

2008 Annual Financial Statements

for the year ended December 31, 2008



Skylon Global Capital Yield Trust

Skylon Global Capital Yield Trust II

Skylon Global High Yield Trust

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MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements have been prepared by CI Investments Inc., the Manager of the Skylon Global Capital Yield Trust, the Skylon Global Capital Yield Trust II, and the Skylon Global High Yield Trust and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and other sections of this report. CI Investments Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Trusts are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Trusts. 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. Their report is set out below.

Toronto, Ontario
March 4, 2009



Peter W. Anderson
Chief Executive Officer
CI Investments Inc.



Douglas J. Jamieson
Chief Financial Officer
CI Investments Inc.

AUDITORS' REPORT

To the unitholders of Skylon Global Capital Yield Trust, Skylon Global Capital Yield Trust II and Skylon Global High Yield Trust (the "Trusts"):

We have audited the Statement of Investment Portfolio of each of the Trusts as at December 31, 2008, the Statements of Net Assets as at December 31, 2008 and 2007 and the Statements of Operations and Retained Earnings (Deficit), Changes in Net Assets and Cash Flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Trusts' management. 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 management, 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 each of the Trusts as at December 31, 2008 and 2007, and the results of each of their operations, the changes in each of their net assets and each of their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Ontario
March 4, 2009

Chartered Accountants,
Licensed Public Accountants

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008)

Number of Shares/ Face Amount	Description	Average Cost (\$)	Fair Value (\$)
Equities Subject to Forward (60.3%)			
4,787	CanWest Global Communications Corp., Sub-Voting Shares*	24,414	3,734
48,083	Celestica Inc.*	317,829	265,418
18,550	Gildan Activewear Inc.*	679,301	262,854
92,982	Lundin Mining Corp.*	722,470	107,859
53,136	MDS Inc.*	820,912	398,520
75,091	Nortel Networks Corp.*	703,603	24,029
50,383	Research In Motion Ltd.*	1,509,205	2,491,943
56,033	Westjet Airlines Ltd.*	760,928	733,472
Commissions and other Portfolio Transaction Costs		-	
Total Equities Subject to Forward (60.3%)		5,538,662	4,287,829
DERIVATIVE INSTRUMENTS			
Forward Contracts (59.2%) (see Schedule A)			4,206,944
Total Investments (119.5%)		5,538,662	8,494,773
Other Assets (net) (-19.5%)			(1,388,362)
Total Net Assets (100.0%)			7,106,411

*Securities sold forward under Forward Contract.
Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008) cont'd

Schedule A

Forward Contracts (59.2%)

	Fair Value (\$)
Investments sold forward	
CanWest Global Communications Corp., Sub-Voting Shares	(3,734)
Celestica Inc.	(271,669)
Gildan Activewear Inc.	(263,225)
Lundin Mining Corp.	(110,649)
MDS Inc.	(401,177)
Nortel Networks Corp.	(24,029)
Research In Motion Ltd.	(2,493,959)
Westjet Airlines Ltd.	(735,153)
	<u>(4,303,595)</u>
Underlying Fund	
Skylon Global High Yield Trust (Note 1)	4,255,269
Skylon Global High Yield Trust (Note 1)	4,255,270
	<u>8,510,539</u>
Total Forward Contracts Value	<u>4,206,944</u>
Due Date	31-Dec-12
Credit Rating of Counterparties	A-1+

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statements of Net Assets (in \$000's except for per unit amounts and number of units outstanding)

	As at December 31, 2008	As at December 31, 2007
ASSETS		
Investments at fair value*	4,288	16,934
Cash	448	451
Unrealized gain on forward contract	4,207	–
Management fee rebate receivable	–	–
	<u>8,943</u>	<u>17,385</u>
LIABILITIES		
Payable for unit redemptions	1,738	3,617
Unrealized loss on forward contract	–	2,167
Service fees payable	17	27
Distributions payable	59	78
Management fees payable	2	3
Accrued expenses	2	2
Spread fee payable	15	50
Borrowing fee payable	4	19
	<u>1,837</u>	<u>5,963</u>
Net assets and unitholders' equity	<u>7,106</u>	<u>11,422</u>
UNITHOLDERS' EQUITY		
Unit capital	3,496	4,567
Contributed surplus	–	–
Retained earnings (deficit)	3,610	6,855
Net assets and unitholders' equity	<u>7,106</u>	<u>11,422</u>
*Investments at cost	<u>5,539</u>	<u>9,307</u>
Net assets per unit (Notes 2 and Note 8)	<u>22.49</u>	<u>29.06</u>
Number of units outstanding (Note 3)	<u>315,963</u>	<u>393,108</u>

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statements of Operations and Retained Earnings (Deficit) (in \$000's except for per unit amounts)

	For the years ended December 31	
	2008	2007
INVESTMENT INCOME		
Interest	12	16
Management fee rebate	–	–
	12	16
EXPENSES		
Management fees (Note 4)	26	38
Administrative expenses (Note 4)	15	14
Service fees (Note 4)	42	61
Legal	1	3
Audit	5	5
Goods and services tax	4	7
	93	128
Net investment income (loss) for the year	(81)	(112)
Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs		
Realized gain (loss) on investments	820	1,486
Commissions and other portfolio transaction costs	–	–
Forward fees (Note 4)	(100)	(147)
Change in unrealized appreciation (depreciation) of investments and derivatives	(2,504)	(761)
Net gain (loss) on investments	(1,784)	578
Increase (decrease) in net assets from operations	(1,865)	466
Increase (decrease) in net assets from operations per unit	(4.75)	0.90
STATEMENTS OF RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), beginning of year	6,855	8,281
Section 3855 transitional adjustment	–	(11)
Adjusted retained earnings (deficit), beginning of year	6,855	8,270
(Excess) deficiency on amounts paid on units redeemed	(842)	(1,881)
Increase (decrease) in net assets from operations	(1,865)	466
Distribution from net income	(538)	–
Distribution from realized gains	–	–
Retained earnings (deficit), end of year	3,610	6,855

The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statements of Changes in Net Assets (in \$000's)

	For the years ended December 31	
	2008	2007
Net assets, beginning of year	11,422	15,547
Section 3855 transitional adjustment	–	(11)
Adjusted net assets, beginning of the year	11,422	15,536
CAPITAL TRANSACTIONS		
Cost of units redeemed	(897)	(1,760)
(Excess) deficiency on amounts paid on units redeemed	(842)	(1,881)
	(1,739)	(3,641)
DISTRIBUTIONS TO UNITHOLDERS		
From net income	–	–
From realized gain	(538)	–
From return of capital	(174)	(939)
	(712)	(939)
Increase (decrease) in net assets from operations	(1,865)	466
Net assets, end of year	7,106	11,422

Statements of Cash Flows (in \$000's)

	For the years ended December 31	
	2008	2007
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net investment income (loss)	(81)	(112)
Proceeds of disposition of investments	10,306	6,730
Purchase of investments	(5,868)	(3,863)
Net change in non-cash balances related to operations	(11)	66
	4,346	2,821
FINANCING ACTIVITIES		
Distributions paid	(731)	(948)
Cost of units redeemed	(3,618)	(1,765)
	(4,349)	(2,713)
Increase (decrease) in cash during the year	(3)	108
Cash (Bank overdraft), beginning of year	451	343
Cash (Bank overdraft), end of year	448	451

SKYLON GLOBAL CAPITAL YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

Skylon Global Capital Yield Trust is exposed to the financial instruments' risks of the Skylon Global High Yield Trust. The Trust was created to obtain exposure to an actively managed portfolio of global high yield instruments and may include corporate debt, emerging market debt and other high yield instruments by virtue of the Forward Agreement. By entering into the Forward Agreement, the Trust eliminated the direct risk exposure to its common share portfolio and assumed the risk exposure of the Skylon Global High Yield Trust, as well as credit risk to the Counterparty of the Forward Agreement. As at December 31, 2008 the Trust holds 22% of the Skylon Global Yield Trust. Details of the Trust's financial instruments risks exposure can be found in the following sections of this document. For details of the credit rating of the Counterparty of the Forward Agreement please refer to the "Statement of Investment Portfolio - Schedule A."

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008)

Number of Shares/ Face Amount	Description	Average Cost (\$)	Fair Value (\$)
Equities Subject to Forward (95.7%)			
215,964	CGI Group Inc.*	1,511,748	2,051,658
8,153	Nortel Networks Corp.*	54,951	2,609
150,420	Research In Motion Ltd.*	4,770,979	7,439,773
391,962	Eldorado Gold Corp.*	2,841,724	3,774,594
148,732	FNX Mining Co. Inc.*	3,612,700	449,171
254,701	Ivanhoe Mines Ltd.*	2,801,711	807,402
158,127	Sino-Forest Corp., Class A*	621,439	1,524,344
65,551	Celestica Inc.*	472,623	361,842
337,386	Westjet Airlines Ltd.*	4,313,206	4,416,383
156,294	TriStar Oil and Gas Ltd.*	2,802,351	1,766,122
871,041	UTS Energy Corp.*	3,475,454	670,702
97,393	Gildan Activewear Inc.*	3,712,621	1,380,059
30,741	MDS Inc.*	360,292	230,558
Commissions and other Portfolio Transaction Costs		-	
Total Equities Subject to Forward (95.7%)		31,351,799	24,875,217
DERIVATIVE INSTRUMENTS			
Forward Contracts (22.3%) (see Schedule A)			5,779,355
Total Investments (118.0%)		31,351,799	30,654,572
Other Assets (net) (-18.0%)			(4,792,182)
Total Net Assets (100.0%)			25,862,390

*Securities sold forward under Forward Contract.
Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008) cont'd

Schedule A

Forward Contracts (22.3%)

	Fair Value (\$)
Investments sold forward	
CGI Group Inc.	(2,073,254)
Nortel Networks Corp.	(2,609)
Research In Motion Ltd.	(7,445,790)
Eldorado Gold Corp.	(3,782,433)
FNX Mining Co. Inc.	(452,145)
Ivanhoe Mines Ltd.	(832,872)
Sino-Forest Corp., Class A	(1,560,713)
Celestica Inc.	(370,363)
Westjet Airlines Ltd.	(4,426,504)
TriStar Oil and Gas Ltd.	(1,783,315)
UTS Energy Corp.	(696,833)
Gildan Activewear Inc.	(1,382,007)
MDS Inc.	(232,095)
	(25,040,933)
Underlying Fund	
Skylon Global High Yield Trust (Note 1)	15,410,144
Skylon Global High Yield Trust (Note 1)	15,410,144
	30,820,288
Total Forward Contracts Value	5,779,355
Due Date	31-Dec-12
Credit Rating of Counterparties	A-1

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

Statements of Net Assets (in \$000's except for per unit amounts and number of units outstanding)

	As at December 31, 2008	As at December 31, 2007
ASSETS		
Investments at fair value*	24,875	68,344
Cash	65	445
Unrealized gain on forward contract	5,779	–
Management fee rebate receivable	–	–
Dividends and accrued interest receivable	–	–
	<u>30,719</u>	<u>68,789</u>
LIABILITIES		
Payable for unit redemptions	4,473	6,583
Unrealized loss on forward contract	–	21,393
Service fees payable	58	83
Distributions payable	244	284
Management fees payable	7	11
Accrued expenses	6	6
Spread fee payable	51	155
Borrowing fee payable	18	79
	<u>4,857</u>	<u>28,594</u>
Net assets and unitholders' equity	<u>25,862</u>	<u>40,195</u>
UNITHOLDERS' EQUITY		
Unit capital	19,489	26,269
Contributed surplus	–	–
Retained earnings (deficit)	6,373	13,926
Net assets and unitholders' equity	<u>25,862</u>	<u>40,195</u>
*Investments at cost	<u>31,352</u>	<u>41,286</u>
Net assets per unit (Note 2 and Note 8)	<u>18.78</u>	<u>24.91</u>
Number of units outstanding (Note 3)	<u>1,376,963</u>	<u>1,613,793</u>

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

Statements of Operations and Retained Earnings (Deficit) (in \$000's except for per unit amounts)

	For the years ended December 31	
	2008	2007
INVESTMENT INCOME		
Interest	7	18
Management fee rebate	–	–
	7	18
EXPENSES		
Management fees (Note 4)	92	120
Administrative expenses (Note 4)	49	44
Service fees (Note 4)	147	192
Legal	4	12
Audit	19	17
Goods and services tax	16	23
	327	408
Net investment income (loss) for the year	(320)	(390)
Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs		
Realized gain (loss) on investments	117	4,908
Commissions and other portfolio transaction costs	–	–
Forward fees (Note 4)	(370)	(510)
Change in unrealized appreciation (depreciation) of investments and derivatives	(6,361)	(2,568)
Net gain (loss) on investments	(6,614)	1,830
Increase (decrease) in net assets from operations	(6,934)	1,440
Increase (decrease) in net assets from operations per unit	(4.30)	0.76
STATEMENT OF RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), beginning of year	13,926	15,072
Section 3855 transitional adjustment	–	(88)
Adjusted Retained earnings (deficit), beginning of the year	13,926	14,984
(Excess) deficiency on amounts paid on units redeemed	(619)	(1,831)
Increase (decrease) in net assets from operations	(6,934)	1,440
Distribution from net income	–	–
Distribution from realized gains	–	(667)
Retained earnings (deficit), end of year	6,373	13,926

The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

Statements of Changes in Net Assets (in \$000's)

	For the years ended December 31	
	2008	2007
Net assets, beginning of year	40,195	48,828
Section 3855 transitional adjustment	–	(88)
Adjusted net assets, beginning of the year	40,195	48,740
CAPITAL TRANSACTIONS		
Cost of units redeemed	(3,856)	(4,751)
(Excess) deficiency on amounts paid on units redeemed	(619)	(1,831)
	(4,475)	(6,582)
DISTRIBUTIONS TO UNITHOLDERS		
From net income	–	–
From realized gains	–	(667)
From return of capital	(2,924)	(2,736)
	(2,924)	(3,403)
Increase (decrease) in net assets from operations	(6,934)	1,440
Net assets, end of year	25,862	40,195

Statements of Cash Flows (in \$000's)

	For the years ended December 31	
	2008	2007
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net investment income (loss)	(320)	(390)
Proceeds of disposition of investments	54,566	30,709
Purchase of investments	(45,048)	(17,925)
Net change in non-cash balances related to operations	(29)	214
	9,169	12,608
FINANCING ACTIVITIES		
Distributions paid	(2,964)	(4,416)
Cost of units redeemed	(6,585)	(8,247)
	(9,549)	(12,663)
Increase (decrease) in cash during the year	(380)	(55)
Cash (Bank overdraft), beginning of year	445	500
Cash (Bank overdraft), end of year	65	445

SKYLON GLOBAL CAPITAL YIELD TRUST II

Trust Specific Financial Instruments Risks (Note 12)

Skylon Global Capital Yield Trust II is exposed to the financial instruments' risks of the Skylon Global High Yield Trust. The Trust was created to obtain exposure to an actively managed portfolio of global high yield instruments and may include corporate debt, emerging market debt and other high yield instruments by virtue of the Forward Agreement. By entering into the Forward Agreements, the Trust eliminated the direct risk exposure to its common share portfolio and assumed the risk exposure of the Skylon Global High Yield Trust, as well as credit risk to the Counterparty of the Forward Agreement. As at December 13, 2008, the Trust holds 78% of the Skylon Global High Yield Trust. Details of the Trust's financial instruments risks exposure can be found in the following sections of this document. For details of the credit rating of the Counterparty of the Forward Agreement please refer to the "Statement of Investment Portfolio - Schedule A."

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008)

	Number of Shares/ Face Amount	Description	Average Cost (\$)	Fair Value (\$)
U.S.A. (59.4%)				
USD	25,000	American Home Mortgage Investment Trust 5.66% 09/25/2045	9,537	7,094
USD	100,000	Banc of America Commercial Mortgage Inc. 5.65833% 05/10/2017	92,729	88,993
USD	100,000	Banc of America Commercial Mortgage Inc. 5.74474% 02/10/2051	93,827	87,675
USD	300,000	Bank of America Corp. 1.8775% 06/22/2012	366,838	366,682
USD	400,000	Caterpillar Financial Services Ltd. 2.21625% 06/24/2011	406,240	435,107
USD	100,000	COMM 2006-C8 5.306% 12/10/2046	91,668	88,809
USD	25,000	CWALT 2005-59 1A1 0.80125% 11/20/2035	8,659	8,167
USD	25,000	CWALT 2005-62 2A1 3.256% 12/25/2035	6,925	6,445
USD	75,000	CWALT 2006-0A17 1A1A 0.7025% 12/20/2046	34,965	30,105
USD	25,000	CWALT 2006-0A9 2A1A 0.7175% 07/20/2046	9,639	8,533
USD	100,000	CWALT 2007-10 22AA 6.01352% 09/25/2037	64,573	57,743
USD	200,000	Fannie Mae Whole Loan 0.82125% 09/25/2042	39,752	41,905
USD	900,000	FHLMC Gold 5.5% 01/01/2036	1,152,369	1,120,787
USD	1,000,000	FNMA TBA 30 Year SFM 5.5% 01/13/2039	1,284,561	1,247,217
USD	100,000	Genworth Global Funding 4.9425% 04/15/2014	94,556	55,877
USD	70,000	Goldman Sachs Group Inc. 1.76625% 06/28/2010	86,219	77,962
USD	114,000	Goldman Sachs Group Inc. 4.16375% 07/23/2009	149,699	135,078
USD	25,000	GSR Mortgage Loan Trust 5.18055% 01/25/2036	14,289	15,264
USD	50,000	Hawaiian Telecom Communications Inc. 9.75% 05/01/2013	62,470	4,563
USD	20,000	HCA Inc. 6.25% 02/15/2013	19,090	15,210
USD	100,000	JPMCC 2007-CB20 A4 5.794% 02/12/2051	93,534	88,420
USD	56,000	LBUBS 2007-C2 A3 5.43% 02/15/2040	51,013	48,973
USD	300,000	Mandalay Resort Group 9.375% 02/15/2010	423,809	266,478
USD	100,000	Metropolitan Life Global Funding I FRN 2.24625% 03/15/2012	98,411	96,039
USD	340,000	Mexico Government International Bond 5.625% 01/15/2017	324,472	413,711
USD	100,000	MSC 2007-IQ15 A4 5.809% 12/12/2049	93,459	91,115
USD	400,000	National Rural Utilities Cooperative Finance Corp. 2.21% 07/01/2010	406,240	444,102
	100,752	PIMCO Developing Local Markets Fund	1,157,113	1,310,544
	85,985	PIMCO Diversified Income Fund Institutional Accumulation	965,950	1,105,893
	542,723	PIMCO Emerging Markets Bond Fund	10,433,855	9,469,907
	546,286	PIMCO GIS High Yield Bond Fund	7,937,557	4,659,676
USD	400,000	SLM Student Loan Trust 2008-09 5.035% 04/25/2023	417,700	456,162
USD	100,000	Sprint Nextel Corp. 6% 12/01/2016	99,836	85,784
USD	200,000	Unicredito Italiano NY FRN 1.795% 05/15/2009	200,860	243,218
USD	370,000	United Mexican States 8.3% 08/15/2031	376,333	551,513
USD	25,000	WAMU 2007-HY1 4A1 5.44921% 02/25/2037	16,033	15,020
USD	25,000	WAMU 2007-OA1 A1A 2.956% 02/25/2047	10,445	8,617
USD	25,000	WFMB 2006-AR10 5A6 5.59408% 07/25/2036	14,618	12,811
USD	100,000	Williams Cos. Inc. 7.625% 07/15/2019	139,686	95,062
			27,349,529	23,362,261
Colombia (3.2%)				
USD	1,000,000	Republic of Colombia 7.375% 01/27/2017	1,115,518	1,265,469
Panama (2.7%)				
USD	600,000	Republic of Panama 6.7% 01/26/2036	722,742	657,070
USD	300,000	Republic of Panama 8.875% 09/30/2027	440,407	397,893
			1,163,149	1,054,963

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008) cont'd

	Number of Units/ Face Amount	Description	Average Cost (\$)	Fair Value (\$)
		Philippines (1.8%)		
USD	600,000	Republic of Philippines 6.375% 01/15/2032	606,176	693,574
		Mexico (1.5%)		
USD	200,000	America Movil SAB de C.V. 5.625% 11/15/2017	193,068	216,354
USD	60,000	Mexico Government International Bond 6.625% 03/03/2015	66,817	77,388
USD	230,000	United Mexican States 6.75% 09/27/2034	197,697	295,256
			457,582	588,998
		Ireland (0.5%)		
USD	200,000	Transneft, Series 144A 6.103% 06/27/2012	212,610	182,055
		Bermuda (0.4%)		
USD	200,000	Citic Resources 6.75% 05/15/2014	220,794	158,184
		Uruguay (0.2%)		
UYU	3,600,000	Republica Orient Uruguay 4.12961% 06/26/2037	416,185	84,918
		Commissions and other Portfolio Transaction Costs	–	
		Total Bonds & Equities (71.1%)	31,541,543	27,390,422
		Short Term Notes (15.1%)	5,879,185	5,840,480
		DERIVATIVE INSTRUMENTS		
		Foreign Currency Forward Contracts (1.1%) (see Schedule A)		411,004
		Credit Default Swap Contracts (-4.4%) (see Schedule B)	(204,844)	(1,691,165)
		Interest Rate Swap Contracts (2.2%) (see Schedule C)	(36,970)	833,558
		Total Investments (85.1%)	37,178,914	32,784,299
		Other Assets (net) (14.9%)		5,818,477
		Total Net Assets (100.0%)		38,602,776

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008) cont'd

Schedule A

Foreign Currency Forward Contracts (1.1%)

Contracts	Pay	Receive	Due Date	Credit Rating	Fair Value (\$)
1	(2,749) US \$	5,230 Brazilian Real	2-Jun-09	A-1+	(711)
1	(6,960) Brazilian Real	3,178 US \$	3-Feb-09	A-1+	257
1	(9,000) British Pound	13,341 US \$	13-Jan-09	A-1	258
1	(29,510,290) US \$	36,524,000 Canadian \$	14-Jan-09	A-1+	611,620
1	(5,954,000) Canadian \$	4,877,529 US \$	14-Jan-09	A-1	(18,328)
3	(49,000) Canadian \$	38,588 US \$	14-Jan-09	A-1	(2,040)
1	(214,518) US \$	102,486,000 Chilean Peso	6-May-09	A-1	(68,763)
1	(75,682,500) Chilean Peso	115,634 US \$	14-May-09	A-1+	(1,085)
2	(73,654) US \$	509,450 Chinese Renminbi	8-Sep-09	A-1	727
1	(50,000) US \$	347,050 Chinese Renminbi	8-Sep-09	A-1	708
3	(230,000) US \$	1,593,550 Chinese Renminbi	8-Sep-09	A-1	2,746
2	(100,000) US \$	693,375 Chinese Renminbi	8-Sep-09	A-1+	1,287
1	(40,000) US \$	276,120 Chinese Renminbi	8-Sep-09	A-1	297
1	(22,000) Euro	27,787 US \$	13-Jan-09	A-1	(3,560)
1	(66,087,704) Hungarian Florint	297,157 US \$	6-May-09	A-1	(55,429)
1	(10,000) US \$	102,400,000 Indonesian Rupiah	31-Mar-09	A-1	(1,097)
1	(10,000) US \$	103,400,000 Indonesian Rupiah	31-Mar-09	A-1	(989)
1	(10,000) US \$	112,100,000 Indonesian Rupiah	31-Mar-09	A-1+	(49)
1	(13,679) US \$	141,825,085 Indonesian Rupiah	31-Mar-09	A-1	(1,312)
1	(3,245) US \$	313,000 Japanese Yen	8-Jan-09	A-1+	251
1	(4,083) US \$	389,000 Japanese Yen	8-Jan-09	A-1	250
1	(3,968) US \$	377,000 Japanese Yen	8-Jan-09	A-1	229
1	(8,017) US \$	764,000 Japanese Yen	8-Jan-09	A-1	494
1	(10,000) US \$	35,160 Malaysian Ringgitt	14-Apr-09	A-1	205
1	(5,733) US \$	20,000 Malaysian Ringgitt	12-Feb-09	A-1	63
1	(10,000) US \$	35,918 Malaysian Ringgitt	12-Feb-09	A-1	474
1	(3,333) US \$	11,798 Malaysian Ringgitt	12-Feb-09	A-1	97
1	(67,909) Mexican Peso	6,219 US \$	19-May-09	A-1	1,754
1	(10,267) US \$	470,430 Philipino Peso	6-Feb-09	A-1	(479)
1	(6,224) US \$	300,000 Philipino Peso	6-Feb-09	A-1	88
1	(291,690) Polish Zloty	102,998 US \$	6-May-09	A-1	7,033
1	(133,838) US \$	302,045 Polish Zloty	6-May-09	A-1+	(40,359)
1	(964,244) Romanian Leu	356,520 US \$	28-Jan-09	A-1	28,811
1	(378,580) US \$	964,244 Romanian Leu	28-Jan-09	A-1	(55,654)
1	(141,117) Singaporean \$	93,042 US \$	14-Apr-09	A-1	(6,385)
1	(130,000) US \$	190,814 Singaporean \$	30-Jul-09	A-1	3,410
1	(101,938) US \$	153,548 Singaporean \$	30-Jul-09	A-1	5,997
1	(1,111) US \$	12,242 South African Rand	14-May-09	A-1	188
Total Foreign Currency Forward Contracts Value					411,004

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2008) cont'd

Schedule B

Credit Default Swap Contracts (-4.4%)

Contracts	Notional/		Price (\$)	Due Date	Credit Rating	Cost (\$)	Fair Value (\$)
	(Local)						
2,200,000	(259,027)	CDX EM10 SP 9-21-08 BRC (Rcv Cpn)	(14.98)	20-Dec-13	A-1	(85,882)	(401,066)
1,600,000	(158,594)	CDX EM10 SP 9-21-08 DUB (Rcv Cpn)	(14.98)	20-Dec-13	A-1	(98,707)	(291,685)
800,000	(109,329)	CDX EM9 SP 3-21-08 SP UAG (Rec Cpn)	(15.64)	20-Jun-13	A-1	(19,225)	(152,257)
4,500,000	(691,866)	CDX HY-10 100 25-35% SP MEI (Rec Cpn)	(15.37)	20-Jun-11	A-1	–	(841,862)
100,000	(1,284)	Cdx Na Ig 11 5Y Sp Dub (Rec Cpn)	(2.13)	20-Dec-13	A-1	(1,030)	(2,593)
500,000	(8,068)	MEX SP LSI 04/20/11- 0.75 (Rcv Cpn)	(1.61)	20-Apr-11	A-1	–	(9,817)
150,000	(3,202)	Nalco SP LSI (Rcv Cpn)	(2.13)	20-Dec-12	A-1	–	(3,896)
400,000	(3,388)	Ohio Edison Cred Def - 0.47 WNA (Rec Cpn)	(0.85)	20-Mar-10	A-1	–	(4,122)
500,000	13,258	Telefonos BP LSI 04/20/11 - 0.55 (Pay Cpn)	2.65	20-Apr-11	A-1	–	16,133
Total Credit Default Swap Contracts Value						(204,844)	(1,691,165)

Schedule C

Interest Rate Swap Contracts (2.2%)

Contracts	Notional/		Price (\$)	Due Date	Credit Rating	Cost (\$)	Fair Value (\$)
	(Local)						
600,000	42,165	IRS EUR R 6ME-4.5 03-18-09 GLM (Rec Fix)	5.75	18-Mar-14	A-1	(12,986)	58,685
100,000	9,818	IRS GBP R 6ML-5.0 03-18-09 GLM (Rec Fix)	8.62	18-Mar-14	A-1	(2,119)	15,315
100,000	9,975	IRS GBP R 6ML-5.0 03-18-09 RYL (Rec Fix)	8.62	18-Mar-14	A-1	(2,397)	15,315
310,000	18,139	IRS PLN R 6MW-5.24 04-20-07 CBK (Rec Fix)	6.21	20-Apr-17	A-1	462	7,895
3,000,000	(20,671)	IRS USD P 4.0-3ML 06-17-09 RYL (Pay Fix)	(4.49)	17-Jun-11	A-1	(138,715)	(163,868)
1,200,000	(386,895)	IRS USD P 5.0-3ML 12-17-08 FBF (Pay Fix)	(33.85)	17-Dec-28	A-1	(23,509)	(494,283)
17,000,000	410,204	IRS USD R 3ML-4.0 06-17-09 GLM (Rec Fix)	2.61	17-Jun-10	A-1	41,371	540,507
5,500,000	65,642	IRS USD R 3ML-4.0 12-17-08 LSI (Rec Fix)	2.11	17-Dec-10	A-1	61,302	141,176
2,700,000	553,250	IRS USD R 3ML-5.0 12-17-08 MYC (Rec Fix)	21.70	17-Dec-18	A-1	39,621	712,816
Total Interest Rate Swap Contracts Value						(36,970)	833,558

Percentages shown in brackets relate investments at fair value to total net assets of the Trust.
The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statements of Net Assets (in \$000's except for per unit amounts and number of units outstanding)

	As at December 31, 2008	As at December 31, 2007
ASSETS		
Investments at fair value*	27,390	38,830
Cash	6,843	215
Short term investments	5,840	9,172
Daily variation margin on derivative investments	1,906	–
Unrealized gain on derivative investments	–	1,216
Premium paid for swap contract	–	220
Receivable for securities sold	–	10,544
Management fee rebate receivable	12	19
Dividends and accrued interest receivable	165	150
Income receivable from investments	–	1,459
	<u>42,156</u>	<u>61,825</u>
LIABILITIES		
Payable for securities purchased	2,344	–
Unrealized loss on derivative investments	205	–
Premium received from swap contract	242	–
Distributions payable	728	436
Management fees payable	30	48
Accrued expenses	4	6
	<u>3,553</u>	<u>490</u>
Net assets and unitholders' equity	<u>38,603</u>	<u>61,335</u>
UNITHOLDERS' EQUITY		
Unit capital	62,230	76,711
Contributed surplus	8,643	6,227
Retained earnings (deficit)	(32,270)	(21,603)
Net assets and unitholders' equity	<u>38,603</u>	<u>61,335</u>
*Investments at cost	<u>31,542</u>	<u>47,474</u>
Net assets per unit (Note 2 and Note 8)	<u>21.21</u>	<u>28.16</u>
Number of units outstanding (Note 3)	<u>1,820,093</u>	<u>2,178,320</u>

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statements of Operations and Retained Earnings (Deficit) (in \$000's except for per unit amounts)

	For the years ended December 31	
	2008	2007
INVESTMENT INCOME		
Interest	1,223	885
Derivative income (loss)	188	255
Income distribution from investments	2,010	3,791
Management fee rebate	144	227
Less: Foreign withholding taxes	(9)	7
	3,556	5,165
EXPENSES		
Management fees (Note 4)	404	538
Administrative expenses (Note 4)	34	20
Interest expense	4	4
Legal	5	18
Audit	29	27
Goods and services tax	24	36
	500	643
Net investment income (loss) for the year	3,056	4,522
Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs		
Realized gain (loss) on investments	(13,860)	2,154
Foreign exchange gain (loss)	297	176
Commissions and other portfolio transaction costs	(20)	(13)
Change in unrealized appreciation (depreciation) of investments and derivatives	2,726	(3,874)
Net gain (loss) on investments	(10,857)	(1,557)
Increase (decrease) in net assets from operations	(7,801)	2,965
Increase (decrease) in net assets from operations per unit	(4.25)	1.36
STATEMENTS OF RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), beginning of year	(21,603)	(19,339)
Section 3855 transitional adjustment	–	(1)
Adjusted Retained earnings (deficit), beginning of the year	(21,603)	(19,340)
(Excess) deficiency on amount paid on unit redeemed	–	–
Increase (decrease) in net assets from operations	(7,801)	2,965
Distribution from net income	(2,866)	(2,648)
Distribution from realized gains	–	(2,580)
Retained earnings (deficit), end of year	(32,270)	(21,603)

The accompanying notes are an integral part of these financial statements.

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statements of Changes in Net Assets (in \$000's)

	For the years ended December 31	
	2008	2007
Net assets, beginning of year	61,335	74,553
Section 3855 transitional adjustment	–	(1)
Adjusted net assets, beginning of the year	61,335	74,552
CAPITAL TRANSACTIONS		
Cost of units redeemed	(12,615)	(13,174)
(Excess) deficiency on amounts paid on units redeemed	2,416	2,220
	(10,199)	(10,954)
DISTRIBUTIONS TO UNITHOLDERS		
From net income	(2,866)	(2,648)
From realized gains	–	(2,580)
From return of capital	(1,866)	–
	(4,732)	(5,228)
Increase (decrease) in net assets from operations	(7,801)	2,965
Net assets, end of year	38,603	61,335

Statements of Cash Flows (in \$000's)

	For the years ended December 31	
	2008	2007
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net investment income (loss)	3,056	4,522
Proceeds of disposition of investments	43,131	54,014
Purchase of investments	(24,446)	(42,342)
Net change in non-cash balances related to operations	(474)	(541)
	21,267	15,653
FINANCING ACTIVITIES		
Distributions paid	(4,440)	(5,354)
Cost of units redeemed	(10,199)	(10,954)
	(14,639)	(16,308)
Increase (decrease) in cash during the year	6,628	(655)
Cash (Bank overdraft), beginning of year	215	870
Cash (Bank overdraft), end of year	6,843	215

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

Other Price Risk

The Trust is exposed to other price risk as some of its holdings are sensitive to changes in general economic conditions across the world. The Trust's portfolio consists of fixed income securities, thus an overall downturn in economic conditions across the world may lead to a widening in credit spreads which would then lead to a decrease in the value of the Trust's holdings. A portion of the Trust assets is also invested in units of other pooled trusts.

As at December 31, 2008, had the global markets increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$1,693,000. In practice, the actual trading results may differ from this sensitivity analysis and the difference may be material.

Interest Rate Risk

The Trust is exposed to interest rate risk as it invests in fixed income securities that mature in one or more years. As a result, the value of the Trust's investments will fluctuate due to changes in the prevailing levels of market interest rates. The higher the credit rating of the issuers and the longer the term to maturity, the more sensitive the Trust is to changes in prevailing interest rates. The Trust is indirectly exposed to interest rate risk through investments in other pooled trusts.

The table below summarizes the Trust's exposure to interest rate risk. It includes the Trust's assets and liabilities at fair values, categorized by the contractual maturity date.

as at December 31, 2008*

	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Non-interest bearing (in \$000's)	Total (in \$000's)
ASSETS						
Financial assets held for trading	14,968	1,224	665	8,578	16,544	41,979
Loans and receivables	–	–	–	–	177	177
Derivative assets	–	696	–	813	667	2,176
Total Assets	14,968	1,920	665	9,391	17,388	44,332
LIABILITIES						
Financial liabilities held for trading	–	–	–	–	–	–
Financial liabilities at amortized cost	–	–	–	–	(3,106)	(3,106)
Derivative liabilities	–	(1,014)	(856)	(497)	(256)	(2,623)
Total Liabilities	–	(1,014)	(856)	(497)	(3,362)	(5,729)

*Total assets and liabilities presented in table above are not intended to match total assets and liabilities disclosed in Statements of Net Assets, due to differences in presentation of derivative instruments held at the end of the reporting period, if applicable.

As at December 31, 2008, had the prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$319,000. In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

The accompanying notes are an integral part of these financial statements.

Annual Financial Statements as at December 31, 2008

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

Currency Risk

The Trust is exposed to currency risk as most of its assets are denominated in currencies other than the Canadian dollar, the functional currency of the Trust. However, in accordance with the Trust's investment objectives, in order to mitigate the Trust's currency risk exposure, at least 90% of the Trust's holdings are hedged against fluctuations in values of foreign currencies. The Trust is indirectly exposed to currency risk through investments in other pooled trusts.

The table below summarizes the Trust's exposure to currency risk, net of derivative instruments.
as at December 31, 2008

CURRENCY	Total (in \$000's)	Net Assets (%)
US Dollar	1,734	4.5
Chinese Renminbi	610	1.6
Singapore Dollar	173	0.4
Uruguayan New Peso	85	0.2
Chilean Peso	51	0.1
Indonesian Rupiah	51	0.1
Euro	43	0.1
Malaysian Ringgit	36	0.1
Japanese Yen	25	0.1
British Pound	20	0.1
Philippine Peso	20	0.1
Polish Zloty	12	0.1
South Africa Rand	3	0.1
Brazilian Real	(1)	(0.1)
Mexican Peso	(3)	(0.1)
Hungarian Forint	(423)	(1.1)
Total	2,436	6.3

As at December 31, 2008, had the Canadian dollar strengthened or weakened by 10% in relation to all other foreign currencies held in the Trust, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$248,000. In practice, the actual trading results may differ from the sensitivity analysis and the difference can be material.

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

Credit Risk

The Trust is exposed to credit risk as it invests in fixed income securities that bear an investment grade rating. The rest of the Trust's assets are invested in units of pooled trusts, and as a result, the Trust is indirectly exposed to credit risk arising from holdings of pooled trusts.

The Trust was invested in debt securities and derivative instruments if any, with the following credit ratings, as per table below.

as at December 31, 2008*

DEBT SECURITIES AND DERIVATIVE INSTRUMENTS BY CREDIT RATING	Net Assets (%)
AAA/Aaa/A++	4.0
AA/Aa/A+	8.2
A	3.5
BBB/Baa/B++	7.8
BB/Ba/B+	5.6
B	0.7
Not Rated	16.5
Total	46.3

*Credit ratings are obtained from Standard & Poor's, otherwise ratings are obtained from: Moody's Investors Service, Dominion Bond Rating Services and Canadian Bond Rating Services, respectively.

1. THE TRUSTS

Skylon Global Capital Yield Trust (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario on June 26, 2002. On July 24, 2002 the Trust completed an initial public offering of 1,600,000 units at \$25 per unit. The Trust's units are listed on the Toronto Stock Exchange, under the symbol SLP.UN. On August 23, 2002 an over-allotment option granted to agents was exercised for further issuance of 80,000 units at \$25 per unit. The Trust will terminate operations on July 31, 2012 (the "Termination Date") and the net assets will be distributed pro rata to unitholders unless an alternative later termination date is approved by the unitholders.

Skylon Global Capital Yield Trust II (the "Trust II") is a closed-end investment trust established under the laws of the Province of Ontario on January 22, 2003. On February 14, 2003 the Trust II completed an initial public offering of 5,200,000 units at \$25 per unit. The Trust II's units are listed on the Toronto Stock Exchange, under the symbol SPO.UN. On March 14, 2003 an over-allotment option granted to agents was exercised for further issuance of 160,000 units at \$25 per unit. The Trust II will terminate operations on July 31, 2012 (the "Termination Date") and the net assets will be distributed pro rata to unitholders unless an alternative later termination date is approved by the unitholders.

Through a forward agreement or agreements (the "Forward Agreement") with TD Global Finance and Royal Bank of Canada, the Trust and the Trust II, respectively, provide unitholders with exposure to the performance of the Skylon Global High Yield Trust.

Skylon Global High Yield Trust is an investment trust established under the laws of the Province of Ontario on June 26, 2002. The Trust closed its initial exempt offering on July 30, 2002, issuing 1,600,000 redeemable, transferable units of the Trust at \$25 per unit. The Skylon Global High Yield Trust will terminate operations on July 31, 2012 (the "Termination Date") and the net assets will be distributed pro rata to unitholders unless an alternative later termination date is approved by the unitholders.

The manager of the Trust, the Trust II and Skylon Global High Yield Trust (the "Trusts") is CI Investments Inc. (the "Manager" and the "Trustee").

Pacific Investment Management Company LLC ("PIMCO") (the "Investment Advisor") has been engaged to provide advisory services to the Manager pursuant to an Investment Advisory Agreement dated June 26, 2002. The Manager pays a fee to the Investment Advisor for services rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Adoption of New Accounting Standards

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" in place of Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 and 3863 became effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trusts. These sections establish standards for disclosure of financial instruments including the nature and extent of risks arising from financial instruments to which the Trusts are exposed during the reporting period. The adoption of the new accounting standards has no impact on valuation policies, nor the way the Trusts' Net Assets are calculated.

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. This new standard became effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trusts. The adoption of this new accounting standard has no impact on the Trusts' Net Assets.

(b) Valuation of Investments

Investments are categorized as held for trading in accordance with Section 3855, "Financial Instruments – Recognition and Measurement" and are recorded at their fair value for financial reporting purposes. Listed securities are valued based on the bid price for securities held long and the ask price for securities held short on the financial reporting date.

Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures, money market investments and other debt instruments are valued at the bid quotation from recognized investment dealers.

The Canadian Securities Administrators ("CSA") amended section 14.2 of National Instrument 81-106 on September 5, 2008. The amended section 14.2 requires the net asset value of an investment fund to be calculated using the fair value of the fund's assets and liabilities. The adoption of Section 3855 results in a different valuation method for calculating daily net asset value. For the purpose of processing unitholder transactions, net asset value is calculated based on the closing market price (referred to as "Net Asset Value"), while for financial statement purposes net asset value is calculated based on bid/ask price (referred to as "Net Assets").

In accordance with NI 81-106, a comparison between the Net Asset Value per unit and the Net Assets per unit is disclosed in Note 8.

(c) Commissions and other portfolio transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

(d) Cost of Investments

Cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and transactions costs.

(e) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date for financial reporting purposes and any realized gains and losses on such transactions are calculated on an average cost basis.

Dividend income and distributions from investments are recognized on the ex-dividend/ex-distribution date and interest income is accounted for on the accrual basis.

Distributions received from income trust holdings are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment trust.

Distributions received from investment fund holdings are recognized by the Trusts in the same form in which they were received from the underlying funds.

All income, dividends, net realized and unrealized gains (losses) are attributable to investments and derivatives which are deemed held for trading.

(f) Foreign Exchange

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts, other assets and liabilities at the closing rate of exchange on each business day; income and expenses, purchases, sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in "Foreign exchange gain (loss)" as reflected in the Statement of Operations.

(g) Increase (Decrease) in Net Assets from Operations per Unit

Increase (decrease) in net assets from operations per unit in the Statement of Operations is calculated by dividing the increase (decrease) in net assets from operations by the weighted average number of units outstanding during the period.

(h) Forward Contracts

The Trusts may enter into forward contracts. Forward foreign currency contracts are valued using a bid price on the related public exchange, on each valuation day according to the gain (loss) that would be realized if the contracts were closed out.

All gains (losses) arising from forward foreign currency contracts are recorded as part of "Change in unrealized appreciation (depreciation) of investments and derivatives" in the Statement of Operations and "Unrealized gain (loss) on derivative instruments" in the Statement of Net Assets until the contracts are closed out or expire, at which time the gains (losses) are realized and reported as "Realized gain (loss) on investments" in the Statement of Operations.

The value of the forward on the valuation date is equal to the gain or loss that would be realized if the contract were closed out or expired. Investments sold forward as part of the forward agreement are valued at the market close price, and the Underlying Fund is valued at its net asset value as reported by the Underlying Fund's manager on the valuation date for purposes of determining the value of the forward contract. All gains (losses) arising from the forward agreement are recorded as part of "Change in unrealized appreciation (depreciation) of investments and derivatives" in the Statement of Operations and "Unrealized gain (loss) on derivative instruments" in the Statement of Net Assets until the contracts are closed out or expire; at which time the gains (losses) are realized and reported as "Realized gain (loss) on investments" in the Statement of Operations.

(i) Credit Default Swaps

The fair value of credit default swaps with exposures to underlying mortgage backed securities and asset backed securities are determined using indicative bid values obtained from third-party broker-dealers. The broker-dealers determine the fair value using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. The indicative bid values are independently assessed internally to ensure that they are reasonable. The fair values of credit default swaps are affected by the perceived credit risk of the underlying issuers, movements in credit spreads and the length of time to maturity.

The fair value of credit default swaps with exposures to underlying marketable issuers are determined using indicative bid values obtained from third-party broker-dealers. The broker-dealers determine the fair value using valuation models that are based, in part, on assumptions that are supported by observable market inputs. The indicative bid values are independently assessed internally to ensure that they are reasonable. The fair values of credit default swaps are affected by the perceived credit risk of the underlying issuers, movements in credit spreads and the length of time to maturity.

Entering into credit default swaps involves, to varying degrees, elements of credit and market risk. Such risks involve, but are not limited to, the possibility that there will be no liquid market for the agreements, that the counterparty to the agreements may default on its obligations.

Any income received for credit default swaps contracts is recorded as "Derivative income (loss)" in the Statement of Operations. When the credit default swaps contracts are closed out or expire, any gains (losses) are recorded as "Realized gain (loss) on investments" in the Statement of Operations.

(j) Interest rate swaps

The fair value of interest rate swaps are determined using indicative bid values obtained from third-party broker-dealers. The broker-dealers determine the fair value using valuation models that are based on assumptions that are supported by observable market inputs, including the interest rates for that day. The indicative bid values are independently assessed internally to ensure that they are reasonable.

Any income received for interest rate swaps contracts is recorded as "Derivative income (loss)" in the Statement of Operations.

(k) Cash and Short-Term Investments

Cash is comprised of cash on deposit. Short-term investments are comprised of short-term debt instruments with terms to maturity of less than one year at acquisition.

(l) Net Asset Value Per Unit

Net asset value per unit for each class is calculated at the end of each day on which the Toronto Stock Exchange is open for business by dividing the total net asset value of each class by outstanding units.

(m) Income Taxes

The Trust and the Trust II comply with the Income Tax Act (Canada) to qualify as mutual fund trusts. A mutual fund trust is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable gains, less the portion thereof that it claims in respect of the amounts paid or payable to the Unitholders for the year. Income tax paid by the Trust on any net realized capital gains not paid or payable to Unitholders is recoverable by the Trust. Each of the Trust and the Trust II intends to distribute all of its net income and net realized capital gains so that it will not generally be liable for income tax thereon.

Skylon Global High Yield Trust is a unit trust which is subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including net realized taxable gains, less the portion thereof that it claims in respect of the amounts paid or payable to the Unitholders for the year. The Skylon Global High Yield Trust intends to distribute all of its net income and net realized capital gains so that it will not generally be liable for income tax thereon.

(n) Use of Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

3. UNITHOLDERS' EQUITY

Units issued and outstanding represent the capital of the Trust and the Trust II.

The relevant changes pertaining to subscription and redemption of the Trust and the Trust II units are disclosed in the Statement of Changes in Net Assets, respectively. In accordance with the objectives and risk management policies outlined in Note 12, the Trust and the Trust II endeavor to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions through utilizing a short-term borrowing facility or disposal of investments when necessary.

The Trust and Trust II are 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 respective Trusts. Unitholders are entitled to redeem their units outstanding monthly ("Monthly Redemption") or at the end of each year ("Annual Redemption"). Monthly redemption price per unit is equal to the lesser of: (a) 90% of the 10 day average trading price on the applicable monthly valuation date; and (b) the "closing market price" per unit on the applicable monthly valuation date. Annual redemption price per unit is equal to net asset value per unit determined on the annual valuation date.

Unless the transfer agent and registrar is directed that units are being surrendered for redemption pursuant to a monthly redemption, units surrendered for redemption within the period commencing 45 days and ending five business days prior to the second last day of December in any year will be deemed to have been surrendered for the Annual Redemption.

For Skylon Global Capital Yield Trust, monthly distributions of \$0.1510 per unit (\$1.81 per annum to yield 7.25% on the subscription price of \$25.00 per unit) commenced on August 30, 2002, and are expected to be paid monthly thereafter until termination of the Trust.

Notes to the Financial Statements (cont'd)

For the years ending December 31, net capital transactions of Skylon Global Capital Yield Trust consisted of the following:

Unit Transactions	2008	2007
Balance, beginning of year	393,108	518,657
Units redeemed	(77,145)	(125,549)
Balance, end of year	315,963	393,108

For Skylon Global Capital Yield Trust II, monthly distributions of \$0.1510 per unit (\$1.81 per annum to yield 7.25% on the subscription price of \$25.00 per unit) commenced on March 31, 2003, and are expected to be paid monthly thereafter until termination of the Trust II.

For the years ending December 31, net capital transactions of Skylon Global Capital Yield Trust II consisted of the following:

Unit Transactions	2008	2007
Balance, beginning of year	1,613,793	1,878,134
Units redeemed	(236,830)	(264,341)
Balance, end of year	1,376,963	1,613,793

Units issued and outstanding represent the capital of the Skylon Global High Yield Trust.

The relevant changes pertaining to subscription and redemption of the Skylon Global High Yield Trust units are disclosed in the Statement of Changes in Net Assets. In accordance with the objectives and risk management policies outlined in Note 12, the Skylon Global High Yield Trust endeavor to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions through utilizing a short-term borrowing facility or disposal of investments when necessary.

Skylon Global High Yield 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 Skylon Global High Yield Trust. Unitholders are entitled to redeem their units daily. Units will be redeemed at the net asset value per unit on such date.

For Skylon Global High Yield Trust , monthly distributions of \$0.1510 per unit (\$1.81 per annum to yield 7.25% on the subscription price of \$25.00 per unit) commenced on August 30, 2002, and are expected to be paid monthly thereafter until termination of the Skylon Global High Yield Trust.

For the years ending December 31, net capital transactions of Skylon Global High Yield Trust consisted of the following:

Unit Transactions	2008	2007
Balance, beginning of year	2,178,320	2,552,419
Units redeemed	(358,227)	(374,099)
Balance, end of year	1,820,093	2,178,320

4. FEES AND OTHER EXPENSES

(a) Management Fees

The Manager is entitled to an annual fee of 0.25% of the net asset value ("NAV") of Skylon Global Capital Yield Trust and Skylon Global Capital Yield Trust II, payable monthly in arrears, and an amount equal to the service fee which is equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, payable semi-annually in arrears.

Skyron Global High Yield Trust pays to the Manager an annual fee (the "Management Fee") equal to 0.85% of its net asset value calculated and paid monthly in arrears. Skyron Global High Yield Trust made investments in PIMCO Developing Local Markets Fund, PIMCO Diversified Income Fund Institutional Accumulation, PIMCO Emerging Markets Bond Fund, and PIMCO GIS High Yield Bond Fund. As a result, the management fee was reduced such that there would not be a duplication of fees to the unitholders. These management fee reductions were 0.65% for PIMCO Developing Local Markets Fund, 0.45% for PIMCO Diversified Income Fund Institutional Accumulation, 0.59% for PIMCO Emerging Markets Bond Fund and 0.39% for PIMCO GIS High Yield Bond Fund for 2008.

(b) Administrative Expenses

The Trusts are also responsible for all their expenses incurred in connection with their operations and administration, including trustee fees, audit and legal fees, transfer agency, custody and accounting fees.

(c) Service Fees

The Manager will pay to registered dealers of the Trust and Trust II an annual fee of 0.40% of the NAV per unit for units held by clients of the sales representatives of the registered dealers, calculated and payable semi-annually in arrears.

(d) Advisory Fees

A portion of the Management Fee payable to the Manager will be paid to the Investment Advisor by the Manager.

(e) Forward Agreement Fees

Each of the Trust and Trust II will pay to the counterparties under the Forward Agreement a fee of approximately 0.65% per annum of the market value of notional exposure to Skyron Global High Yield Trust under the Forward Agreements ("spread fee"), plus an ongoing fee ("borrowing fee") which may vary based upon hedging costs associated with the Forward Agreement, calculated and paid monthly in arrears.

5. MARKET REPURCHASE PROGRAM

In accordance with the Trust's prospectus, and to enhance liquidity and to provide support to the units, the Trust has a mandatory market purchase program under which the Trust, subject to exceptions contained in the Trust Agreement and in compliance with any regulatory requirements, is obligated to purchase its own units for cancellation. If, on any business day, the price at which units are offered for sale is less than 90% of the net asset value per unit determined as at the close of the most recent valuation date, the Trust will offer to purchase for cancellation any units offered in the market at the then prevailing market price. The maximum number of units to be purchased in any three month period will not be over 1.25% of the number of units outstanding at the beginning of such period. During the years ended December 31, 2008 and 2007, the Trust made no purchase of units for cancellation.

In accordance with the Trust II's prospectus, and to enhance liquidity and to provide support to the units, the Trust II has a mandatory market purchase program under which the Trust II, subject to exceptions contained in the Trust II Agreement and in compliance with any regulatory requirements, is obligated to purchase its own units for cancellation. If, on any business day, the price at which units are offered for sale is less than 90% of the net asset value per unit determined as at the close the most recent valuation date, the Trust II will offer to purchase for cancellation any units offered in the market at the then prevailing market price. The maximum number of units to be purchased in any three month period will not be over 1.25% of the number of units outstanding at the beginning of such period. During the years ended December 31, 2008 and 2007, the Trust II made no purchase of units for cancellation.

6. SECURITIES LENDING

The Trust may engage in securities lending provided a number of conditions are satisfied, including that the loan is fully collateralized. The minimum level of collateralization in respect of a loan of Common Share Portfolio securities will be 105%. The Global High Yield Trust may also receive a fee or interest on the collateral, and may pay lending fees to a party arranging the loan. As at December 31, 2008 and 2007 the Trust was not engaged in securities lending.

The Trust II may engage in securities lending provided a number of conditions are satisfied, including that the loan is fully collateralized. The minimum level of collateralization in respect of a loan of Common Share Portfolio securities will be 105%. The Global High Yield Trust may also receive a fee or interest on the collateral, and may pay lending fees to a party arranging the loan. As at December 31, 2008 and 2007 the Trust II was not engaged in securities lending.

The Skylon Global High Yield Trust may engage in a securities lending provided a number of conditions are satisfied, including that the loan is fully collateralized. The minimum level of collateralization in respect of a loan of Global High Yield Portfolio securities will be 100%. The Trust may also receive a fee or interest on the collateral, and may pay lending fees to a party arranging the loan. As at December 31, 2008 and 2007 the Skylon Global High Yield Trust was not engaged in securities lending.

7. INCOME TAX LOSSES CARRIED FORWARD

Net capital losses may be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses arising in taxation years up to 2003 may be carried forward seven years. Non-capital losses arising in taxation years 2004 and 2005 may be carried forward ten years. Non-capital losses arising in taxation years after 2005 may be carried forward twenty years.

Skylon Global Capital Yield Trust had no net capital losses carried forward or non-capital losses carried forward as at December 31, 2008.

Skylon Global Capital Yield Trust II

Loss carry forwards (in \$000's)

	2008							
Net capital loss carried forward	1,366							
Year of expiry	2009	2010	2014	2015	2026	2027	2028	Total
Non-capital loss carried forward	-	-	-	-	-	-	400	400

Skylon Global High Yield Trust

Loss carry forwards (in \$000's)

	2008							
Net capital loss carried forward	16,358							
Year of expiry	2009	2010	2014	2015	2026	2027	2028	Total
Non-capital loss carried forward	-	-	-	-	-	-	-	-

8. NET ASSETS RECONCILIATION

In accordance with the NI 81-106, a reconciliation of net assets per unit and net asset value per unit, as at December 31, 2008 and 2007, is as follows:

Skylon Global Capital Yield Trust	2008	2007
Net assets per unit	22.49	29.06
Section 3855 adjustment per unit	0.05	0.03
Net asset value per unit	22.54	29.09

Notes to the Financial Statements (cont'd)

Skylon Global Capital Yield Trust II	2008	2007
Net assets per unit	18.78	24.91
Section 3855 adjustment per unit	0.12	0.05
Net asset value per unit	18.90	24.96

Skylon Global High Yield Trust	2008	2007
Net assets per unit	21.21	28.16
Section 3855 adjustment per unit	–	0.02
Net asset value per unit	21.21	28.18

9. RELATED PARTY TRANSACTIONS

On October 6, 2008 Sun Life Financial Inc. sold its significant interest in CI Financial Corp. (formerly CI Financial Income Fund) to The Bank of Nova Scotia. As CI Financial Corp. is the parent company of the Manager, The Bank of Nova Scotia therefore is considered a related party to the Trusts. The Bank of Nova Scotia did not hold investments in the Trusts as at December 31, 2008.

10. FUTURE ACCOUNTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for all publicly accountable profit-oriented enterprises. IFRS will replace Canadian Generally Accepted Accounting Principles (“GAAP”). IFRS becomes effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

At December 31, 2008, the Manager is taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS standards.
- Identification of operational areas impacted by the adoption of IFRS.
- Assessment of current reporting systems and their readiness for IFRS implementation.
- Implementation of an IFRS transition plan.

11. FINANCIAL INSTRUMENTS

The categorization of financial instruments in accordance with CICA 3855, Financial Instruments – Recognition and Measurement (“CICA 3855”) are as follows: financial assets and financial liabilities held for trading are stated at fair value. Due from brokers, interest and dividends receivable, subscriptions receivable and other receivables are designated as loans and receivables and shown as other assets. They are recorded at cost and amortized cost which approximates their fair value due to their short term nature. Similarly, redemptions payable, due to brokers, accrued management fees, accrued expenses and other payables are designated as financial liabilities and are carried at their amortized cost which approximates their fair value, due to their short term nature.

12. FINANCIAL INSTRUMENTS RISK

Risk Management

The Trusts are exposed to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The level of risk to which each Trust is exposed depends on the investment objective and the type of investments the Trust holds. The value of the investments within the portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news related to investments held by the Trust. The Manager of the Trusts may minimize potential adverse effects of these risks on the Trusts’ performance by, but not limited to, regular monitoring of the Trusts’ positions and market events, diversification of the investment portfolio by asset type, industry, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

Details of individual Trust's exposure to financial instruments risks are available in the "Trust Specific Financial Instruments Risks" section of the financial statements of each Trust.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital. Except for options written, future contracts sold short and investments sold short, the maximum risk resulting from financial instruments is equivalent to their fair value.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to significant other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of the Trusts will be affected by changes in applicable interest rates as invest in debt securities and income trusts. If interest rates fall, the fair value of existing debt securities may increase due to the increase in yield. On the other hand, if interest rates rise, the yield of existing debt securities decrease which may then lead to a decrease in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than short-term debt securities.

Interest rate risk also applies if they invest in convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the functional currency of the Trust. As a result, the Trust may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investment Portfolio identifies all bonds and derivative instruments denominated in foreign currencies. Equities traded in foreign markets are also exposed to currency risk as the prices denominated in foreign currencies are converted to the Trust's functional currency to determine their fair value.

Credit Risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for derivative instruments, if applicable, is based on the Trust's unrealized gain (loss) of the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of the Trust's other assets is represented by their carrying amount as disclosed in the Statement of Net Assets.

Liquidity Risk

Liquidity risk is the risk that the Trusts may not be able to settle or meet their obligations, on time or at a reasonable price. The Skylon Global High Yield Trust is exposed to daily cash redemptions of redeemable units. Therefore, the Skylon Global High Yield Trust invests the majority of its assets in investments that are traded in active markets and can be readily disposed of. In addition, the Skylon Global High Yield Trust retains sufficient cash and cash equivalents positions to maintain liquidity. From time to time, the Skylon Global High Yield Trust may enter into derivative contracts or invest in unlisted securities that may not trade in an organized market and may be illiquid. Illiquid securities are identified in the Statement of Investment Portfolio, if applicable. Trust and Trust II are exposed to monthly and annual cash redemptions that will be financed by partial settlements of the Forward Agreement.

Trust Information

Manager and Trustee

CI Investments Inc.

2 Queen Street East, 20th Floor

Toronto, Ontario

M5C 3G7

Phone: (416) 364-1145

Fax: (416) 364-6299

Toll Free: 1-800-268-9374

www.ci.com

service@ci.com

Custodian

RBC Dexia Investor Services Trust

77 King Street West

10th Floor

Toronto, Ontario

M5W 1P9

Auditors

PricewaterhouseCoopers LLP

Suite 3000, Box 82

Royal Trust Tower, TD Centre

Toronto, Ontario

M5K 1G8

Registrar & Transfer Agent

Computershare Investor Services Inc.

100 University Avenue

8th Floor

Toronto, Ontario

M5J 2Y1

Listed

The Toronto Stock Exchange

Ticker Symbol

SLP.UN

SPO.UN

For more information on the Trust, visit us online
at www.ci.com.

