

Connor, Clark & Lunn



CAPITAL MARKETS INC.

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Connor, Clark & Lunn PRINTS Trust

Semi-Annual Report

## Connor, Clark & Lunn PRINTS Trust

### Message to Shareholders

August 27, 2002

Dear Investor,

We are pleased to provide you with the interim financial statements of the Connor, Clark & Lunn Prints Trust for the period from January 1st, 2002 to June 30<sup>th</sup>, 2002.

The Trust is an equity-based vehicle that invests primarily in companies represented in the Standard & Poor's 500 Index and endeavours to earn tax-efficient distributions through covered option writing. The Trust's goal is to generate a stable stream of monthly distributions, targeted at 8% per annum, and to return the full initial investment on termination in December 2013. Since income derived from option writing is taxed as capital gains, it is expected that the distributions will be taxed at approximately half an investor's marginal income tax rate. Principal protection is provided by TD Global Finance, a guaranteed subsidiary of the TD Bank, and is structured in a way that currently allows the Trust to invest all its assets in a managed portfolio of US equities. For detailed information on the principal protection, please see Note 6 to the accompanying financial statements.

The year to date has provided a challenging environment for equity investors. Modest early year declines in equity markets accelerated into the mid-year period as investors continued to experience one of the worst bear markets since the 1930s. Economic growth through the first two quarters, and consequently improving corporate performance, was overshadowed by uncertainty. Factors such as fear of a "double-dip" recession, accounting scandals, financial collapse in Latin America, the self-fuelling effect of market retrenchment on consumer spending, uncertainty over how equities should be valued in this environment and speculation about a possible deflationary trend combined to move prices steadily lower. As prices have come down, however, asset allocation models have pointed increasingly to equities as the preferred investment choice on a risk adjusted basis.

The quantitative discipline employed by our managers, Connor, Clark & Lunn Investment Management, continues to perform well under these difficult circumstances. The Trust's option writing strategy also lends stability to overall portfolio performance, particularly in down markets. The portfolio remains hedged into Canadian dollars, which has had a slight negative effect on recent returns but remains a positive factor when measured from inception. We continue to feel that the hedge is appropriate to maintain the integrity of regular Canadian dollar distributions in the face of possible currency fluctuations. In late July, with the S&P 500 Index at a five-year low, ten percent of the Trust's assets were moved temporarily to cash. This move was affected in consultation with TD Global Finance to defend against the chance that falling equity prices, rising bond prices and increasing volatility would trigger a forward sale of part of the Trust's portfolio. The option-writing program was also delayed at that time in order to maintain maximum exposure to rebounding stock prices. This move proved to be effective and, with the S&P 500 Index up 21% from recent lows, we have maintained full flexibility in making investment choices for the portfolio. For detailed information on the Trust's investments and investment outlook, please see our web site at [www.cclcapitalmarkets.com](http://www.cclcapitalmarkets.com).

The Trust has paid two distributions, the first of \$0.60 for the December 12<sup>th</sup> to March 31<sup>st</sup> period and the second a regular distribution of \$0.50 for the June quarter. The large market declines and high volatility of the past several months demand a note of caution, however, and the manager is evaluating the merits of some reduction in the September distribution to allow for recovery from recent losses in the portfolio. While we continue to target an 8% annual distribution yield, distributions may be adjusted from time to time taking into consideration the impact on the portfolio and the investment outlook of the manager. We would like to thank investors for their continued support and look forward to a positive close to 2002.

Yours truly,



Robert Kidd, CEO  
Connor, Clark & Lunn Capital Markets Inc.

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

Financial Statements

(Unaudited)

**June 30, 2002**

August 2, 2002

**Review Engagement Report**

**To the Unitholders of  
Connor, Clark & Lunn Prints Trust**

We have reviewed the statements of net assets and investment portfolio of **Connor, Clark & Lunn Prints Trust** as at June 30, 2002 and the statements of operations, changes in net assets and changes in investments for the six-month period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the manager.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

# Connor, Clark & Lunn Prints Trust

## Statement of Net Assets (Unaudited)

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	June 30, 2002	December 31, 2001
<b>Assets</b>		
Cash	\$ 248,446	\$ 1,377,862
Short-term investments	3,149,865	-
Investments at market value (average cost - \$92,400,563; 2001 - \$83,860,559)	83,931,050	88,074,068
Dividends receivable	89,311	45,114
Unrealized gain on foreign exchange contracts (note 5)	137,187	-
Due from broker	10,108	-
	<hr/> 87,565,967	<hr/> 89,497,044
<b>Liabilities</b>		
Accounts payable and accrued liabilities	434,154	805,024
Distribution payable	2,056,051	-
Unrealized loss on foreign exchange contracts	-	1,480,278
	<hr/> 2,490,205	<hr/> 2,285,302
<b>Net Assets and Unitholders' Equity</b>	<hr/> <b>\$ 85,075,762</b>	<hr/> <b>\$ 87,211,742</b>
<b>Units outstanding</b> (note 4)	<hr/> 4,112,101	<hr/> 3,600,001
<b>Net asset value per unit</b>	<hr/> <b>\$ 20.69</b>	<hr/> <b>\$ 24.23</b>

**Approved by the Manager**

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(See accompanying notes to the financial statements.)

# Connor, Clark & Lunn Prints Trust

## Statement of Operations

(Unaudited)

For the six-month period ended June 30, 2002

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### Income

Dividends, net of withholding taxes	636,675
Interest	4,335
Other	473

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641,483

### Expenses (note 7)

Management fees	548,497
Custodial and other unitholder fees	115,064
Forward agreement fees	323,320
Service fees	173,989
Professional fee	38,015
Interest	10,750

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1,209,635

### Investment loss for the period

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(568,152)

### Realized and unrealized gain (loss) on investments

Change in unrealized depreciation of investments	(12,683,022)
Change in unrealized appreciation on foreign exchange contracts	1,617,465
Change in unrealized depreciation on foreign exchange	(9,368)
Net realized loss on investments	(1,141,728)
Net realized gain on foreign exchange contracts	3,073,084
Net realized gain on foreign exchange	5,282

### Net loss on investments

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(9,138,287)

### Decrease in net assets from operations

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(9,706,439)

### Investment loss per unit\*

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(0.14)

### Net loss on investments per unit\*

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(2.23)

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

(See accompanying notes to the financial statements.)

# Connor, Clark & Lunn Prints Trust

Statement of Changes in Net Assets

(Unaudited)

For the six-month period ended June 30, 2002

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\$

<b>Decrease in net assets from operations</b>	<u>(9,706,439)</u>
<b>Distributions to unitholders</b>	<u>(4,535,011)</u>
<b>Unitholders' transactions</b> (note 4)	
Proceeds from issue of units	13,290,000
Payment on redemption of units	(400,739)
Agents' fees and issue expenses	<u>(783,791)</u>
	<u>12,105,470</u>
<b>Change in net assets during the period</b>	(2,135,980)
<b>Net assets - Beginning of period</b>	<u>87,211,742</u>
<b>Net assets - End of period</b>	<u>85,075,762</u>

(See accompanying notes to the financial statements.)

# Connor, Clark & Lunn Prints Trust

## Statement of Changes in Investments

(Unaudited)

For the six-month period ended June 30, 2002

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\$

<b>Investments at average cost - Beginning of period</b>	83,860,559
Cost of investments purchased	175,267,880
Cost of investments sold	<u>(166,727,876)</u>
<b>Investments at average cost - End of period</b>	92,400,563
Unrealized depreciation of investments	<u>(8,469,513)</u>
<b>Market value of investments</b>	<u>83,931,050</u>
Proceeds from investments sold	161,629,969
Cost of investments sold	<u>(166,727,876)</u>
Realized loss on investments	(5,097,907)
Realized gain on options	<u>3,956,179</u>
<b>Net realized loss on investments</b>	<u>(1,141,728)</u>

(See accompanying notes to the financial statements.)

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio

(Unaudited)

As at June 30, 2002

	Maturity date	Number of shares or par value	Average costs \$	Market value \$
<b>Short-term investments</b>				
<b>Treasury bills</b>				
Government of United States	25/07/02	500,000	759,494	759,494
<b>Bankers' acceptance</b>				
Bank of Nova Scotia	15/07/02	650,000	647,855	647,855
Royal Bank of Canada	12/07/02	150,000	149,100	149,100
Royal Bank of Canada	27/08/02	1,250,000	1,244,400	1,244,400
Toronto Dominion Bank	08/07/02	150,000	149,660	149,660
Toronto Dominion Bank	15/07/02	200,000	199,356	199,356
			<u>2,390,371</u>	<u>2,390,371</u>
<b>Total short-term investments</b>			<u>3,149,865</u>	<u>3,149,865</u>
<b>Canadian common stocks</b>				
<b>Materials</b>				
Placer Dome Inc.		12,900	237,488	219,934
<b>Total Canadian common stocks</b>			<u>237,488</u>	<u>219,934</u>
<b>Foreign common stocks - Netherlands</b>				
Unilever NV		12,800	1,197,229	1,261,486
<b>Total foreign common stocks - Netherlands</b>			<u>1,197,229</u>	<u>1,261,486</u>
<b>Foreign common stocks - USA</b>				
<b>Energy sources</b>				
Ashland Inc.		11,800	714,082	726,833
ChevronTexaco Corp.		17,800	2,465,520	2,395,858
Exxon Mobil Corp.		17,800	1,074,202	1,107,779
Occidental Petroleum Corp.		17,200	792,270	784,517
Phillips Petroleum Co.		2,700	250,678	241,785
			<u>5,296,752</u>	<u>5,256,772</u>
<b>Utilities - electrical and gas</b>				
Edison International		19,000	532,071	491,247
PG&E Corp.		37,100	1,283,183	1,009,443
			<u>1,815,254</u>	<u>1,500,690</u>

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of shares or par value	Average costs \$	Market value \$
<b>Chemicals</b>			
Air Products and Chemicals Co.	1,800	139,255	138,167
<b>Miscellaneous materials and commodities</b>			
Bemis Inc.	10,000	784,822	722,422
<b>Aerospace and military technology</b>			
Boeing Co.	18,300	1,145,799	1,252,452
General Dynamics Corp.	6,500	964,938	1,051,353
Lockheed Martin Co.	11,000	941,781	1,162,720
		3,052,518	3,466,525
<b>Construction and housing</b>			
Centex Corp.	7,000	606,465	615,245
KB Home	7,700	500,234	603,226
Pulte Homes Inc.	6,900	568,009	603,203
		1,674,708	1,821,674
<b>Data processing and reproduction</b>			
Apple Computer Co.	16,400	435,423	441,983
Automatic Data Processing Inc.	14,500	969,633	960,404
Cisco Systems Inc.	69,700	1,801,313	1,478,784
Dell Computer Corp.	30,400	1,313,728	1,208,584
Electronic Data Systems Corp.	10,000	1,010,661	565,010
IBM Corp.	15,500	2,683,381	1,697,313
Microsoft Corp.	27,600	2,772,387	2,271,771
		10,986,526	8,623,849
<b>Electrical and electronics</b>			
General Electric Co.	42,200	2,460,635	1,864,474
<b>Electrical components and instruments</b>			
Intel Corp.	59,300	2,804,462	1,647,748
Nvidia Corp.	11,100	775,371	290,031
Rockwell Collins	1,100	37,637	45,873
		3,617,470	1,983,652
<b>Industrial components</b>			
Lowe's Companies Inc.	15,600	1,113,349	1,077,155

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of shares or par value	Average costs \$	Market value \$
<b>Machinery and engineering</b>			
Applied Materials Inc.	9,600	291,061	277,702
<b>Automobiles</b>			
AutoZone Inc.	5,400	670,027	634,850
Cooper Tire and Rubber Co.	5,600	188,132	175,024
General Motors Corp.	12,400	1,039,536	1,008,015
Harley Davidson Co.	9,500	764,628	740,772
		2,662,323	2,558,661
<b>Beverages and tobacco</b>			
Coca-Cola Co.	4,700	394,009	400,298
Philips Morris Company Inc.	24,300	1,827,072	1,614,309
UST Inc.	14,000	776,571	723,943
		2,997,652	2,738,550
<b>Food and household products</b>			
McDonald's Corp.	19,900	820,077	861,059
Pactiv Corp.	15,700	515,049	568,296
Procter & Gamble Co.	10,000	1,372,129	1,358,154
		2,707,255	2,787,509
<b>Health and personal care</b>			
Bristol-Myers Squibb Co.	35,100	1,538,991	1,371,949
Johnson & Johnson	29,800	2,660,233	2,368,554
Merck & Co., Inc.	25,500	2,225,258	1,963,955
Pfizer Inc.	22,400	1,347,782	1,192,377
Wyeth	10,000	790,428	778,695
		8,562,692	7,675,530
<b>Recreation and other consumer goods</b>			
American Greetings Corp.	11,400	294,764	288,853
<b>Broadcasting and publishing</b>			
Gannet Company Inc.	7,900	912,919	911,941
McGraw-Hill Companies	2,700	276,803	245,152
		1,189,722	1,157,093

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of shares or par value	Average costs \$	Market value \$
<b>Business and public services</b>			
H&R Block Inc.	10,200	680,345	715,928
Cendant Corp.	33,500	940,956	809,083
Deluxe Corp.	10,800	675,157	638,792
First Data Corp.	400	25,369	22,631
Intuit Inc.	6,500	431,116	491,521
Omnicom Group Inc.	3,100	420,041	215,936
Tenet Healthcare Corporation	9,900	1,116,591	1,077,314
Wellpoint Health Network Inc.	4,900	545,639	579,868
		<u>4,835,214</u>	<u>4,551,073</u>
<b>Leisure and tourism</b>			
Darden Restaurants Inc.	13,650	559,982	512,775
Harrahs Operating	2,300	175,331	155,139
Yum! Brands Inc.	13,600	660,070	605,010
		<u>1,395,383</u>	<u>1,272,924</u>
<b>Merchandising</b>			
Best Buy Co. Inc.	12,100	925,258	668,020
Home Depot Inc.	27,000	2,027,843	1,508,281
Limited Brands	22,000	692,463	712,689
Sears Roebuck & Co.	9,000	690,042	743,259
Supervalu Inc.	3,100	131,750	115,653
Wal-Mart Stores Inc.	19,000	1,669,797	1,589,618
		<u>6,137,153</u>	<u>5,337,520</u>
<b>Telecommunications</b>			
SBC Communications Inc.	34,000	1,904,590	1,577,162
<b>Transportation - road and rail</b>			
Ryder Systems Inc.	15,300	645,727	630,374
Union Pacific Corp.	8,000	728,249	769,935
		<u>1,373,976</u>	<u>1,400,309</u>
<b>Transportation - shipping</b>			
Fedex Corporation	6,000	506,438	487,293

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of shares or par value	Average costs \$	Market value \$
<b>Banking</b>			
Bank of America Corp.	19,000	1,974,839	2,033,186
National City Corp.	24,100	1,153,361	1,218,727
Union Planters Corp.	12,400	616,057	610,467
		<u>3,744,257</u>	<u>3,862,380</u>
<b>Financial services</b>			
Citigroup Inc.	33,500	2,341,111	1,974,305
Countrywide Credit Industries Inc.	10,700	699,754	785,197
Equity Office Properties Trust	5,500	254,187	251,783
Fannie Mae	13,100	1,592,217	1,469,369
First Tennessee National	18,200	1,113,559	1,060,151
Freddie Mac	1,200	122,482	111,694
Golden West Financial	10,600	1,133,894	1,108,832
Household International Inc.	13,400	1,158,244	1,012,882
MBNA Corp.	21,500	1,153,830	1,081,360
MGIC Investment Corp.	3,600	370,845	371,219
Washington Mutual Inc.	23,500	1,240,963	1,326,345
		<u>11,181,086</u>	<u>10,553,137</u>
<b>Insurance</b>			
American International Group Inc.	8,400	1,019,454	871,670
Cigna Corp.	1,100	162,881	162,982
John Hancock Financial Services Inc.	15,500	923,133	829,797
Marsh & McLennan	7,200	1,050,143	1,057,809
Metlife Inc.	23,000	1,173,811	1,007,438
Progressive Corp.	9,400	771,940	827,044
		<u>5,101,362</u>	<u>4,756,740</u>
<b>Multi-industry</b>			
3M Co.	6,900	1,310,982	1,290,778
Illinois Tool Works Inc.	9,600	1,070,457	997,217
United Technologies Corp.	11,300	1,137,727	1,166,933
		<u>3,519,166</u>	<u>3,454,928</u>
<b>Internet software</b>			
Verizon Communications	30,600	2,152,110	1,868,550

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...*continued*

(Unaudited)

As at June 30, 2002

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	Number of shares or par value	Average costs \$	Market value \$
Total foreign common stocks - USA		91,497,493	83,061,294

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

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	Number of contracts	Average cost/ (premium received) \$	Market value \$
<b>Call option contracts</b>			
Procter & Gamble, July 2002 @ 95	(26)	(4,350)	(2,768)
Microsoft, July 2002 @ 55	(72)	(26,828)	(22,996)
Cisco System, July 2002 @ 15	(183)	(10,020)	(11,133)
Equity Office, July 2002 @ 30	(14)	(852)	(1,065)
Lowes Co, July 2002 @ 50	(41)	(1,247)	(624)
Bristol Myers, July 2002 @ 27.50	(92)	(6,996)	(9,095)
Wellpoint Health, July 2002 @ 80	(13)	(5,338)	(3,954)
Autozone Inc, July 2002 @ 80	(14)	(4,706)	(4,258)
Washington Mutual, July 2002 @ 37.50	(62)	(8,487)	(9,901)
Lockheed Martin, July 2002 @ 70	(29)	(6,175)	(8,601)
Coca Cola, July 2002 @ 55	(12)	(2,829)	(3,833)
Yum! Brands, July 2002 @ 32.50	(36)	(1,369)	(821)
H&R Block, July 2002 @ 45	(27)	(6,776)	(8,213)
General Electric, July 2002 @ 30	(111)	(16,882)	(13,505)
Intel Corp, July 2002 @ 20	(84)	(12,775)	(7,027)
Johnson & Johnson, July 2002, @ 55	(78)	(9,490)	(6,525)
Pfizer Inc, July 2002 @ 35	(59)	(9,422)	(10,319)
Verizon Communication, July 2002 @ 40	(80)	(18,372)	(17,034)
IBM Corp, July 2002 @ 75	(34)	(7,757)	(10,859)
Home Depot, July 2002 @ 40	(71)	(6,587)	(4,319)
American Intl Group, July 2002 @ 70	(22)	(4,852)	(4,852)
Boeing Co, July 2002 @ 45	(48)	(7,300)	(10,585)
Cigna Corp, July 2002 @ 100	(3)	(707)	(844)
General Motors, July 2002 @ 55	(10)	(1,825)	(2,586)
Philip Morris, July 2002 @ 50	(64)	(5,354)	(1,460)
Merck & Co, July 2002 @ 50	(67)	(13,247)	(21,399)
Sears Roebuck, July 2002 @ 55	(24)	(5,840)	(5,840)
United Technologies, July 2002 @ 70	(30)	(4,791)	(5,475)
Exxon Mobil, July 2002 @ 40	(47)	(5,862)	(9,650)
Air Pro & Chem, July 2002 @ 50	(5)	(570)	(1,217)
Best Buy Co, July 2002 @ 37.50	(32)	(7,057)	(6,814)
Bemis Co, July 2002 @ 5	(26)	(1,582)	(1,779)
Countrywide Cr, July 2002 @ 50	(28)	(2,342)	(3,407)
Cendant, July 2002 @ 17.50	(63)	(1,437)	(1,437)
Chevrontexaco, July 2002 @ 90	(47)	(6,791)	(7,506)
Dell Computers, July 2002 @ 25	(80)	(11,924)	(23,726)

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of contracts	Average cost/ (premium received) \$	Market value \$
<b>Call option contracts ...continued</b>			
Deluxe Corp, July 2002 @ 40	(28)	(3,364)	(2,768)
Darden Rest, July 2002 @ 25	(36)	(821)	(3,833)
EDS Corp, July 2002 @ 50	(26)	(5,931)	(791)
FDX Corp, July 2002 @ 50	(16)	(5,110)	(9,977)
Gannett Co, July 2002 @ 75	(21)	(6,068)	(8,623)
General Dynamics, July 2002 @ 105	(17)	(7,369)	(11,376)
Golden West, July 2002 @ 70	(28)	(3,194)	(3,620)
Harrah's Entrt, July 2002 @ 50	(6)	(593)	(183)
Houshold Intl, July 2002 @ 50	(35)	(13,148)	(13,125)
Illinois Tool Wk, July 2002 @ 70	(25)	(4,601)	(5,513)
J Hancock Finl, July 2002 @ 35	(41)	(2,182)	(6,236)
MBNA Corp, July 2002 @ 35	(41)	(3,741)	(4,365)
McDonald's Co, July 2002 @ 30	(51)	(2,327)	(1,551)
Metlife Inc, July 2002 @ 30	(60)	(4,289)	(4,563)
McGraw Hill, July 2002 @ 60	(7)	(1,065)	(1,490)
3M Company, July 2002 @ 130	(18)	(3,833)	(2,738)
Occidental Petro, July 2002 @ 30	(45)	(4,449)	(4,106)
Pacific Gas & Electric, July 2002 @ 20	(97)	(8,114)	(3,688)
Placer Dome, July 2002 @ 12.50	(34)	(3,361)	(1,034)
Progressive Corp, July 2002 @ 60	(25)	(4,373)	(2,281)
Pulte Homes, July 2002 @ 60	(18)	(2,874)	(3,833)
SBC Communications, July 2002 @ 30	(89)	(21,657)	(20,981)
Tenet Healthcare, July 2002 @ 75	(26)	(5,971)	(5,931)
Union Planters, July 2002 @ 32.50	(33)	(753)	(2,259)
UST Inc, July 2002 @ 35	(37)	(3,658)	(3,658)
Freddie Mac (FHLMC), July 2002 @ 65	(3)	(342)	(274)
First TN Natl, July 2002 @ 40	(48)	(1,095)	(1,095)
Phillips Petro, July 2002 @ 60	(7)	(373)	(745)
Apple Comp, July 2002 @ 17.50	(4)	(3,924)	(6,867)
Automatic Data, July 2002 @ 45	(38)	(4,046)	(4,624)
Amer Greetings, July 2002 @ 17.50	(30)	(2,966)	(2,966)
Applied Materials, July 2002 @ 20	(25)	(3,232)	(3,422)
Ashland Inc, July 2002 @ 40	(31)	(1,697)	(3,772)
Bank of America, July 2002 @ 70	(50)	(10,266)	(18,251)
Citigroup Inc, July 2002 @ 37.50	(28)	(5,153)	(10,859)
Cendant, July 2002 @ 15	(25)	(3,232)	(4,943)
Centex Corp, July 2002 @ 55	(18)	(7,528)	(11,772)
Fannie Mae, July 2002 @ 75	(34)	(7,498)	(8,791)
Harley Davidson, July 2002 @ 50	(25)	(7,414)	(10,646)

# Connor, Clark & Lunn Prints Trust

Statement of Investment Portfolio ...continued

(Unaudited)

As at June 30, 2002

	Number of contracts	Average cost/ (premium received) \$	Market value \$
<b>Call option contracts ...continued</b>			
IBM Corp, July 2002, @ 70	(7)	(2,768)	(4,897)
Intel Corp, July 2002 @ 17.50	(72)	(16,973)	(18,616)
Intuit Inc, July 2002 @ 45	(17)	(7,007)	(14,220)
MBNA Corp, July 2002 @ 32.50	(15)	(2,738)	(4,449)
The Limited Inc, July 2002 @ 20	(58)	(7,057)	(15,437)
Marsh McLennan, July 2002 @ 95	(19)	(7,369)	(8,958)
Mgic Inv CP, July 2002 @ 70	(9)	(1,437)	(2,053)
Nvidia, July 2002 @ 20	(29)	(9,262)	(3,749)
Ryder Systems, July 2002 @ 27.50	(40)	(2,738)	(3,954)
Unilever NV, July 2002 @ 65	(34)	(2,844)	(6,722)
Wal-Mart Stores, July 2002 @ 55	(50)	(13,688)	(13,308)
Wyeth, July 2002 @ 50	(26)	(8,106)	(10,874)
Edison Intl, July 2002 @ 17.50	(50)	(4,943)	(2,662)
Cooper Tire & RB, July 2002 @ 22.50	(15)	(342)	(456)
KB Home, July 2002 @ 50	(20)	(8,669)	(8,821)
Pactiv Corp, July 2002 @ 22.50	(41)	(5,113)	(8,418)
Supervalu Inc, July 2002 @ 25	(8)	(242)	(1,093)
<b>Total call options written</b>		<u>(531,647)</u>	<u>(611,664)</u>
<b>Total investments</b>		<u>95,550,428</u>	87,080,915
<b>Liabilities, net of other assets</b>			<u>(2,005,153)</u>
<b>Net assets</b>			<u>85,075,762</u>

(See accompanying notes to the financial statements.)

# Connor, Clark & Lunn Prints Trust

Notes to Financial Statements

(Unaudited)

June 30, 2002

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## 1 Establishment of the 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. and the investment manager is Connor, Clark & Lunn Investment Management Ltd., an affiliated company. 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 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 are 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 and cash covered put options may be 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).

To assist in the objective of returning at least the original subscription price to unitholders, the Trust has entered into a forward purchase and sale agreement with TD Global Finance, a member of the TD Bank Financial Group. The Trust has agreed that it will identify and purchase a portfolio of equity securities (the capital portfolio) for sale to TD Global Finance (the counterparty) at the termination of the Trust. Under the forward agreement, on the termination date the counterparty will agree to pay the gross aggregate subscription price of all the units then outstanding (the original investment amount) to the Trust in exchange for the capital portfolio securities owned by the Trust (note 6).

## 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.

# Connor, Clark & Lunn Prints Trust

Notes to Financial Statements

(Unaudited)

June 30, 2002

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Listed options are valued at market values reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

## **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.

Deferred gains and losses on options are recognized in investments and as a component of net unrealized depreciation in the value of investment in unitholders' equity.

## **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 date.

## **Foreign exchange contracts**

The Trust may enter into foreign exchange 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 sale of investments.

## **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 (loss) in value of the investments.

## **Options**

Option premiums paid or received by the Trust, as long as the options are outstanding, reflect an asset or liability, respectively, in the statement of investment portfolio and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation is treated as an unrealized gain (loss) in value of investments. Gains or losses realized upon exercise or expiration of options are included in realized gain (loss) on investments.

# Connor, Clark & Lunn Prints Trust

Notes to Financial Statements

(Unaudited)

June 30, 2002

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## 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.

During 2002, the Trust issued 531,600 units at \$25.00 per unit for total gross proceeds of \$13,290,000 and redeemed 19,500 units at \$20.55 per unit for total payments of \$400,739. Total costs of \$783,791 were incurred in connection with the issue of units and establishment of the Trust. These expenses have been charged to unitholders' equity in the accompanying financial statements.

## 5 Foreign exchange contracts

The Trust has entered into foreign exchange contracts as a hedge against fluctuations in foreign exchange rates. These contracts are limited to the market value of foreign securities owned by the Trust and quoted in that currency. Contracts do not exceed one year in duration.

As at June 30, 2002, the outstanding contracts to sell and realize the following currencies are with the Royal Bank of Canada, whose credit rating as at June 30, 2002 is AA-.

Settlement date	September 26, 2002
Currency to be delivered	US dollars
Notional amount/Canadian value as at June 30, 2002	\$ 79,071,347
Currency to be received	CAN dollars
Canadian value as of June 30, 2002	\$ 78,934,161
Unrealized gain on foreign exchange contracts	\$ 137,187

# Connor, Clark & Lunn Prints Trust

Notes to Financial Statements

(Unaudited)

June 30, 2002

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## 6 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 TD Global Finance (the counterparty), a member of the TD Bank Financial Group, in connection with which the Trust has agreed to identify and purchase a portfolio of equity securities (the Capital Portfolio) for sale to the counterparty on or about December 2, 2013 (the termination date). The Capital Portfolio is to be acquired on the earlier of (i) December 13, 2004 (or such later date as may be agreed upon by the Trust and the counterparty), and (ii) the occurrence of certain specified events (the Determination Date), as disclosed in the prospectus dated November 29, 2001. The Capital Portfolio securities will be acquired by the Trust out of its existing assets, primarily from the proceeds of the sale of managed portfolio securities.

Under the forward agreement, the counterparty will be required to pay the original investment amount to the Trust on the termination date in exchange for the Capital Portfolio securities even if, on the Determination Date, the net asset value of the Trust is insufficient to enable the Trust to acquire Capital Portfolio securities with a value at least equal to the forward value. The obligations of the counterparty pursuant to the forward agreement are guaranteed by The Toronto-Dominion Bank, whose credit rating is AA- as at June 30, 2002. There is no forward contract as at June 30, 2002.

Until the Determination Date, the Trust will pledge to the counterparty a portion of the managed portfolio securities (the Initial Securities) having an aggregate value which will vary and will be equal to the sum of (i) an amount determined by the counterparty which will be sufficient to provide for payment by the counterparty of the original investment amount on the termination date if the Determination Date occurred on that day, and (ii) an additional amount based on the volatility of the Initial Securities representing over collateralization required under the forward agreement. The Trust is permitted to actively manage the Initial Securities in the same manner as the other managed portfolio securities, provided however, that (i) the value of the Initial Securities shall be not less than the amount that would be required to purchase the Capital Portfolio, (ii) the composition of the Initial Securities shall be as set forth in the forward agreement, (iii) no options may be written by the Trust in respect of the Initial Securities, and (iv) the Initial Securities will be segregated from the remainder of the managed portfolio.

Under the forward agreement, the Capital Portfolio securities may be replaced from time to time with other securities acceptable to the counterparty in order to preserve the original intent of the forward agreement.

## 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 calculated and payable monthly, plus applicable taxes.

Under the forward agreement, the Trust will pay to the counterparty an annual fee of 0.70% of the gross proceeds of the offering until the Determination Date and 0.45% of the gross proceeds of the offering after such date, payable quarterly.

# Connor, Clark & Lunn Prints Trust

Notes to Financial Statements

(Unaudited)

June 30, 2002

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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.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust, including but not limited to mailing and printing expenses, transfer agent fees, legal fees, audit fees and regulatory filing and licensing fees.

## 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 June 30, 2002, the Trust had net capital losses of \$72,606, which may be carried forward indefinitely to reduce future realized capital gains.

## 9 Broker commission charges

Total broker commissions paid in the first six months of 2002 in connection with portfolio transactions were \$128,909.

## 10 Statement of portfolio transactions

In accordance with Regulations under the Securities Act of Ontario, a statement of portfolio transactions for the period ended June 30, 2002 will be provided without charge upon written request by any unitholder to the Trust at: Connor, Clark & Lunn Capital Markets Inc., 49 Front Street East, 3<sup>rd</sup> Floor, Toronto, Ontario, M5E 1B3.

## 11 Subsequent event

The Trust announced on July 30, 2002 that, in order to reduce the risk of market reductions triggering the forward sale of a portion of its managed securities, it had temporarily repositioned approximately 10% of its assets into cash.