



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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**Connor, Clark & Lunn
Prints Trust**

Annual Report

December 31, 2008

Connor, Clark & Lunn PRINTS Trust Message to Unitholders

March 12, 2009

Dear Investor,

The following report presents the financial results of Connor, Clark & Lunn Prints Trust for the year ended December 31, 2008. As a reminder, Prints Trust is effectively a tax efficient zero-coupon bond maturing on December 2, 2013. The transactional net asset value started the period at \$19.51 and stood at \$23.85 on December 31, 2008.

This increase was driven by a decrease in interest rates used to value Forward agreement, the money received as a result of the Nortel litigation, as well as the passage of time. The swap rate used by the Toronto-Dominion Global Finance (TDGF) in valuing the forward agreement declined from 4.44% at the end of 2007 to 1.63% by December 31, 2008.

Of the 4,131,600 units of the Trust originally issued, 3,728,337, or 90.2%, have been retracted to date. As units are retracted, the fixed components of the Trust's operating expenses must be borne by an ever-smaller pool of investments. While we have worked hard at reducing the Trust's management expense ratio ("MER"), including by deferring any fee due to the manager on currently outstanding units until after the original investment amount \$25.00 per unit has been paid in full on termination, it is inevitable that MER will rise as total assets shrink. The annualized MER for the year ended December 31, 2008 was 1.49%.

The Trust's tax loss carry forwards available on a per unit basis have increased substantially as a result of retractions. As at December 31, 2008, 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 \$16,541,676, which expire within the next twenty years. These equate to \$46.97 and \$41.02 per unit respectively.

As a result of its ongoing review of the Trust's financial position and operations, The Trust previously announced that it intends to ask unitholders for approval to change the investment objectives and strategy of the Trust and open the Trust to new investment to increase its asset base. This initiative is intended to reposition the Trust and enable it to continue on a sustainable basis as well as to provide the Trust with the ability to increase in value and utilize its significant accumulated capital and non-capital losses. During 2008 equity markets were challenging and, in our view, not very receptive to new issues and this initiative will be pursued when market conditions are more favourable.

This initiative should be attractive to the Trust's unitholders as it will amortize the cost of running the Trust over a larger asset base and enhance the Trust's opportunity to take advantage of tax losses in the Trust. The Trust believes that this initiative provides a reasonable alternative to a possible wind-up of the Trust. Because the Trust's management expense ratio (MER) largely consists of fixed costs of operation, the MER increases quickly as retractions cause the Trust's total assets to decrease. Unless the Trust is able to raise new capital as described above, management will undertake to wind up the Trust if retractions reduce total net assets such that high fixed costs of operation per unit make the return of \$25 per unit at maturity unlikely.

We would like to thank you for your continued support.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
Connor, Clark & Lunn Capital Markets

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. You can get a copy of the annual financial statements at your request, and at no cost, by calling 416 862-2020, by writing to us at 181 University Avenue, Suite 300, Toronto, ON, M5H 3M7 or by visiting our website at www.cclcapitalmarkets.com or SEDAR at www.sedar.com.

Investment Objectives and Strategy

The Connor, Clark & Lunn PRINTS Trust's (the "Trust") investment objectives as set out in the prospectus dated November 29, 2001 are:

- (i) Distributions: to provide holders of Units ("Holders") with a stable stream of quarterly distributions targeted to be \$0.50 per Unit (\$2.00 per annum to yield 8.0% on the subscription price);
- (ii) Capital Repayment: to pay to Holders on or about December 2, 2013 (the "Termination Date") an amount per Unit equal to the subscription price paid for Units offered hereby (the "Original Investment Amount"); and
- (iii) Capital Appreciation: to pay to Holders, on the Termination Date, in addition to the Original Investment Amount, the value per Unit, if any, in excess of the Original Investment Amount.

On June 4, 2003, the Trust completed the forward sale of a portfolio of Canadian equity securities in accordance with a forward sale agreement with TD Global Finance (TDGF), the counterparty to the forward agreement, the terms of which are described in the Trust's prospectus dated November 29, 2001. The execution of the forward sale, which came about as the result of prolonged deterioration in the US equity market and falling bond yields, was in support of the capital repayment objective of the Trust. The Trust does not expect to pay distributions or to realize significant capital appreciation in excess of the original investment. As a result, the Trust's sole objective is to pay at least \$25.00 per unit to holders on or about December 2, 2013.

Risk

The value of the Trust should behave like the value of a zero coupon bond maturing on December 2, 2013, and will change as the Canadian dollar swap rate to maturity changes. The principal risks to the Trust include:

- a. The risk that if the size of the Trust is further reduced as a result of retractions, the fixed costs of operation will have to be shared among a smaller number of units. Over time, this would impair the Trust's ability to return \$25.00 per unit;
- b. The risk that rising interest rates will depress net asset value and trading price. The level of interest rates will have no impact, however, on the payment by the Trust of \$25.00 per unit at maturity; and
- c. The credit risk of TDGF. TDGF is a guaranteed subsidiary of Toronto-Dominion Bank, whose long-term debt is currently rated A+ by Standard and Poor's and Aa3 by Moody's.

For a full analysis of risks, please see the prospectus dated November 29, 2001 or the Trust's most recent annual information form. Both are available at www.sedar.com or www.cclcapitalmarkets.com.

Unitholder Redemptions

For the year ended December 31, 2008, 155,625 Units were redeemed by Unitholders, representing 27.8% of Units outstanding at the beginning of the period. Since inception in December 2001, 90.2% of the 4,131,600 units originally issued have been redeemed.

Results of Operations

Following the execution of the forward sale agreement in June 2003, the Trust should be evaluated as a tax-efficient zero-coupon bond maturing on December 2, 2013. The Trust's principal asset is a portfolio of Canadian equity securities, which it has agreed to sell to TDGF for \$25.00 per unit outstanding at maturity. At any time prior to maturity, the forward can be settled or partially settled in exchange for the discounted value, or present value, of \$25.00 per unit delivered on December 2, 2013. This present value is calculated using the Canadian dollar swap rate to maturity as provided by TDGF. As a result of the forward agreement, the returns earned by the Trust are expected to be taxed as capital gains at maturity or the time of sale, whichever comes first. During May 2008 and as a result of the Nortel II Securities Litigation, the Trust has been awarded 19,050 Nortel Networks Corp shares and \$211,204 in cash from the Nortel II Securities Litigation Settlement Fund. Nortel shares were sold for proceeds of \$195,988 resulting in a total value of the settlement proceeds of \$407,192.

The assets of the Trust not invested in equities subject to the forward sale agreement are not sufficient to fund regular distributions to unitholders. The Trust does not, therefore, expect to pay distributions going forward. In order to provide unitholders with greater 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 accrues the management fee daily at the minimum rate set out in the prospectus (0.50%). 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. Where units are retracted prior to maturity, the management fee accrued on those units will be paid on or subsequent to their retraction date.

As at December 31, 2008, net asset value per unit was \$23.85. This compares to a net asset value for the purpose of retractions of \$19.51 on December 31, 2007. The increase in net asset value over the period was caused by a decrease in interest rates and as well as the passage of time.

The following yield formula can be used to estimate the expected annual rate of return to termination on a unit. The calculation assumes a market price of \$21.60 on December 31, 2008, with 4.92 years remaining to maturity.

$$[(21.60 \div 25)^{-1 \div 4.92}] - 1 = 3.01\%$$

To a unitholder at recent prices the Trust offers a tax advantaged yield to maturity of 3.01%.

Distributions

Targeted quarterly distributions were \$0.50 per unit. The Trust distributed \$1.45 during 2002. In 2003, the Manager announced a reduction in the distribution rate to \$nil. There were no distributions paid in 2004, 2005, 2006, 2007 and 2008.

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee tabled no special reports and made no material recommendations to management of the Trust during the year ended December 31, 2008.

Related Party Transactions

Management Fees

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.

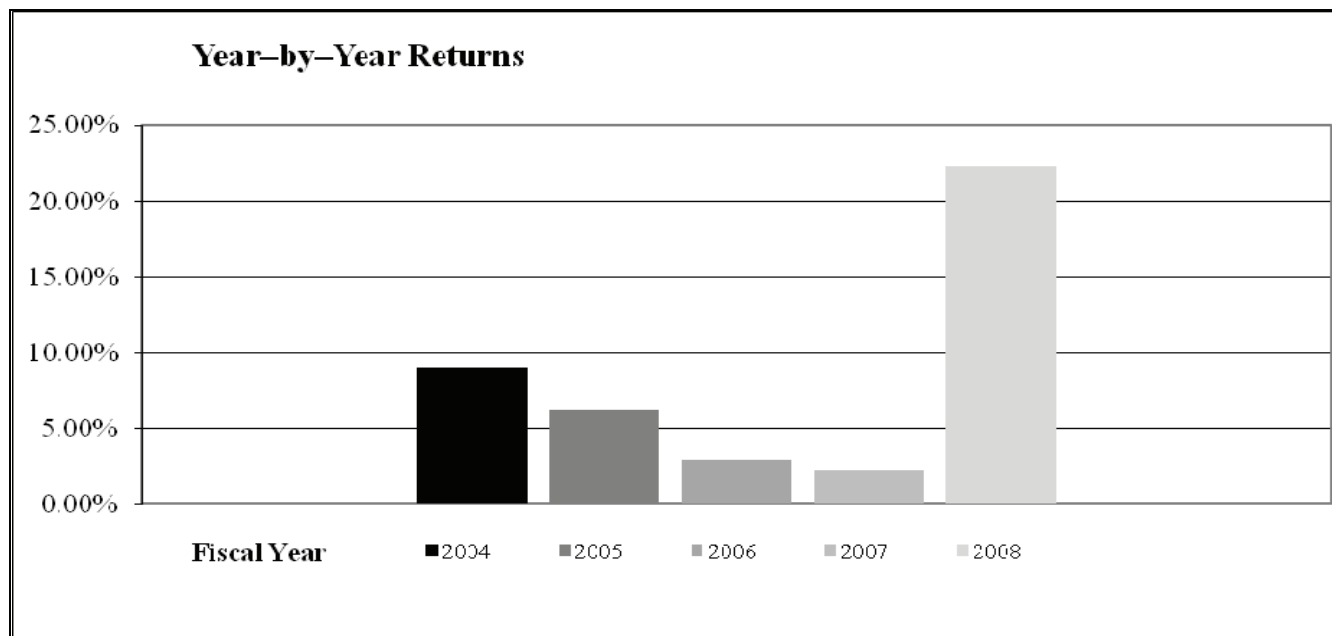
Effective January 1, 2004 the Manager has elected that all future management fees payable to it will be deferred and will accrue daily at the minimum level set out in the prospectus (a rate of 0.50% of the net asset value of the Trust). Such fees will be payable only after and to the extent that the Trust has redeemed all remaining units at \$25.00 per unit on the termination date, or on units that have been retracted, prior to the termination date.

Past Performance

The following bar chart and table indicate the performance of the Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Trust in the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

Year – by –Year Returns

The following bar chart shows the Trust’s annual performance for the past years shown. This bar chart shows, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year.



Annual Compound Returns

	Past Year	Three Years	Five Years	Since Inception ⁽¹⁾
Based on NAV	22.27%	8.74%	8.26%	1.22%
Bloomberg / EFFAS Government of Canada 3-5 year ⁽²⁾	11.98%	6.85%	5.72%	5.41%

⁽¹⁾ The Trust commenced operations on December 12, 2001.

⁽²⁾ Index of Canadian Government bonds with 3 to 5 years to maturity. EFFAS: European Federation of Financial Analyst Societies.

Financial Highlights

The following tables show selected key financial information about the Trust and are intended to assist in understanding the Trust's financial performance since inception. This information is derived from the Trust's past five year audited annual financial statements:

The Trust's Net Assets per unit: ⁽¹⁾	2008 ⁽²⁾	2007 ⁽²⁾	2006 ⁽²⁾	2005 ⁽²⁾	2004 ⁽²⁾
Net Assets, beginning of period⁽⁵⁾	19.51	19.08	21.55	20.22	17.92
Increase (decrease) from operations:					
Total revenues	0.04	0.08	0.04	0.03	0.02
Total expenses	(0.32)	(0.30)	(0.65)	(0.54)	(0.39)
Realized gains (losses) for the period	2.28	0.47	0.93	0.73	0.96
Unrealized gains (losses) for the period	2.31	0.15	(0.26)	0.54	0.53
Total increase (decrease) from operations ⁽³⁾	4.31	0.40	0.06	0.76	1.12
Distributions:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions ⁽⁴⁾	—	—	—	—	—
Net Assets, end of period ⁽⁵⁾	23.85	19.51	22.62	21.55	20.22

⁽¹⁾ This information is derived from the Trust's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for fund pricing purposes. The difference between the net asset value per unit and the net assets per unit as shown on the Statement of Net Assets is due to the different pricing methodology discussed in note 3 to the financial statements.

⁽²⁾ Results for the year ended December 31 for the years shown.

⁽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⁾ Distributions were paid in cash.

⁽⁵⁾ This is not reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data:	2008	2007	2006	2005	2004
Net asset value (000's) ⁽¹⁾	9,620	10,904	15,383	19,782	22,834
Number of units outstanding ⁽¹⁾	403,263	558,888	679,968	918,183	1,129,263
Base management expense ratio ⁽²⁾	0.96%	1.04%	3.00%	2.44%	1.99%
Management expense ratio including issue expenses and deferred management fees ⁽³⁾	1.49%	1.60%	3.53%	2.96%	2.32%
Portfolio turnover rate ⁽⁴⁾	57.54%	8.51%	25.05%	73.72%	59.62%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit	23.85	19.51	22.62	21.55	20.22
Closing market price	21.60	18.75	18.53	17.29	16.61

⁽¹⁾ This information is provided as at December 31 for the years shown.

⁽²⁾ A separate base management expense ratio has been presented to include the normal ongoing operating expenses and excluding the one-time initial share offering issue expenses and the deferred management fees portion.

⁽³⁾ Management expense ratio is based on the total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is based on all the ongoing expenses, deferred management fees and any initial share offering issue expenses.

⁽⁴⁾ The trust's turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust'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 Trust.

⁽⁵⁾ 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, 2008

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.

	Market Value \$	% of NAV
Portfolio by Category		
Unrealized gain on forward agreement	4,572,827	47.5%
Information Technology	2,665,240	27.7%
Cash & Cash Equivalents	668,640	7.0%
Industrials	660,120	6.9%
Energy	490,617	5.1%
Materials	392,540	4.1%
Health Care	306,824	3.2%
Consumer Discretionary	256,655	2.7%
Top 25 Holdings		
Unrealized gain on forward agreement	4,572,827	47.5%
Research In Motion Ltd.	1,771,951	18.4%
CGI Group Class A	870,067	9.0%
Cash & Cash Equivalents	668,640	7.0%
Westjet Airlines Ltd.	660,120	6.9%
Sino-Forest Corporation - Class A	315,159	3.3%
MDS Inc.	306,824	3.2%
Gildan Activewear - Class A	256,655	2.7%
Uranium One Inc.	242,914	2.5%
Petrobank Energy and Resources Ltd.	221,074	2.3%
FNX Mining Company Inc.	75,009	0.8%
OPTI Canada Inc.	26,629	0.3%
Nortel Networks Corp.	23,222	0.2%
Lundin Mining Corp.	2,372	0.0%
Net asset value (NAV)	9,619,627	

Management's Responsibility for Financial Reporting

The accompanying financial statements of Connor, Clark & Lunn PRINTS Trust (the "Trust") and all the information have been prepared by Connor, Clark & Lunn Capital Markets Inc. in its capacity as Manager of the Trust and have been approved by the Board of Directors of the Manager. The Trust's Manager is responsible for all the information and representations contained in these financial statements and other sections of the Annual Report

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. The Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.



W. Neil Murdoch
President and Chief Executive Officer
Connor, Clark & Lunn Capital Markets Inc.



Michael W. Freund
Director
Connor, Clark & Lunn Capital Markets Inc.

Toronto, Canada

March 12, 2009

March 17, 2009

Auditors' Report

To the Unitholders of
Connor, Clark & Lunn PRINTS Trust

We have audited the statement of investment portfolio of **Connor, Clark & Lunn PRINTS Trust** (the Trust) as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007 and the statements of operations and changes in net assets, surplus (deficit) and contributed surplus for the years then ended. These financial statements are the responsibility of the Trustee and the Manager of the Trust. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the Trustee and the Manager of the Trust, 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 Trust as at December 31, 2008 and 2007 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Connor, Clark & Lunn PRINTS Trust

Statements of Net Assets

As at December 31, 2008 and 2007

	2008	2007
	\$	\$
Assets		
Cash	69,770	56,211
Short-term investments	596,362	2,771,114
Investments at fair value (average cost - \$6,974,606; 2007 - \$9,666,204)	4,737,619	14,038,939
Unrealized gain on forward agreement (note 5)	4,572,827	-
Interest receivable	2,508	1,618
	<u>9,979,086</u>	<u>16,867,882</u>
Liabilities		
Accounts payable and accrued liabilities	78,928	80,565
Redemptions payable	-	2,319,392
Deferred management fees payable	280,531	265,364
Unrealized loss on forward agreement	-	3,299,058
	<u>359,459</u>	<u>5,964,379</u>
Net Assets and Unitholders' Equity	<u>9,619,627</u>	<u>10,903,503</u>
Units outstanding (note 4)	<u>403,263</u>	<u>558,888</u>
Net assets per unit (note 3)	<u>23.85</u>	<u>19.51</u>
Unitholders' Equity		
Unit Capital	10,081,575	13,972,200
Contributed surplus	29,201,369	28,978,540
Deficit	<u>(29,663,317)</u>	<u>(32,047,237)</u>
Unitholders' Equity	<u>9,619,627</u>	<u>10,903,503</u>

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



Director



Director

Connor, Clark & Lunn PRINTS Trust

Statements of Operations

For the years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
Income		
Interest	21,387	26,803
Other income	3,113	25,393
	<u>24,500</u>	<u>52,196</u>
Expenses (note 7)		
Deferred management fees	61,637	68,819
Custodial and other unitholder fees	54,077	68,512
Board of advisors fees	21,000	20,416
Audit fees	16,280	21,560
Administration fees	15,947	19,076
Legal fees	2,719	7,492
IRC fees	1,927	-
Other fees	774	-
	<u>174,361</u>	<u>205,875</u>
Investment gain (loss) for the period	<u>(149,861)</u>	<u>(153,679)</u>
Realized and unrealized gain (loss) on investments		
Change in unrealized gain (loss) on investments	(6,609,722)	2,296,638
Change in unrealized gain (loss) on foreign exchange	8,066	(2,573)
Change in unrealized gain (loss) on forward agreement	7,871,885	(2,182,610)
Net realized gain (loss) on investments	<u>1,263,552</u>	<u>315,371</u>
Net gain (loss) on investments	<u>2,533,781</u>	<u>426,826</u>
Increase (decrease) in net assets from operations	<u>2,383,920</u>	<u>273,147</u>
Increase (decrease) in net assets from operations per unit*	<u>4.31</u>	<u>0.40</u>

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

Connor, Clark & Lunn PRINTS Trust

Statements of Changes in Net Assets, Surplus (Deficit) and Contributed Surplus
For the years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
Increase (decrease) in net assets from operations	<u>2,383,920</u>	<u>273,147</u>
Payments on redemption of units (note 4)	<u>(3,667,796)</u>	<u>(2,346,622)</u>
Change in net assets during the period	(1,283,876)	(2,073,475)
Net assets - Beginning of year (Transactional NAV)	<u>10,903,503</u>	<u>15,382,570</u>
Section 3855 adjustment (note 3)	-	(2,405,592)
Net assets - Beginning of year (GAAP NAV)	<u>10,903,503</u>	<u>12,976,978</u>
Net assets - End of year	<u>9,619,627</u>	<u>10,903,503</u>
Surplus (deficit), beginning of year	(32,047,237)	(29,914,792)
Section 3855 adjustment (note 3)	<u>-</u>	<u>(2,405,592)</u>
Surplus (deficit), beginning of year	(32,047,237)	(32,320,384)
Increase (decrease) in net assets from operations	<u>2,383,920</u>	<u>273,147</u>
Surplus (deficit), end of year	<u>(29,663,317)</u>	<u>(32,047,237)</u>
Contributed surplus, beginning of year	28,978,540	28,298,162
Cost of shares redeemed at less than (in excess of) original issue price	<u>222,829</u>	<u>680,378</u>
Contributed surplus, end of year	<u>29,201,369</u>	<u>28,978,540</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn PRINTS Trust

Statement of Investment Portfolio

As at December 31, 2008

	Yield %	Maturity date	Number of shares or par value	Average cost \$	Fair value \$	% of Net Assets
Short-term investments						
Treasury bills						
Ontario Treasury Bills	0.81%	01/21/09	250,000	248,570	248,570	2.6%
Bankers Acceptance						
Canadian Imperial Bank of Commerce	1.55%	02/12/09	150,000	149,100	149,100	1.5%
Bearer Deposit Notes						
Bank of Montreal	1.54%	01/27/09	200,000	198,692	198,692	2.1%
				<u>596,362</u>	<u>596,362</u>	<u>6.2%</u>
Canadian common stocks (pledged to the Counterparty under the Forward Agreement)						
Energy						
OPTI Canada Inc.			14,794	255,936	26,333	0.3%
Petrobank Energy and Resources Ltd.			10,885	504,520	218,789	2.3%
Uranium One Inc.			135,706	666,316	233,414	2.4%
				<u>1,426,772</u>	<u>478,536</u>	<u>5.0%</u>
Materials						
FNX Mining Company Inc.			24,674	518,401	74,515	0.8%
Lundin Mining Corp.			1,993	27,464	2,312	0.0%
Sino-Forest Corporation - Class A			31,931	526,542	307,815	3.2%
				<u>1,072,407</u>	<u>384,642</u>	<u>4.0%</u>
Industrials						
Westjet Airlines Ltd.			50,314	923,262	658,610	6.8%
Consumer Discretionary						
Gildan Activewear - Class A			18,087	661,984	256,293	2.7%
Health Care						
MDS Inc.			40,639	669,731	304,793	3.2%
Information Technology						
CGI Group Class A			90,632	738,512	861,003	9.0%
Nortel Networks Corp.			72,568	533,375	23,222	0.2%
Research In Motion Ltd.			35,797	948,563	1,770,520	18.3%
				<u>2,220,450</u>	<u>2,654,745</u>	<u>27.5%</u>
Total Canadian common stocks				<u>6,974,606</u>	<u>4,737,619</u>	<u>49.2%</u>
Other assets, net of liabilities					<u>4,285,646</u>	<u>44.6%</u>
Net assets					<u>9,619,627</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

Connor, Clark & Lunn PRINTS Trust

Notes to Financial Statements

December 31, 2008

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. RBC Dexia Investor Services Trust ("RBC Dexia") 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. 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 December 31, 2008.

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 purchased 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 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 Capital Portfolio securities owned by the Trust (note 5).

3 Summary of significant accounting policies

Terms and definitions

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

Basis of presentation

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.

Recent accounting pronouncements

On January 1, 2008, the Trust adopted the new Section 1535, Capital Disclosures, which 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. This standard impacted the Trust's disclosures provided but it did not affect the Trust's results or financial position.

On January 1, 2008, the Trust adopted the new CICA Sections 3862, Financial Instruments – Disclosures ("Section 3862"), and 3863, Financial Instruments – Presentation ("Section 3863"), which replaced 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. These standards impacted the Fund's disclosures provided but they did not affect the Trust's results or financial position.

Canadian Accounting Standards Board confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011. At December 31, 2008 the Manager has not developed a changeover plan to the International Financial Reporting Standards ("IFRS") nor has it assessed the impact of IFRS on business arrangements, net asset value per unit and accounting policies. The Manager will develop a plan prior to the January 1, 2011 deadline and will disclose this plan in either the Trust's 2009 or 2010 annual reports.

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded. Should the quoted value for a security, in the opinion of the Managers, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Managers on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred.

On January 1, 2007, the Trust adopted Section 3855 on a prospective basis for financial reporting purposes ("GAAP Net Assets"). Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for the security. Until September 30, 2006, fair value for GAAP was based on the last traded price for the day, when available. In addition, Section 3855 requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by

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the Fund be charged to net income in the period. Until September 30, 2006, the Fund's policy has been to add these expenses to the cost of the securities purchased or deduct from the proceeds of sale.

On September 8, 2008, the Canadian Securities Administration issued the amended National Instrument 81-106 ("NI 81-106"), Section 14.2 of this amended NI 81-106 requires an investment fund to calculate its daily Net Asset Value for the purchase and redemption of units ("Transactional NAV") based on the fair value of the investment fund's assets and liabilities (being the last traded price for the day). The Trust did not change its methodology in this respect.

The Trust continues to calculate its net asset value for pricing purposes using the closing prices of securities. As at December 31, 2008, the Trust's net asset value per unit was \$23.85. There were no differences between the Transactional NAV and the GAAP Net Assets as a result of the adoption of Section 3855.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with terms to maturity of less than 90 days at acquisition. Cash and cash equivalents are deemed to be held for trading and therefore are carried at fair value.

Income recognition

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

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, which is equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in the value of a forward contract or the assets deliverable under such a contract are included as unrealized gains or losses on investments.

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 Transactional NAV on that date. On any other monthly valuation date, units will be redeemed at a redemption price per unit equal to the Transactional NAV less the lesser of: (i) 4% of such net asset value per unit; and (ii) \$1.00.

	<u>Number of units</u>	
	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Balance - Beginning of year	558,888	679,968
Units redeemed	<u>(155,625)</u>	<u>(121,080)</u>
Balance - End of year	<u>403,263</u>	<u>558,888</u>

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

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 TD Global Finance (TDGF), a member of the TD Bank Financial Group.

Under the forward agreement, the counterparty will be required to pay the original investment amount per unit then outstanding to the Trust on the termination date in exchange for the Capital Portfolio securities even if, on the termination 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 A+ as at December 31, 2008.

On June 4, 2003, the Trust purchased and then pledged forward a portfolio of Canadian equity securities in accordance with the forward sale agreement with TDGF. 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.

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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 TDGF over the term of the agreement. The full amount of the present value of the prepaid forward agreement fee was \$4,119,089 or 6.9% of the Trust's net assets at the time of purchase in 2001.

As a result of discussions with TDFG initiated by the Manager, TDFG agreed to reimburse a portion of the forward fee equating to approximately \$0.07 per unit, net of fees payable to TDFG, based on the number of units outstanding on June 4, 2003. The gross value of the reimbursement of approximately \$300,000 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 has been added to the property of the Trust for the benefit of those who continue to hold units.

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, 2005, 2006, 2007 and 2008.

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 has elected that all future management fees payable to it will be deferred and will accrue 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 \$25.00 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, 2005, 2006, 2007 and 2008.

8 Income taxes

The Trust is a mutual fund trust as defined by the Income Tax Act (Canada). No provision 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, 2008, the Trust had net capital losses of \$18,939,735 (2007 - \$18,939,735), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$16,541,676 (2007 -\$16,767,558), which will expire within the next twenty years as shown in the following table.

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2002	2,288,741	2009
2003	9,606,727	2010
2004	1,278,766	2014
2005	1,877,070	2015
2006	1,405,804	2026
2007	84,568	2027
Total	16,541,676	

9 Broker commission charges and soft dollar services

There were \$nil broker commissions paid during the period ended December 31, 2008 in connection with portfolio transactions (2007 - \$nil). No soft dollar services were included in the broker commission charges.

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10 Financial instruments

<u>Assets</u>	\$
Held for trading	9,979,086
Loans and receivables	-
Total assets	9,979,086
<u>Liabilities</u>	
Held for trading	-
Financial liabilities at amortized cost	359,459
Total liabilities	359,459

For the purposes of categorization in accordance with section 3862, interest receivable and other assets are deemed to be loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, redemptions payable, deferred management fees payable and other liabilities are deemed to be financial liabilities and reported at amortized cost.

11 Financial instrument risk

The Trust may be exposed to a variety of financial risks. The Investment Manager seeks to minimize potential adverse effects of these risks on the Trust's performance by daily monitoring of the Trust's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective. The investment portfolio is comprised of Canadian equity securities that are pledged under the forward sale agreement.

Interest rate risk

Interest rate risk usually arises on interest-bearing financial instruments held in the investment portfolio. The Trust does not hold any significant interest-bearing financial instruments as of December 31, 2008 but following the execution of the forward sale agreement in June 2003, the Trust itself is being evaluated as a zero-coupon bond maturing on December 2, 2013. There is a risk that rising interest rates will depress trading price. The level of interest rates will have no impact, however, on the payment by the Trust of \$25.00 per unit at maturity.

As at December 31, 2008, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, the net asset value would have decreased or increased, respectively, by approximately \$496,000 (\$1.23 per unit). In practise, actual results may differ from this sensitivity analysis and the difference could be material.

Concentration Risk

If TDGF, as the counterparty of the forward agreement, were to default on its senior debt (refer to note 5), the Trust would have, assuming no recovery, little or no assets to meet its obligations to the unitholders.

TDGF is a guaranteed subsidiary of Toronto-Dominion Bank, whose long-term debt is currently rated A+ by Standard and Poor's and Aa3 by Moody's.

Liquidity risk

The risk that if the size of the Trust is further reduced as a result of retractions, the fixed costs of operation will have to be shared among a smaller number of units. Over time, this would impair the Trust's ability to return \$25.00 per unit.

12 Reclassification

Certain of the 2007 comparative figures have been reclassified from the statements previously presented to conform to the presentation of the 2008 annual financial statements.