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Connor, Clark & Lunn PRINTS Trust  
Semi-Annual Report

## Connor, Clark & Lunn PRINTS Trust Message to Shareholders

August 2<sup>nd</sup>, 2005

### Dear Investor,

Given the execution of the forward sale agreement in early 2003, the Connor, Clark & Lunn PRINTS Trust ("the Trust") should now be evaluated as a tax-efficient zero-coupon bond maturing in December 2013. To a unit holder at today's price it offers a tax advantaged yield of 4.01%, or a pre-tax interest equivalent yield of 5.47%.

On June 4th 2003, the Trust executed the forward sale of equities, by acquiring a portfolio of Canadian equity securities and agreed to sell these to TD Global Finance ("TDGF"), a guaranteed subsidiary of the TD bank, in December 2013 for the equivalent of \$25 per unit. The assets of the Trust not invested in equities subject to the forward sale agreement are sufficient to pay foreseeable ongoing expenses but not to fund regular distributions to unit holders. The Trust does not, therefore, expect to pay distributions going forward.

In order to provide unit holders with further assurance of recovery of the original subscription amount of \$25.00 on the termination date the Manager of the Trust has elected to defer payment of all management fees. The Manager will accrue the management fee daily at the minimum rate set out in the prospectus (50bps). The management fee will be payable only after, and to the extent that, the Trust has redeemed all its remaining units at \$25.00 per unit on the termination date or on units that have been retracted.

The following yield formula can be used to estimate the expected annual rate of return to termination on a unit, where \$18.02 is today's closing price and 8.33 is the years to maturity.

$$[(18.02 \div 25)^{-(1 \div 8.33)}] - 1 = 4.01\%$$

We would like to thank investors for their continued support.

Yours truly,



W. Neil Murdoch  
Chief Executive Officer  
Connor, Clark & Lunn PRINTS Trust

# **Connor, Clark & Lunn PRINTS Trust**

Financial Statements  
(Unaudited)  
**June 30, 2005**

## **Notice to Reader**

These interim financial statements and related notes for the period from January 1, 2005 to June 30, 2005 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Trust have not audited or reviewed these interim financial statements.

# Connor, Clark & Lunn PRINTS Trust

Statements of Net Assets (Unaudited)

As at June 30, 2005

	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
	\$	\$
<b>Assets</b>		
Cash	41,999	15,686
Short-term investments	1,047,711	1,147,016
Investments at market value (average cost - \$18,549,871 2004 - \$18,151,426)	16,480,821	12,910,752
Interest and dividends receivable	1,274	2,659
Prepaid forward agreement fees (note 5)	2,928,553	3,100,968
Unrealized gain on forward agreement	3,730,706	5,823,809
Prepaid service fees (note 7)	1,887	645
	<u>24,232,951</u>	<u>23,001,535</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<u>204,697</u>	<u>167,408</u>
<b>Net Assets and Unitholders' Equity</b>	<u>24,028,254</u>	<u>22,834,127</u>
<b>Units outstanding</b> (note 4)	<u>1,127,203</u>	<u>1,129,363</u>
<b>Net asset value per unit</b> (note 5)	<u>21.32</u>	<u>20.22</u>

Approved by the Manager  
Connor, Clark & Lunn Capital Markets Inc.



(See accompanying notes to financial statements)

# Connor, Clark & Lunn PRINTS Trust

Statements of Operations (Unaudited)

For the six month period ended June 30, 2005

	2005	2004
	\$	\$
<b>Income</b>		
Interest	13,938	20,725
	<u>13,938</u>	<u>20,725</u>
<b>Expenses (note 7)</b>		
Management fees	49,993	84,132
Custodial and other unitholder fees	32,344	39,833
Forward agreement fees (recovery)	12,682	(164,845)
Professional fees	24,303	38,323
Service fees	4,695	4,419
Amortization of prepaid forward agreement fees	172,415	464,119
	<u>296,432</u>	<u>465,981</u>
<b>Investment loss for the period</b>	<u>(282,494)</u>	<u>(445,256)</u>
<b>Realized and unrealized gain on sale of investments</b>		
Change in unrealized appreciation (depreciation) of investments	3,171,624	(4,690,462)
Change in unrealized appreciation (depreciation) on forward agreement	(2,093,103)	3,485,913
Net realized gain on investments	434,949	1,438,378
	<u>1,513,470</u>	<u>233,829</u>
<b>Net gain on investments</b>	<u>1,513,470</u>	<u>233,829</u>
<b>Increase (decrease) in net assets from operations</b>	<u>1,230,976</u>	<u>(211,427)</u>
<b>Increase (decrease) in net assets from operations*</b>	<u>1.09</u>	<u>(0.11)</u>

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

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Net Assets (unaudited)

For the six month period ended June 30, 2005

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	2005	2004
	\$	\$
<b>Increase (decrease) in net assets from operations</b>	1,230,976	(211,427)
<b>Payments on redemption of units (note 4)</b>	(36,849)	(1,970,758)
<b>Change in net assets during the period</b>	1,194,127	(2,182,185)
<b>Net assets - Beginning of period</b>	22,834,127	35,856,205
<b>Net assets - End of period</b>	24,028,254	33,674,020

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Net Assets (unaudited)

For the six month period ended June 30, 2005

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	2005	2004
	\$	\$
<b>Investments at average cost - Beginning of period</b>	18,151,426	30,716,441
Cost of investments purchased	7,116,465	16,718,354
Cost of investments sold	(6,718,020)	(17,268,581)
	<hr/>	<hr/>
<b>Investments at average cost - End of period</b>	18,549,871	30,166,214
Unrealized depreciation of investments	(2,069,050)	(1,437,328)
	<hr/>	<hr/>
<b>Market value of investments</b>	16,480,821	28,728,886
Proceeds from investments sold	7,152,969	18,706,959
Cost of investments sold	(6,718,020)	(17,268,581)
	<hr/>	<hr/>
<b>Net realized gain on investments</b>	434,949	1,438,378
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(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio (Unaudited)

As at June 30, 2005

	Maturity date	Number of shares or par value	Average cost	Market value
			\$	\$
<b>Short-term investments</b>				
<b>Banker's acceptance</b>				
Bank Nova Scotia	07/15/05	900,000	898,011	898,011
Toronto-Dominion Bank	07/15/05	150,000	149,700	149,700
			<u>1,047,711</u>	<u>1,047,711</u>
<b>Canadian common stocks</b>				
<b>Energy</b>				
Precision Drilling Corp.		49,982	1,880,742	2,413,631
Western Oil Sands Inc.		96,000	1,710,400	2,283,840
			<u>3,591,142</u>	<u>4,697,471</u>
<b>Materials</b>				
Algoma Steel Inc.		62,000	1,698,800	1,553,100
Kinross Gold Corp.		183,495	1,528,964	1,376,212
			<u>3,227,764</u>	<u>2,929,312</u>
<b>Industrials - Capital Goods</b>				
Royal Group Technologies Ltd.		101,522	1,386,791	1,358,364
<b>Consumer Staples - Food Beverage &amp; Tobacco</b>				
Cott Corp.		34,646	1,378,911	924,702
<b>Health Care - Pharmaceuticals &amp; Biotechnology</b>				
QLT Inc.		52,704	1,721,313	667,760
<b>IT - Software &amp; Services</b>				
CGI Group Class A		148,818	1,186,079	1,095,300
Cognos Inc.		26,270	1,160,368	1,099,137
			<u>2,346,447</u>	<u>2,194,437</u>

(See accompanying notes to financial statements)

## Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio (Unaudited) ...continued

As at June 30, 2005

	Number of shares or par value	Average cost	Market value
		\$	\$
<b>IT - Technology Hardware &amp; Equipment</b>			
ATI Technologies Inc.	56,390	1,136,262	817,656
Celestica Inc.	68,328	1,428,738	1,120,579
Nortel Networks Corp.	113,902	1,064,984	363,347
Research In Motion	15,606	1,267,519	1,407,193
		<u>4,897,503</u>	<u>3,708,775</u>
<b>Total Canadian common stocks</b>		<u>18,549,871</u>	<u>16,480,821</u>
<b>Total investments including short-term investments</b>		<u>19,597,582</u>	17,528,532
<b>Other assets, net of liabilities</b>			<u>6,499,722</u>
<b>Net assets</b>			<u>24,028,254</u>

(See accompanying notes to financial statements)

# Connor, Clark & Lunn PRINTS Trust

## Notes to Financial Statements (Unaudited)

### June 30, 2005

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#### 1 Establishment of Trust

The Connor, Clark & Lunn PRINTS Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario by a trust agreement dated November 29, 2001. The Manager of the Trust is Connor, Clark & Lunn Capital Markets Inc. The Royal Trust Company is the Trustee and acts as custodian of the Trust. The Trust commenced operations on December 12, 2001 and will terminate on or about December 2, 2013 (the "Termination Date") when the net assets will be distributed to the unitholders unless the unitholders determine to continue the Trust by majority vote at a meeting called for such purpose.

#### 2 Investment objectives

The Trust's investment objectives as set out in the Prospectus dated November 28, 2001 are (i) to provide unitholders with a stable stream of quarterly distributions; (ii) to return at least the original subscription price paid for units to holders upon termination of the Trust; and (iii) to return to unitholders any value in excess of the original subscription price.

The assets of the Trust were initially invested primarily in a diversified portfolio of the equity securities of companies selected from the S&P 500 Index (the "Managed Portfolio"). In order to generate income in excess of the dividend income earned on this portfolio, covered call options were written with respect to a portion of the securities in the portfolio (or, in the case of cash covered put options, securities eligible to be included in the portfolio). During 2002 and 2003, as equity markets declined and bond prices increased in support of the Trust's objective to return the original subscription price to unitholders, the Trust ceased writing options and gradually liquidated its U.S. equity portfolio. There are no options outstanding and no U.S. equities held as at June 30, 2005.

To assist in the objective of returning at least the original subscription price to unitholders, the Trust entered into a forward purchase and sale agreement with TD Global Finance (the "Counterparty"), a member of the TD Bank Financial Group. Under the forward agreement, on the termination date the Counterparty has agreed to pay the gross aggregate subscription price of all the units then outstanding (the original investment amount) to the Trust in exchange for the equity securities owned by the Trust (the "Capital Portfolio") (note 5).

#### 3 Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Trust.

##### Valuation of investments

Common shares or other securities are valued at the last board lot sale price on the principal stock exchange on which they are traded or, if no sale price is available, at the average of the bid and the ask price.

Short-term investments are valued at cost, which together with accrued interest approximates market value.

##### Investment transactions, income and expenses

Investment transactions are accounted for on the trade date. Realized and unrealized gains and losses on investments are determined using the average cost basis.

Interest income and expenses are recognized on an accrual basis. Dividend income is recorded on the ex-dividend date.

##### Forward contracts

Forward contracts entered into by the Trust are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, and is equivalent to the present value of the notional amount based on the rate to maturity applicable to that forward contract, less the market value of any assets deliverable under the contract. Any difference resulting from revaluation of a forward contract or the assets deliverable under such a contract is included as unrealized gain or loss on investments.

##### Prepaid forward agreement fees

Forward agreement fees prepaid by the Trust are deferred and amortized over the life of the forward agreement.

#### 4 Unitholders' equity

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly basis on the third Friday of a month (the valuation date). Units redeemed on the December valuation date will be redeemed at a price per unit equal to the net asset value on that date. On any other monthly valuation date, units will be redeemed at a redemption price per unit equal to the net asset value less the lesser of: (i) 4% of such net asset value per unit; and (ii) \$1.00.

# Connor, Clark & Lunn PRINTS Trust

## Notes to Financial Statements (Unaudited)

### June 30, 2005

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Changes in outstanding units are summarized as follows:

	<b>Number of units</b>	
	<b>June 30, 2005</b>	<b>December 31, 2004</b>
Balance - Beginning of year	1,129,363	2,001,207
Units redeemed	(2,160)	(871,844)
Balance - End of year	<u>1,127,203</u>	<u>1,129,363</u>

#### 5 Forward contracts and Capital Portfolio

To provide the Trust with the means to meet its objective to return the original issue price, the Trust has entered into a forward agreement with the Counterparty, a member of the TD Bank Financial Group.

The obligations of the Counterparty pursuant to the forward agreement are guaranteed by The Toronto-Dominion Bank, whose credit rating is A+ as at December 31, 2004.

On June 4, 2003, the Trust purchased and then sold forward a portfolio of Canadian equity securities in accordance with the forward sale agreement with the Counterparty. The execution of the forward sale supports the commitment of the Trust to return to unitholders their original subscription price of \$25.00 on the termination date. On the termination date, unitholders are also entitled to any residual value of the Trust.

In connection with the execution of the forward sale agreement, the Trust has delivered the present value of the fixed price forward fee that is payable to the Counterparty over the term of the agreement. The full amount of the prepaid forward agreement fee was \$4,119,089, or 6.9% of the Trust's net assets at the time of purchase.

As a result of discussions with the Counterparty initiated by the Manager, the Counterparty has agreed to reimburse a portion of the forward fee equating to approximately \$0.07 per unit, net of fees payable to the Counterparty, based on the number of units outstanding on June 4, 2003. The gross value of the reimbursement of approximately \$300,000 has reduced the carrying amount of prepaid forward agreement fees. An amount of approximately \$101,000 was distributed by the Trust to those unitholders who had redeemed units between June 2003 and April 2004, equating to approximately \$0.07 per unit redeemed. The remainder was added to the property of the fund for the benefit of those who continue to hold units.

For the purposes of establishing the financial reporting net asset value of the Trust, the amount of forward agreement fees has been deferred and will be amortized over the life of the contract. For the purposes of establishing the trading net asset value of the Trust, this amount was expensed in the period in which it was incurred. As at June 30, 2005, the trading net asset value of the Trust is \$21,099,701 and the trading net asset value per unit is \$18.72.

#### 6 Distributions

Targeted monthly distributions are \$0.50 per unit. In 2003, the Manager announced a reduction in the distribution rate to \$nil. There were no distributions in 2004 or during the six month period ended June 30, 2005.

#### 7 Management fees and other expenses

The Manager is entitled to a fee payable from the Trust at an annual rate equal to 1.10% of the net asset value of the Trust and calculated and payable monthly, plus applicable taxes. In the event the Trust does not distribute at least \$0.50 per unit in respect of any quarter, the fee payable to the Manager in respect of each month in the subsequent quarter is reduced pro rata based on the amount by which the distribution in respect of the previous quarter is less than \$0.50 per unit, subject to a minimum fee of 0.50% of the net asset value of the Trust, calculated and payable monthly, plus applicable taxes.

Effective January 1, 2004 the Manager elected that all future management fees payable to it will be deferred and will accrue at the daily at the minimum level set out in the prospectus (a rate of 0.50% of the net asset value of the Trust). Such fees will be payable only after and to the extent that the Trust has redeemed all remaining units at \$25 per unit on the termination date, or on units that have been retracted prior to the termination date.

The Manager pays and recovers from the Trust a service fee to dealers equal to 0.40% of the net asset value, calculated and paid at the end of each calendar quarter. In the event that the Trust does not distribute at least \$0.50 per unit in respect of any quarter, the service fee payable for that calendar quarter shall be reduced pro rata based on the amount by which the distribution in respect of such quarter is less than \$0.50 per unit. Service fees were reduced to nil in 2004 and for the six month period ended June 30, 2005.

Since no distributions were paid in 2003, the amount paid to dealers in 2003 has been recorded as prepaid service fees. The prepaid service fees will be recovered out of fees that become payable to the Manager upon the redemption of units.

# Connor, Clark & Lunn PRINTS Trust

## Notes to Financial Statements (Unaudited)

June 30, 2005

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### 8 Income taxes

The Trust is a mutual fund trust as defined by the Income Tax Act (Canada). No provisions for income taxes are made in the financial statements as all investment income and net realized capital gains for income tax purposes are distributed to unitholders.

As at December 31, 2004, the Trust had net capital losses of \$18,939,735, which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$13,400,116, which expire within the next seven years.

### 9 Net asset value

The financial reporting net asset value per unit is as follows:

	<u>Net asset value per unit</u>
June 30, 2005	\$21.32
December 31, 2004	20.22
December 31, 2003	17.92
December 31, 2002	17.10
December 31, 2001	24.23

### 10 Statement of cash flow

A statement of cash flow has not been presented as the information that would be presented therein is evident from these financial statements.

### 11 Statement of portfolio transactions

In accordance with Regulations under the Securities Act of Ontario, an unaudited statement of portfolio transactions for the six month period ended June 30 will be provided without charge upon written request by any unitholder to the Trust at: Connor, Clark & Lunn Capital Markets Inc., Suite 5700, Box 416, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E3.