

## CONNOR, CLARK & LUNN INDEPENDENT REVIEW COMMITTEE

IRC 2011 Report to Securityholders

June 30, 2011

Dear Securityholder:

As chair of the Independent Review Committee (“IRC”) of the funds (the “Funds”) managed by Connor, Clark & Lunn Managed Portfolios Inc. and Connor, Clark & Lunn Capital Markets Inc. (the “Managers”), I am pleased to provide you with the annual report to securityholders of the Funds, as required under National Instrument 81-107 *Independent Review Committee for Investment Funds*.

The Managers appointed the first members of the IRC as required by NI 81-107 on May 1, 2007. The IRC became operational on November 1, 2007. The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Managers and to give its approval or recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Managers or an entity related to the Managers to have an interest that may conflict with the Managers’ ability to act in good faith and in the best interests of the Funds. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Managers’ proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Managers’ policies and procedures relating to conflict of interest matters in respect of the Funds, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

All IRC members look forward to working with the managers to ensure that the best interests of the Funds are paramount when the Managers are faced with a conflict of interest matter.

*Joe Wright*

Joe Wright  
Chair of the Independent Review Committee

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## Reporting Period

The Independent Review Committee (“IRC”) for the funds (the “Funds”) managed by Connor, Clark & Lunn Managed Portfolios Inc. and Connor, Clark & Lunn Capital Markets Inc. (the “Managers”) became operational on November 1, 2007. The information disclosed in this report covers the period beginning July 1, 2010 and ending June 30, 2011, the financial year-end for certain of the Funds (inclusively, the “Period”).

## Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Joe Wright Chair of the IRC	Toronto, ON	May 1, 2007
Fred Lazar	Toronto, ON	May 1, 2007
Frank Santangeli	Toronto, ON	May 1, 2007

The members of the IRC have been reappointed to serve for additional terms, as follows:

NAME	DATE OF RE-APPOINTMENT	EXPIRY OF TERM
Joe Wright	May 1, 2010	May 1, 2013
Fred Lazar	May 1, 2011	May 1, 2014
Frank Santangeli	May 1, 2009	May 1, 2012

The members of the IRC also serve as members of the advisory boards for certain funds managed by Connor, Clark & Lunn Capital Markets Inc. Each member of the IRC is independent of the Funds, the Manager, and other companies related to the Manager. During the Period, there were no changes in the composition or membership of the IRC and there were no relationships that may cause a reasonable person to question a member’s independence.

## Holdings of Securities

### *Funds*

As at June 30, 2011, the percentage of securities of each class or series of the Funds beneficially owned, directly or indirectly, in

aggregate, by all members of the IRC did not exceed 10 per cent.

### *Managers*

The Managers are indirect affiliates of Connor, Clark & Lunn Financial Group (“FG”). As at June 30, 2011, the members had no beneficial interest in either FG or the Managers.

### *Service Providers*

As at June 30, 2011, the members had no beneficial interest in the third party service providers to the Funds.

## IRC Compensation

The members of the IRC are paid an annual fee which is allocated across each of the funds offered by MPI and Capital Markets according to a complexity factor (approved by the IRC). The Chairman of the IRC is currently paid \$11,250 per annum, and the remaining members of the IRC each receive \$10,000 per annum. The aggregate compensation paid by the Funds to the IRC for the Period was \$2,231.41. This amount was allocated among the Funds.

The initial compensation of the IRC was set by the Managers. Compensation for the current period has been set by the IRC members, after receiving input from the Managers.

Compensation for the Chair of the IRC increased on May 1, 2010. The other IRC Members agreed to keep their compensation the same as during the initial year. At least annually, the IRC reviews compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- (a) The best interests of the Funds;
- (b) The number and complexity of the Funds;
- (c) The commitment of time and energy that is expected from each member to oversee the Funds;
- (d) Industry best practices; and
- (e) The IRC’s most recent annual self-assessment, as well as, any recommendations about IRC compensation and expenses made by the Managers.

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### Indemnities

No amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC during the Period.

### Conflict of Interest Matters

National Instrument 81-107 *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or recommendation, depending on the nature of the conflict of interest matter. Below is a brief summary of any approvals and/or recommendations relied on by the Manager during the Period.

#### *Positive Recommendations and Standing Instructions Relied on During the Period*

During the Period, the Managers relied on positive recommendations and standing instructions granted by the IRC with respect to the conflict of interest matters addressed by the following policies and procedures of the Managers:

- (a) Engagement and Monitoring Services Provided by the Portfolio Managers to the Funds (including Related Portfolio Managers);
- (b) Employee Personal Trading Policy;
- (c) Net Asset Value Error Correction Policy;
- (d) Fund Pricing Policy;
- (e) Allocation of Operating Expenses to the Funds Policy; and
- (f) Trading Error Policy

In each of the above cases, the standing instructions granted by the IRC require the Managers to comply with the related policies and procedures and report periodically to the IRC.

The IRC is not aware of any instance in which the managers acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation. The Managers have an obligation to notify the IRC of any such instance.

#### *Negative Recommendations*

The IRC is not aware of any instance in which the Managers acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation. The Managers have an obligation to notify the IRC of any such instance.

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**Connor, Clark & Lunn Capital  
Markets Inc.**

*Funds*

Connor, Clark & Lunn Natural Resources Fund  
Inc.