

2007 BCSECCOM 156

March 21, 2007

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – National Instrument 81-106, s.17.1 - Continuous Disclosure Requirements for Investment Funds - 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 either: (a) listed or to be listed on a stock exchange and unitholders can buy or sell shares of the fund through the exchange, or (b) convertible into units listed or to be listed on a stock 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, s. 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, Prince Edward Island, 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 II
(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 for a decision under the securities legislation (the “Legislation”) of the Jurisdictions for relief from Section 14.2(3)(b) of National Instrument 81-106 (“NI 81-106”), which requires the net asset value of an investment fund that uses specified derivatives

2007 BCSECCOM 156

(as such term is defined in National Instrument 81-102) to be calculated 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 will be a non-redeemable investment fund (as defined in NI 81-106) to be 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 181 University Ave., Suite 300, Toronto, Ontario, M5H 3M7.
2. The Filer is authorized to issue an unlimited number of Units (“Units”) and Class F Units. The Filer will offer Units under a prospectus and will offer Class F Units on a private placement basis.
3. The investment objectives of the Fund are to (i) provide holders of Units (“Unitholders”) with a stable stream of monthly cash distributions initially targeted to be \$0.05 per Unit (representing a yield of approximately 6.0% per annum on the issue price of \$10.00 per Unit); and (ii) preserve and enhance the net asset value per Unit of the Fund.
4. The Manager, on behalf of the Filer, has retained New Star Asset Management Limited (the “Investment Manager”) to act as the investment manager of the Filer.
5. To achieve its investment objectives, the net proceeds from the offering of Units will be invested in an actively managed portfolio (the “Portfolio”)

2007 BCSECCOM 156

consisting of securities of global financial services businesses. The Portfolio will be actively managed by the Investment Manager.

6. 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.
7. Although the Filer will be a mutual fund trust for purposes of the *Income Tax Act* (Canada), it will not be a mutual fund for purposes of securities legislation and its operation will differ from that of a conventional mutual fund as follows:
 - (a) The Filer does not intend to continuously offer Units once the Filer is out of primary distribution.
 - (b) The Units are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX"). As a result, Unitholders will not have to rely solely on the redemption features of the Units (as described in the preliminary prospectus of the Filer dated January 29, 2007) in order to provide liquidity for their investment. Class F Units will be convertible into Units monthly or can be redeemed annually at a price computed by reference to the net asset value of the Class F Units.
8. Units may be surrendered at any time for redemption by the Filer. The Units will be redeemable at the option of the Unitholder on a monthly basis at a price computed by reference to the market price of the Units and, commencing in 2008, the Units will also be redeemable once annually at a price computed by reference to net asset value of the Filer.
9. The net asset value per Unit and per Class F Unit will be calculated each Friday during the year and each Redemption Date. The prospectus will disclose that the Manager will post the net asset value per Unit and per Class F Unit on its website (<http://www.cclcapitalmarkets.com>) and will also make this information available to Unitholders upon request.

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.

2007 BCSECCOM 156

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

- (a) the net asset value calculation is available to the public upon request; and
- (b) a toll-free telephone number or website that the public can access for this purpose;

for so long as:

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

Rhonda Goldberg
Assistant Manager, Investment Funds Branch
Ontario Securities Commission