Turkiye Garanti Bankasi	444,673	2,932,431	3,931,018	3.9%
Turkiye Halk Bankasi	525,803	4,074,414	5,356,528	5.2%
		<u>8,013,610</u>	<u>10,738,515</u>	<u>10.5%</u>
USA				
Annaly Capital Management Inc	128,747	2,218,762	2,303,728	2.3%
CME Group Inc.	2,382	1,597,014	1,610,969	1.6%
GLG Partners Inc.	21,004	294,598	281,098	0.3%
InterContinental Exchange Inc	2,141	394,585	405,856	0.4%
Nasdaq Stock Market Inc.	21,079	990,204	1,028,756	1.0%
UltraShort Financials ProShares	4,898	490,735	483,168	0.5%
UltraShort MSCI Emerging Markets ProShares	6,328	509,935	453,856	0.4%
		<u>6,495,833</u>	<u>6,567,431</u>	<u>6.5%</u>
Total foreign entities (Transactional net asset value)		<u>92,916,720</u>	<u>92,673,754</u>	<u>91.5%</u>
Transaction costs – Section 3855 adjustment (note 3)		<u>(241,894)</u>	<u>–</u>	<u>0.0%</u>
Total foreign equities (GAAP net asset value)		<u>92,674,826</u>	<u>92,673,754</u>	<u>91.5%</u>
Total investments		<u>92,674,826</u>	<u>92,673,754</u>	<u>91.5%</u>

	Maturity Date	Number of Contracts	Contract Price/Rate \$	Market Value \$	Unrealized Gain(Loss) \$	% of NAV
Foreign currency forward contracts						
Bought CAD 89,605,516 Sold GBP 40,000,000	03/25/08	1	2.24014	78,512,770	<u>11,092,746</u>	<u>11.0%</u>
Total foreign currency forward contracts					<u>11,092,746</u>	<u>11.0%</u>
Liabilities, net of other assets					<u>(2,537,508)</u>	<u>-2.5%</u>
Net asset value (NAV)					<u>101,228,992</u>	<u>100.0%</u>

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2007

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.

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 net asset value per Unit of the Fund.

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

3. Summary of significant accounting policies

Basis of presentation

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

Recent accounting pronouncements

On March 22, 2007 (commencement of operations), the Fund adopted Section 1506 of the CICA Handbook Accounting Changes, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Fund’s financial position or results of operations.

The new Section 1535, Capital Disclosures, requires that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund’s disclosures provided but will not affect the Fund’s consolidated results or financial position.

The new Sections 3862 and 3863 replace Handbook Section 3861 Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund's disclosures provided but will not affect the Fund's results or financial position.

Section 3855

National Instrument 81-106 "Investment Fund Continuous Disclosure" requires the net asset value of the Fund be calculated in accordance with Canadian generally accepted accounting principles ("GAAP").

The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3855, Financial Instruments: Recognition and Measurement, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The adoption of this section will impact the valuation and disclosure of the net asset value ("NAV") of the Fund, and the way transaction costs are recorded for financial reporting purposes.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for securities held short.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period.

The Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of NAV ("Transactional NAV") (other than for financial reporting purposes) until September 30, 2008, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of an investment fund.

On March 22, 2007, the Fund adopted Section 3855 for financial reporting purposes ("GAAP NAV"). The reconciliation between the Transactional NAV and the GAAP NAV as a result of the adoption of Section 3855 is as follows:

	Transactional NAV	Section 3855 Adjustment	GAAP NAV
Net Asset Value per:			
Common Units	98,209,070	(410,927)	97,798,143
Class F Units	3,445,930	(15,081)	3,430,849
	<hr/>	<hr/>	<hr/>
Total	101,655,000	(426,008)	101,228,992
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Asset Value Per:			
Common Unit	9.26	(0.04)	9.22
Class F Unit	9.55	(0.04)	9.51

Transaction costs are any costs that can directly be attributable to the acquisition and disposal of an investment, which includes fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. As mentioned earlier Section 3855 requires that any transaction costs be expensed and included in "Transaction costs" in the Statements of Operations.

Valuation of investments

Short-term investments are carried at cost, which together with interest receivable approximates market value. Other investments are recorded at their quoted market value, being the last bid price recorded by the securities exchanges on which such investments are principally traded.

Investment transactions

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

Income recognition

Interest income is recorded on the accrual basis. Dividend income and distributions from income trusts are recorded on the ex-dividend date. Distributions received from income trusts are recorded as income, capital gains or a return on capital based on the best information available to the trustee.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the period.

Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

Foreign currency forward contracts

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

Unit valuation

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

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 net asset value 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 net asset value per Common Unit or less.

Pursuant to this obligation, the Fund purchased and subsequently cancelled 78,900 Common Units during the period from March 22, 2007 (commencement of operations) to December 31, 2007 for a total cost of \$678,160.

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 10th business day before the last business day of a month will be redeemed on the last day of that month ("Monthly Redemption Date") and the Unitholder will

receive payment on or before the 15th business day following such Monthly Redemption Date, subject to the Fund's right to suspend redemptions in certain circumstances.

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

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

Changes in outstanding units are summarized as follows:

	Number of units	
	Common Units	Class F Units
Balance – March 22, 2007 (commencement of operations)	—	—
Units issued	10,685,000	360,880
Units reinvested	128	—
Units redeemed under the Market Purchase Program (note 4)	(78,900)	—
Units redeemed	—	—
	<hr/>	<hr/>
Balance – December 31, 2007	<u>10,606,228</u>	<u>360,880</u>

6. Bank indebtedness

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

During the period from March 22, 2007 (commencement of operations) to December 31, 2007, the Credit Facility outstanding had a minimum balance of \$0 and maximum balance of \$16.4 million. The related total interest expense was \$420,827.

As of December 31, 2007, the Credit Facility had an outstanding balance of \$nil.

7. Fund administration

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

8. Distributions

The Fund has made all its scheduled distributions during the period from March 22, 2007 (commencement of operations) to December 31, 2007 paying \$0.47 per Common Unit and \$0.47 per Class F Unit.

9. Management fees and other expenses

The Fund has retained Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) to act as manager. As compensation for management services rendered to the Fund, the Manager receives an annual management fee in an amount equal to 1.1% of the net asset value of the Fund, calculated and paid monthly in arrears, plus applicable taxes. The Fund also pays a service fee to dealers whose clients hold Units in the Fund. The service fee is calculated and payable each calendar quarter in arrears and is equal to 0.40% annually of the net asset value 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. Related party transactions

The Fund’s holding in New Star Asset Management Group PLC (“New Star Group”) closely mirrors the holding of New Star Group by New Star’s UK mutual fund, which follows the same strategy as the Fund. These shares are held in accordance with the Investment Manager’s investment policies and procedures and, as such, are subject to the same criteria and restrictions as all other portfolio holdings as well as an additional senior management approval prior to any trading in them. The Investment Manager believes that the holding in New Star Group offers the Fund exposure to a fast growing, leading fund manager with a diversified client base. The Manager and the Investment Manager believe that neither New Star nor any of its directors, officers or employees derive any measurable benefit from the Fund holding shares in New Star Group, such shares being acquired solely based on investment considerations that are in the best interests of unitholders of the Fund.

11. Income taxes

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

12. Broker commission charges and soft dollar services

There were \$1,040,941 of broker commissions paid during the period from March 22, 2007 (commencement of operations) to December 31, 2007 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

13. Subsequent event

On February 4, 2008, Connor, Clark & Lunn Global Financials Fund and Connor, Clark & Lunn Global Financials Fund II completed the merger of the funds, with Connor, Clark & Lunn Global Financials Fund II as the continuing fund. A proposal permitting Connor, Clark & Lunn Global Financials Fund II to issue warrants to its unitholders was also approved by unitholders. The investment objectives, investment strategy and investment process of both funds were substantially similar, based on New Star Asset Management's expertise in investing in the global financial services sector. Approximately 96% of the holdings of the funds overlapped. With these similarities, there were several advantages to merging the funds to create a larger fund. These advantages include lower costs, greater liquidity and higher levels of monthly distributions for unitholders of Connor, Clark & Lunn Global Financials Fund as well as the opportunity to participate in Connor, Clark & Lunn Global Financials Fund II's distribution reinvestment plan.

Pursuant to the merger, Connor, Clark & Lunn Global Financials Fund II issued 4,750,154 units for an equivalent value of \$40,366,371.33 on February 1, 2008.

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund.

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 net asset value per Unit of the Fund.

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

Recent Development

On February 4, 2008, Connor, Clark & Lunn Global Financials Fund and Connor, Clark & Lunn Global Financials Fund II completed the merger of the funds, with Connor, Clark & Lunn Global Financials Fund II as the continuing fund. A proposal permitting Connor, Clark & Lunn Global Financials Fund II to issue warrants to its Unitholders was also approved by Unitholders. The investment objectives, investment strategy and investment process of both funds were substantially similar, based on New Star Asset Management’s expertise in investing in the global financial services sector. Approximately 96% of the holdings of the Funds overlapped. With these similarities, there were several advantages to merging the funds to create a larger fund. These advantages include lower costs, greater liquidity and higher levels of monthly distributions for unitholders of Connor, Clark & Lunn Global Financials Fund as well as the opportunity to participate in Connor, Clark & Lunn Global Financials Fund II’s distribution reinvestment plan.

Risk

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. As at December 31, 2007, the Fund had zero leverage. For full disclosure of risks associated with an investment in the Fund’s units, please refer to the Prospectus dated February 27, 2007.

RESULTS OF OPERATIONS

Portfolio Manager Commentary

Overview

The Fund's Common Units' total return was 3.0% from March 22, 2007 (commencement of operations) to December 31, 2007 (the Class F Units' NAV rose 3.0% during the same period) while the FTSE Global Financials Total Return Index (£) fell 4.6%.

The period from April through to mid July was characterised by strong global markets with high levels of takeover activity and a better than expected corporate earnings season. Positive economic data boosted investor confidence and markets reached new highs. There was much consolidation activity among European banks. Barclays' bid for ABN Amro was followed by a counter-offer from the consortium led by Royal Bank of Scotland. In May, Unicredito Italiano announced the merger with Capitalia after some rumours circulated about a potential link with Societe Generale.

By mid July, however, the financial sector was constrained by escalating credit concerns and news that investment banks were unable to sell debt for two large private equity deals highlighted that demand had gone and was a pre-cursor to the flight to quality. The summer months were overshadowed by the credit crisis, which arose from the spreading contagion from the crisis in the US sub-prime lending market and the derivatives related to these loans. High volatility caused by the de-leveraging process and lack of visibility on direct or indirect sub-prime exposure led to a sell-off in banks and investment banks. Funding costs rose in both the interbank and debt markets and, with the resultant fall in margins, wholesale funded banks experienced an indiscriminate sell-off. Northern Rock was the main headline in September after it approached the Bank of England for emergency funding, which led to a run on the bank.

The last three months of the year were marked by high levels of volatility and weak investor sentiment. The second round effects of the credit crisis began to emerge as commercial banks, investment banks and insurance groups reported quarterly results with significant write-downs on the structured credit products created from US sub-prime mortgages. The credit crunch continued to take hold as banks were increasingly unwillingly to lend to each other, let alone anyone else. The financial system, however, was supported by additional liquidity from central banks and by the end of December short-term interbank rates had fallen relative to central bank policy rates in the major countries, giving financial stocks some reprieve.

Emerging markets, particularly those in the Far East driven by the booming economies of China and India, weathered the period under review better as investors contrasted their dynamism with the over-indebtedness of the developed markets. The steepness of the share price declines in US financial stocks suggested that investors feared the credit crunch could herald serious problems in the US economy and that the problems in the US housing market could spread to other debt-sensitive sectors. By the end of the year there were suggestions that growth forecasts for the eurozone and Asia might also need revising if the US slowdown were to have a dampening effect on global economic growth.

Performance

The Fund significantly outperformed its benchmark over the period under review. The broad spread of the portfolio, both in terms of sectors and regions, meant that it was able to limit the impact of the sub-prime mortgage crisis. The Fund avoided the stocks most affected by the US sub-prime mortgage crisis. It also maintained a focus on countries where structural local growth themes prevailed.

Greek banking stocks performed positively for the Fund. Healthy loan-to-deposit ratios, strong balance sheets and stable earnings growth prospects relative to comparable banks in Western Europe underlie the investment case for these banks.

Turkish banking stocks also outperformed the European banks. The election of Recep Tyyip Erdogan as prime minister in July provided the long-term stability for which international investors has been hoping. A surprise early rate cut in September, which was followed up with further cuts encouraged investors. One of the Fund's

holdings, *Turkiye Halk Bankasi*, significantly outperformed the Turkish market. The banks share price had a particularly strong end to the year after further details were released about the Turkish government's plans to sell its majority stake in the bank during 2008.

The Fund's exposure to financial and property stocks in Asia, notably Hong Kong and China, performed very strongly after China relaxed the rules on domestic institutions investing abroad. The Fund, however, reduced its exposure to these stocks towards the end of the year as valuations had begun to look demanding.

Investment Themes for 2008

The Fund began 2008 predominantly invested in Europe, where financial consolidation continued to drive returns. The main overweight positions were in the east in Cyprus, Greece and Turkey and in the west in Switzerland and the UK. The Fund maintained its high exposure to banks and general financial stocks, with Standard Chartered and Man Group in the UK among the biggest holdings.

Some areas of the financial markets have become increasingly attractive such as hedge funds, which can perform well in difficult environments. Man Group, for instance, is a key investment opportunity for the Fund.

Global financial exchanges and inter-broker dealers such as Deutsche Börse and ICAP also have potential as investments through which to benefit from heightened volatility. Uncertainty in global stock markets has typically generated increased trading volumes for such businesses as investors seek protection.

In the banking sector, certain companies are less exposed to the sub-prime fallout, notably in countries where the structural growth themes remain intact. Standard Chartered, an international banking group operating in Asia, Africa, Latin America and the Middle East, is one example because it has strong earnings momentum driven by increasing credit volumes and stable credit quality in these markets.

At the same time the Fund will aim to continue to avoid banks with exposure to the deteriorating credit cycle as well as those with exposure to the US Financial companies with exposure to property in Europe, particularly in the UK, Ireland and Spain, will continue to come under pressure. The Fund will also continue to avoid retail banks with high exposures to potentially problematic loans and those likely to experience lower trading volumes on these products.

Outlook

Companies in the financial sector were trading on comparatively low relative valuations before the credit crisis started in the summer of 2007. The recent de-rating as a result of negative market sentiment has pushed down share valuations to the extent that some are trading at 20-year lows. It is likely that there will be a contained slowdown in economic growth rather than a full-blown recession. In such circumstances, sentiment should begin to turn as earnings visibility becomes clearer, enabling financial stocks to enjoy a recovery.

Investment Income and Capital Gains

During the period from March 22, 2007 (commencement of operations) to December 31, 2007, the Fund had net investment loss of (\$594,880) and realized (\$7,844,039) in losses on investments sold. In addition, the portfolio had an \$11,098,491 increase in unrealized gains on its investments. Income, and realized losses and unrealized gains combined for a total increase in net assets from operations of \$2,659,572 before subtracting the issue and agents cost of \$6,073,394. Distributions to unitholders during same period totalled \$4,970,709 for the Common Units or \$0.47 per unit and \$168,242 for Class F Units or \$0.47 per unit.

Leverage

The Investment Manager employs leverage in the Portfolio to enhance returns when it considers market conditions appropriate. The Fund has entered into a credit agreement (the "Credit Agreement") with Bank of Montreal ("BMO"). The aggregate amount of borrowings under the loan facility and other leverage transactions may not exceed 15% of the total assets of the Fund.

Since commencement of operations on March 22, 2007, the Fund employed leverage in the range of 0–16% including accrued interest. According to the term of the Credit Agreement, leverage may exceed 15% due to market fluctuations but may not exceed 20%. Leverage has not been used since late September 2007.

Liquidity and Capital Resources

As at December 31, 2007, the Fund had current assets excluding investments of \$4,090,415. Current liabilities, including distributions accrued but not yet paid, totalled \$6,627,923.

Capital Transactions

On March 22, 2007, the Fund completed an initial public offering pursuant to the prospectus dated February 27, 2007. \$108,133,800 was raised through the issue of 10,500,000 Common Units and 313,380 Class F Units at a price of \$10.00 per Unit. On April 12, 2007, the Agents exercised an over-allotment option in respect of 185,000 Common Units, and 47,500 Class F Units raising a further \$2,325,000. Total proceeds from these two transactions after Agents' fees and issue expense were \$104,385,406. The Common Units were issued at \$10 per unit and incurred agents fees and issue expenses of \$0.56 per unit, for an opening net asset value of \$9.44 per unit. The Class F Units were issued at \$10 per unit and incurred agents fees and issue expenses of \$0.27 per unit, for an opening net asset value of \$9.73 per unit.

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 net asset value 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 net asset value per unit or less.

Pursuant to this obligation, the Fund purchased 78,900 Common Units during the period from March 22, 2007 (commencement of operations) to December 31, 2007 for a total cost of \$678,160.

Distributions

The Fund has made all its scheduled distributions during the period from March 22, 2007 (commencement of operations) to December 31, 2007 paying, \$0.47 per Common Unit and \$0.47 per Class F Unit.

RELATED PARTY TRANSACTIONS

Investment Portfolio Activity

The Fund's holding in New Star Asset Management Group PLC ("New Star Group") closely mirrors the holding of New Star Group by New Star's UK mutual fund, which follows the same strategy as the Fund. These shares are held in accordance with the Investment Manager's investment policies and procedures and, as such, are subject to the same criteria and restrictions as all other portfolio holdings as well as an additional senior management approval prior to any trading in them. The Investment Manager believes that the holding in New Star Group offers the Fund exposure to a fast growing, leading fund manager with a diversified client base. The Manager and the Investment Manager believe that neither New Star nor any of its directors, officers or employees derive any measurable benefit from the Fund holding shares in New Star Group, such shares being acquired solely based on investment considerations that are in the best interests of unitholders of the Fund.

Management Fees

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

The total management fees charged to the Fund during the period from March 22, 2007 (commencement of operations) to December 31, 2007 were \$938,817.

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

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT COMMITTEE

The Independent Committee of the Board of Advisors tabled no special reports and made no extraordinary material recommendations to management of the Fund during the period from March 22, 2007 (commencement of operations) to December 31, 2007.

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

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 financial statements:

Common Units:

The Fund's Net Asset Value per Common Unit:

	December 31, 2007⁽¹⁾
Net Asset Value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenues	0.24
Total expenses	(0.30)
Share issue expense ⁽²⁾	(0.56)
Realized gains (losses) for the period	(0.71)
Unrealized gains (losses) for the period	1.01
Total increase (decrease) from operations⁽³⁾	(0.32)
Distributions:	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	(0.47)
Total Distributions⁽⁴⁾	(0.47)
Net Asset Value, end of period^(5,6)	9.22

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

(2) 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.

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

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

(5) There is no reconciliation between the opening and the closing net asset values per unit.

(6) The NAV as of December 31, 2007 represent the GAAP NAV. The Transactional NAV net of section 3855 adjustment was \$9.26. (See: New Accounting Standards).

Ratios and Supplemental Data (Common Units):

	December 31, 2007⁽¹⁾
Net assets (000's) ⁽²⁾	98,209
Number of units outstanding	10,606,228
Base Management expense ratio ^(3,4)	2.24%
Issue expenses ratio ^(3,4)	5.97%
Interest expense ratio ^(3,4)	0.53%
Management expense ratio (annualized) ⁽⁴⁾	8.74%
Management expense ratio before waivers or absorptions (annualized) ⁽⁴⁾	8.74%
Portfolio turnover rate ⁽⁵⁾	205.64%
Trading expense ratio ⁽⁶⁾	1.29%
Closing market price (TSX)	8.63

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

(2) The NAV as of December 31, 2007 represents the Transactional NAV. (See: New Accounting Standards).

(3) 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.

(4) 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.

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

(6) 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.

CONNOR, CLARK & LUNN GLOBAL FINANCIALS FUND II

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 financial statements:

Class F Units:

The Fund's Net Asset Value per Class F Unit:

	December 31, 2007⁽¹⁾
Net Asset Value, beginning of period	10.00
Increase (decrease) from operations:	
Total revenues	0.25
Total expenses	(0.28)
Share issue expense ⁽²⁾	(0.27)
Realized gains (losses) for the period	(0.74)
Unrealized gains (losses) for the period	1.01
Total increase (decrease) from operations⁽³⁾	(0.03)
Distributions:	
From income (excluding dividends)	—
From dividends	(0.02)
From capital gains	—
Return of capital	(0.45)
Total Distributions⁽⁴⁾	(0.47)
Net Asset Value, end of period^(5,6)	9.51

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

(2) 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.

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

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

(5) There is no reconciliation between the opening and the closing net asset values per unit.

(6) The NAV as of December 31, 2007 represents the GAAP NAV. The Transactional NAV net of section 3855 adjustment was \$9.55. (See: New Accounting Standards).

Ratios and Supplemental Data (Class F Units):

	December 31, 2007⁽¹⁾
Net assets (000's) ⁽²⁾	3,446
Number of units outstanding	360,880
Base Management expense ratio ^(3,4)	1.93%
Issue expenses ratio ^(3,4)	2.77%
Interest expense ratio ^(3,4)	0.51%
Management expense ratio (annualized) ⁽⁴⁾	5.21%
Management expense ratio before waivers or absorptions (annualized) ⁽⁴⁾	5.21%
Portfolio turnover rate ⁽⁵⁾	205.64%
Trading expense ratio ⁽⁶⁾	1.29%

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

(2) The NAV as of December 31, 2007 represents the Transactional NAV. (See: New Accounting Standards).

(3) 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.

(4) 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.

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

(6) 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 December 31, 2007

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

Portfolio By Category:

The following is a breakdown of the Portfolio by category.

<u>Portfolio By Category</u>	<u>Market Value</u>	<u>% of NAV</u>
Britain	\$26,271,000	26.0%
Greece	\$13,036,310	12.8%
Switzerland	\$12,339,682	12.1%
Foreign currency forward contracts	\$11,092,746	11.0%
Turkey	\$10,738,515	10.5%
Germany	\$6,671,751	6.6%
USA	\$6,567,431	6.5%
France	\$3,604,891	3.6%
Italy	\$2,560,174	2.6%
Norway	\$2,147,735	2.1%
Netherlands	\$1,961,329	1.9%
India	\$1,784,365	1.8%
Hong Kong	\$1,574,778	1.6%
Russia	\$1,391,630	1.4%
Austria	\$1,104,787	1.1%
Spain	\$919,345	0.9%
Cash & Cash Equivalents	\$746,560	0.7%
Belgium	\$31	0.0%

Top 25 Holdings of the Portfolio:

The following are the top 25 holdings included in the Portfolio of the Fund.

<u>Top 25 Holdings</u>	<u>Market Value</u>	<u>% of NAV</u>
1. Unrealized gain on foreign currency forward contracts	\$11,092,746	11.0%
2. Standard Chartered Plc	\$6,132,266	6.0%
3. Turkiye Halk Bankasi	\$5,356,528	5.2%
4. Man Group PLC	\$5,350,512	5.2%
5. Bank of Cyprus Ltd	\$4,549,911	4.5%
6. Turkiye Garanti Bankasi	\$3,931,018	3.9%
7. Deutsche Borse AG	\$3,696,387	3.7%
8. Temenos Group AG	\$3,559,462	3.5%
9. Prudential Corp.	\$3,542,938	3.5%
10. National Bank of Greece	\$3,373,806	3.3%
11. Banque Cantonale Vaudoise	\$3,100,896	3.1%
12. Muenchener Rueckver AG-Reg	\$2,975,364	2.9%
13. ICAP PLC	\$2,479,064	2.5%
14. Tour Eiffel	\$2,428,418	2.4%
15. Annaly Capital Management Inc	\$2,303,728	2.3%
16. Bank Sarasin & Co. Ltd	\$2,250,070	2.2%
17. Hellenic Exchanges SA	\$2,167,126	2.1%
18. DnB NOR ASA	\$2,147,735	2.1%
19. Schroders PLC	\$2,095,556	2.1%
20. Intesa Sanpaolo SPA	\$1,975,292	2.0%
21. Kardan NV	\$1,961,329	1.9%
22. London Stock Exchange	\$1,829,078	1.8%
23. State Bank of India (GDR)	\$1,784,365	1.8%
24. Julius Baer Holding AG	\$1,755,118	1.7%
25. CME Group Inc.	\$1,610,969	1.6%
Net Asset Value (NAV)	\$101,228,992	

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: May 23, 2008

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

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