

2006 BCSECCOM 323

April 28, 2006

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 81-106 *Continuous Disclosure Requirements for Investment Funds*, s. 17.1 – net asset value calculation requirements - An investment fund wants relief from the requirement in s. 14.2(3)(b) of National Instrument 81-106 to calculate its net asset value at least once every business day - The fund is a closed-end investment fund that allows redemptions or retractions no more frequently than once per month; units of the fund are listed on a stock exchange and unitholders can buy or sell units of the fund through the exchange; the fund calculates its net asset value on a regular basis and makes that calculation available to the public on request

Applicable British Columbia Provisions

National Instrument 81-106, ss. 14.2(3)(b) and 17.1

In the Matter of
the Securities Legislation
of Ontario, Quebec, British Columbia, Alberta, Saskatchewan, Manitoba, New
Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories,
Yukon Territory and Nunavut

(the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Connor, Clark & Lunn Global Financials Fund (the “Filer”)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from the Filer dated April 4, 2006 for a decision under the securities legislation (the “Legislation”) of the Jurisdictions for an exemption from section 14.2(3)(b) of National Instrument 81-

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106 *Investment Fund Continuous Disclosure* (“NI 81-106”), which requires an investment fund that uses specified derivatives (as such term is defined in National Instrument 81-102) to calculate net asset value at least once every business day (the “Requested Relief”).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is an investment fund (as defined in NI 81-106) established under the laws of the Province of Ontario pursuant to a trust agreement to be entered into between Connor, Clark & Lunn Capital Markets Inc. (the “Manager”), as manager of the Filer, and RBC Dexia Investor Services Trust, as trustee of the Filer. The principal office of the Filer and the Manager is located at 1 First Canadian Place, Suite 5700, 100 King Street West, Toronto, Ontario, M5X 1E3.
2. The Manager has retained New Star Asset Management Limited (the “Investment Manager”) to act as the investment manager of the Filer.
3. A preliminary prospectus of the Filer dated March 31, 2006 (the “Preliminary Prospectus”) has been filed with the securities regulatory authorities in each of the provinces and territories of Canada in connection with a proposed issuance of units of the Filer (the “Units”).
4. The Units are expected to be listed and posted for trading on the Toronto Stock Exchange (the “TSX”). An application requesting conditional listing approval has been made on behalf of the Filer to the TSX.
5. The Filer does not intend to continuously offer Units once the Filer is out of primary distribution.
6. The investment objectives of the Filer are to (i) provide holders of Units (“Unitholders”) with a stable stream of monthly cash distributions initially

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targeted to be \$0.04167 per Unit (\$0.50 per annum, representing a yield of approximately 5.0% per annum on the issue price of \$10.00 per Unit); (ii) preserve the net asset value per Unit in order to return at least the original issue price of Units (\$10.00 per Unit) to Unitholders upon termination of the Filer; and (iii) provide Unitholders with an opportunity for capital appreciation above the original issue price.

7. To achieve its investment objectives, the net proceeds from the offering of Units will be invested in an actively managed portfolio (the "Portfolio") consisting of securities of global financial services businesses. The Portfolio will be actively managed by the Investment Manager.
8. The Filer will be exposed to a number of foreign currencies. The Investment Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Filer's total returns in Pounds Sterling. In addition, it is intended that at least 90% of the value of the Portfolio's non-Canadian exposure will be hedged from Pounds Sterling back to the Canadian dollar.
9. Although the Filer will be a mutual fund trust for purposes of the *Income Tax Act* (Canada), the Filer is not considered to be a 'mutual fund' because Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Fund as contemplated in the definition of 'mutual fund' in the Legislation. Accordingly, the Filer will be a "non-redeemable" investment fund as defined in NI 81-106.
10. The Filer will calculate its net asset value per Unit ("NAV per Unit") on the following days (each a "Valuation Date"): (i) each Friday during the year (or, if a Friday is not a business day, then on the business day following such Friday); and (ii) the Redemption Date, as defined in the final prospectus of the Filer (the "Redemption Date"). If the Filer elects to have a December 15 year-end for tax purposes as permitted by the *Income Tax Act* (Canada), the NAV per Unit will also be calculated on December 15.
11. Subject to the Filer's right to suspend redemptions, Units may be surrendered for redemption at the option of a Unitholder: (i) commencing in 2007, on an annual basis on the Redemption Date at a redemption price per Unit equal to the NAV per Unit determined as of the Redemption Date, less any costs and expenses incurred by the Filer in connection with funding the redemption; and (ii) on the last business day of a month at a redemption price per Unit computed by reference to the market price of the Units.

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12. The NAV per Unit of the Filer will be made available to the financial press for publication on a weekly basis. The prospectus of the Filer will disclose that the NAV per Unit of the Filer will be made available by the Manager on the Manager's website. The Manager will post the NAV per Unit of the Filer on its website at www.cclcapitalmarkets.com.
13. Because the Units will be listed for trading on the TSX, Unitholders will not have to rely solely on the redemption features of the Units in order to provide liquidity for their investment.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the authority to make the decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the prospectus of the Filer discloses:

- (a) that the net asset value of the Filer is available to the public upon request;
and
- (b) a website that the public can access to obtain the net asset value;

for so long as:

- (c) the Units are listed on the TSX; and
- (d) the Filer calculates its net asset value at least weekly.

Leslie Byberg
Manager, Investment Funds Branch
Ontario Securities Commission