

2009 Annual Financial Statements

for the year ended December 31, 2009



Skylon Global Capital Yield Trust

Skylon Global Capital Yield Trust II

Skylon Global High Yield Trust

Table of Contents

| | |
|--|---|
| Management and Auditors' Reports | 1 |
|--|---|

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

| | |
|---|---|
| Statement of Investment Portfolio | 2 |
| Statements of Net Assets | 4 |
| Statements of Operations and Retained Earnings (Deficit) | 5 |
| Statements of Changes in Net Assets | 6 |
| Statements of Cash Flows | 6 |
| Trust Specific Financial Instruments Risks | 7 |

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements

| | |
|---|----|
| Statement of Investment Portfolio | 8 |
| Statements of Net Assets | 10 |
| Statements of Operations and Retained Earnings (Deficit) | 11 |
| Statements of Changes in Net Assets | 12 |
| Statements of Cash Flows | 12 |
| Trust Specific Financial Instruments Risks | 13 |

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

| | |
|---|----|
| Statement of Investment Portfolio | 14 |
| Statements of Net Assets | 16 |
| Statements of Operations and Retained Earnings (Deficit) | 17 |
| Statements of Changes in Net Assets | 18 |
| Statements of Cash Flows | 18 |
| Trust Specific Financial Instruments Risks | 19 |
| Notes to the Financial Statements | 23 |
| Trust Information | 33 |

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 (collectively the "Trusts") 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 24, 2010



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, 2009, the Statements of Net Assets as at December 31, 2009 and 2008 and the Statements of Operations and Retained Earnings (Deficit), Changes in Net Assets and Cash Flows for the years ended December 31, 2009 and 2008. 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, 2009 and 2008, 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 24, 2010



Chartered Accountants,
Licensed Public Accountants

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2009)

| Number of Shares/ Face Amount | Description | Average Cost (\$) | Fair Value (\$) |
|---|--------------------------|----------------------|--------------------|
| Equities Subject to Forward Contract (65.6%) | | | |
| 34,158 | Celestica Inc.* | 225,784 | 337,823 |
| 30,086 | CGI Group Inc.* | 288,829 | 427,221 |
| 28,616 | Eldorado Gold Corp.* | 252,107 | 425,520 |
| 13,177 | Gildan Activewear Inc.* | 482,542 | 336,936 |
| 66,051 | Lundin Mining Corp.* | 513,216 | 282,038 |
| 37,744 | MDS Inc.* | 583,134 | 301,952 |
| 26,471 | Research In Motion Ltd.* | 867,939 | 1,878,382 |
| 39,799 | Westjet Airline Ltd.* | 540,496 | 491,120 |
| Commissions and other Portfolio Transaction Costs | | - | |
| Total Equities Subject to Forward Contract (65.6%) | | 3,754,047 | 4,480,992 |
| DERIVATIVE INSTRUMENTS | | | |
| Forward Contract (44.4%) (see Schedule A) | | | 3,034,450 |
| Total Investments (110.0%) | | 3,754,047 | 7,515,442 |
| Other Assets (net) (-10.0%) | | | (685,736) |
| Total Net Assets (100.0%) | | | 6,829,706 |

* Securities sold forward as part of the Forward Contract Agreement.
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 (cont'd)

Statement of Investment Portfolio (as at December 31, 2009) cont'd

Schedule A

Forward Contract (44.4%)

| Investments sold forward | Fair Value (\$) |
|--------------------------|--------------------|
| Celestica Inc. | (340,214) |
| CGI Group Inc. | (428,425) |
| Eldorado Gold Corp. | (426,951) |
| Gildan Activewear Inc. | (338,649) |
| Lundin Mining Corp. | (284,019) |
| MDS Inc. | (309,123) |
| Research In Motion Ltd. | (1,880,235) |
| Westjet Airline Ltd. | (493,110) |
| | <u>(4,500,726)</u> |

Notional Units

157,114
157,114

Underlying Fund

Skylon Global High Yield Trust (Note 1)[†]
Skylon Global High Yield Trust (Note 1)^{††}

Fair Value (\$)

3,767,588
3,767,588
7,535,176

Total Forward Contract Value

3,034,450

Due Date

31-Jul-12

Credit Rating of Counterparties*

A-1+

*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.

[†]Counterparty TD Global Finance

^{††}Counterparty Royal Bank of Canada

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 (cont'd)

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

| | As at December 31, 2009 | As at December 31, 2008 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Investments at fair value* | 4,481 | 4,288 |
| Cash | 506 | 448 |
| Unrealized gain on forward contract | 3,034 | 4,207 |
| | 8,021 | 8,943 |
| LIABILITIES | | |
| Payable for unit redemptions | 1,113 | 1,738 |
| Unrealized loss on forward contract | – | – |
| Service fees payable | 14 | 17 |
| Distributions payable | 48 | 59 |
| Management fees payable | 2 | 2 |
| Accrued expenses | 1 | 2 |
| Spread fee payable | 11 | 15 |
| Borrowing fee payable | 2 | 4 |
| | 1,191 | 1,837 |
| Net assets and unitholders' equity | 6,830 | 7,106 |
| UNITHOLDERS' EQUITY | | |
| Unit capital | 2,509 | 3,496 |
| Contributed surplus | – | – |
| Retained earnings (deficit) | 4,321 | 3,610 |
| Net assets and unitholders' equity | 6,830 | 7,106 |
| *Investments at cost | 3,754 | 5,539 |
| Net assets per unit (Note 8) | 25.13 | 22.49 |
| Number of units outstanding (Note 3) | 271,721 | 315,963 |

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|---|---------------------------------|---------|
| | 2009 | 2008 |
| INVESTMENT INCOME | | |
| Interest | 1 | 12 |
| Management fee rebate | – | – |
| | 1 | 12 |
| EXPENSES | | |
| Management fees (Note 4) | 19 | 26 |
| Administrative expenses (Note 4) | 9 | 15 |
| Service fees (Note 4) | 30 | 42 |
| Legal | 1 | 1 |
| Audit | 5 | 5 |
| Goods and services tax | 3 | 4 |
| | 67 | 93 |
| Net investment income (loss) for the year | (66) | (81) |
| Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs | | |
| Realized gain (loss) on investments | 739 | 820 |
| Commissions and other portfolio transaction costs | – | – |
| Forward fees (Note 4) | (68) | (100) |
| Change in unrealized appreciation (depreciation) of investments and derivatives | 805 | (2,504) |
| Net gain (loss) on investments | 1,476 | (1,784) |
| Increase (decrease) in net assets from operations | 1,410 | (1,865) |
| Increase (decrease) in net assets from operations per unit | 4.47 | (4.75) |
| STATEMENTS OF RETAINED EARNINGS (DEFICIT) | | |
| Retained earnings (deficit), beginning of year | 3,610 | 6,855 |
| Increase (decrease) in net assets from operations | 1,410 | (1,865) |
| (Excess) deficiency on amounts paid on units redeemed | (626) | (842) |
| Distribution from net income | – | (538) |
| Distribution from realized gains | (73) | – |
| Retained earnings (deficit), end of year | 4,321 | 3,610 |
| Contributed surplus, beginning of year | – | – |
| (Excess) deficiency on amounts paid on units redeemed | – | – |
| Contributed surplus, end of year | – | – |

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

SKYLON GLOBAL CAPITAL YIELD TRUST

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|--|---------------------------------|---------|
| | 2009 | 2008 |
| Net assets, beginning of year | 7,106 | 11,422 |
| CAPITAL TRANSACTIONS | | |
| Cost of units redeemed | (487) | (897) |
| (Excess) deficiency on amounts paid on units redeemed | (626) | (842) |
| | (1,113) | (1,739) |
| DISTRIBUTIONS TO UNITHOLDERS | | |
| From net income | – | – |
| From realized gain | (73) | (538) |
| From return of capital | (500) | (174) |
| | (573) | (712) |
| Increase (decrease) in net assets from operations | 1,410 | (1,865) |
| Net assets, end of year | 6,830 | 7,106 |

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

| | For the years ended December 31 | |
|---|---------------------------------|---------|
| | 2009 | 2008 |
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net investment income (loss) | (66) | (81) |
| Proceeds of disposition of investments | 3,121 | 10,306 |
| Purchase of investments | (671) | (5,868) |
| Net change in non-cash balances related to operations | (4) | (11) |
| | 2,380 | 4,346 |
| FINANCING ACTIVITIES | | |
| Distributions paid | (584) | (731) |
| Cost of units redeemed | (1,738) | (3,618) |
| | (2,322) | (4,349) |
| Increase (decrease) in cash during the year | 58 | (3) |
| Cash (Bank overdraft), beginning of year | 448 | 451 |
| Cash (Bank overdraft), end of year | 506 | 448 |

SKYLON GLOBAL CAPITAL YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

Skylon Global Capital Yield Trust (the "Trust") was exposed to the financial instrument 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 that 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 in respect of any positive amount of the Forward Contract value. As at December 31, 2009, the Trust indirectly holds 20% of the Skylon Global Yield Trust. Details of the Trust's financial instruments risks exposure can be found in the Trust Specific Financial Instruments Risks of the Skylon Global High Yield Trust. For details of the credit rating of the Counterparty of the Forward Agreement, please refer to the "Statement of Investment Portfolio - Schedule A."

Fair Value Hierarchy

The table below summarizes the inputs used by the Trust in valuing the Trust's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2009

| | Level 1 (in \$000's) | Level 2 (in \$000's) | Level 3 (in \$000's) | Total (in \$000's) |
|------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Equities - long | 4,481 | - | - | 4,481 |
| Forward contract | - | 3,034 | - | 3,034 |
| Total | 4,481 | 3,034 | - | 7,515 |

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, 2009)

| Number of Shares/ Face Amount | Description | Average Cost (\$) | Fair Value (\$) |
|--|--|----------------------|--------------------|
| Equities Subject to Forward Contract (125.1%) | | | |
| 50,059 | Celestica Inc.* | 360,925 | 495,084 |
| 164,923 | CGI Group Inc.* | 1,154,461 | 2,341,907 |
| 272,887 | Eldorado Gold Corp.* | 1,978,431 | 4,057,830 |
| 113,569 | FNX Mining Co Inc.* | 2,758,637 | 1,307,179 |
| 74,367 | Gildan Activewear Inc.* | 2,834,906 | 1,901,564 |
| 37,953 | Ivanhoe Mines Ltd.* | 417,483 | 583,338 |
| 63,841 | MacDonald Dettwiler & Associates Ltd.* | 1,966,303 | 2,718,350 |
| 23,472 | MDS Inc.* | 275,098 | 187,776 |
| 114,859 | Research In Motion Ltd.* | 3,643,122 | 8,150,395 |
| 19,835 | RONA Inc.* | 233,655 | 306,054 |
| 120,757 | Sino-Forest Corp.* | 474,575 | 2,333,025 |
| 65,465 | Teck Resources Ltd.* | 1,895,866 | 2,402,566 |
| 665,181 | UTS Energy Corp.* | 2,654,072 | 1,496,657 |
| 257,636 | Westjet Airlines Ltd.* | 3,293,730 | 3,179,228 |
| Commissions and other Portfolio Transaction Costs | | - | |
| Total Equities Subject to Forward Contract (125.1%) | | 23,941,264 | 31,460,953 |
| DERIVATIVE INSTRUMENTS | | | |
| Forward Contract (-9.1%) (see Schedule A) | | | (2,279,705) |
| Total Investments (116.0%) | | 23,941,264 | 29,181,248 |
| Other Assets (net) (-16.0%) | | | (4,023,806) |
| Total Net Assets (100.0%) | | | 25,157,442 |

*Securities sold forward as part of the Forward Contract Agreement.
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 (cont'd)

Statement of Investment Portfolio (as at December 31, 2009) cont'd

Schedule A

Forward Contract (-9.1%)

| Investments sold forward | Fair Value (\$) |
|---------------------------------------|---------------------|
| Celestica Inc. | (498,588) |
| CGI Group Inc. | (2,348,504) |
| Eldorado Gold Corp. | (4,071,474) |
| Ivanhoe Mines Ltd. | (588,651) |
| MacDonald Dettwiler & Associates Ltd. | (2,719,627) |
| Research In Motion Ltd. | (8,158,435) |
| RONA Inc. | (306,451) |
| Sino-Forest Corp. | (2,340,271) |
| Teck Resources Ltd. | (2,410,421) |
| UTS Energy Corp. | (1,516,613) |
| Westjet Airlines Ltd. | (3,192,110) |
| FNX Mining Co Inc. | (1,312,858) |
| Gildan Activewear Inc. | (1,911,232) |
| MDS Inc. | (192,236) |
| | (31,567,471) |

| Notional Units | Underlying Fund | Fair Value (\$) |
|----------------|---|--------------------|
| 610,672 | Skylon Global High Yield Trust (Note 1) [†] | 14,643,883 |
| 610,672 | Skylon Global High Yield Trust (Note 1) ^{††} | 14,643,883 |
| | | 29,287,766 |
| | Total Forward Contract Value | (2,279,705) |
| | Due Date | 31-July-12 |
| | Credit Rating of Counterparties* | A-1+ |

*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.

[†]Counterparty TD Global Finance

^{††}Counterparty Royal Bank of Canada

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 (cont'd)

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

| | As at December 31, 2009 | As at December 31, 2008 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Investments at fair value* | 31,461 | 24,875 |
| Cash | 16 | 65 |
| Unrealized gain on forward contract | – | 5,779 |
| Dividends and accrued interest receivable | – | – |
| | 31,477 | 30,719 |
| LIABILITIES | | |
| Payable for unit redemptions | 3,716 | 4,473 |
| Unrealized loss on forward contract | 2,280 | – |
| Service fees payable | 50 | 58 |
| Distributions payable | 208 | 244 |
| Management fees payable | 6 | 7 |
| Accrued expenses | 5 | 6 |
| Spread fee payable | 40 | 51 |
| Borrowing fee payable | 15 | 18 |
| | 6,320 | 4,857 |
| Net assets and unitholders' equity | 25,157 | 25,862 |
| UNITHOLDERS' EQUITY | | |
| Unit capital | 14,496 | 19,489 |
| Contributed surplus | – | – |
| Retained earnings (deficit) | 10,661 | 6,373 |
| Net assets and unitholders' equity | 25,157 | 25,862 |
| *Investments at cost | 23,941 | 31,352 |
| Net assets per unit (Note 8) | 20.96 | 18.78 |
| Number of units outstanding (Note 3) | 1,200,456 | 1,376,963 |

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|---|---------------------------------|---------|
| | 2009 | 2008 |
| INVESTMENT INCOME | | |
| Interest | – | 7 |
| Management fee rebate | – | – |
| | – | 7 |
| EXPENSES | | |
| Management fees (Note 4) | 67 | 92 |
| Administrative expenses (Note 4) | 30 | 49 |
| Service fees (Note 4) | 108 | 147 |
| Legal | 5 | 4 |
| Audit | 19 | 19 |
| Goods and services tax | 11 | 16 |
| | 240 | 327 |
| Net investment income (loss) for the year | (240) | (320) |
| Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs | | |
| Realized gain (loss) on investments | 76 | 117 |
| Commissions and other portfolio transaction costs | – | – |
| Forward fees (Note 4) | (268) | (370) |
| Change in unrealized appreciation (depreciation) of investments and derivatives | 5,937 | (6,361) |
| Net gain (loss) on investments | 5,745 | (6,614) |
| Increase (decrease) in net assets from operations | 5,505 | (6,934) |
| Increase (decrease) in net assets from operations per unit | 4.00 | (4.30) |
| STATEMENTS OF RETAINED EARNINGS (DEFICIT) | | |
| Retained earnings (deficit), beginning of year | 6,373 | 13,926 |
| Increase (decrease) in net assets from operations | 5,505 | (6,934) |
| (Excess) deficiency on amounts paid on units redeemed | (1,217) | (619) |
| Distribution from net income | – | – |
| Distribution from realized gains | – | – |
| Retained earnings (deficit), end of year | 10,661 | 6,373 |
| Contributed surplus, beginning of year | – | – |
| (Excess) deficiency on amounts paid on units redeemed | – | – |
| Contributed surplus, end of year | – | – |

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

SKYLON GLOBAL CAPITAL YIELD TRUST II

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|--|---------------------------------|---------|
| | 2009 | 2008 |
| Net assets, beginning of year | 25,862 | 40,195 |
| CAPITAL TRANSACTIONS | | |
| Cost of units redeemed | (2,498) | (3,856) |
| (Excess) deficiency on amounts paid on units redeemed | (1,217) | (619) |
| | (3,715) | (4,475) |
| DISTRIBUTIONS TO UNITHOLDERS | | |
| From net income | – | – |
| From realized gains | – | – |
| From return of capital | (2,495) | (2,924) |
| | (2,495) | (2,924) |
| Increase (decrease) in net assets from operations | 5,505 | (6,934) |
| Net assets, end of year | 25,157 | 25,862 |

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

| | For the years ended December 31 | |
|---|---------------------------------|----------|
| | 2009 | 2008 |
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net investment income (loss) | (240) | (320) |
| Proceeds of disposition of investments | 11,389 | 54,566 |
| Purchase of investments | (4,185) | (45,048) |
| Net change in non-cash balances related to operations | (10) | (29) |
| | 6,954 | 9,169 |
| FINANCING ACTIVITIES | | |
| Distributions paid | (2,531) | (2,964) |
| Cost of units redeemed | (4,472) | (6,585) |
| | (7,003) | (9,549) |
| Increase (decrease) in cash during the year | (49) | (380) |
| Cash (Bank overdraft), beginning of year | 65 | 445 |
| Cash (Bank overdraft), end of year | 16 | 65 |

SKYLON GLOBAL CAPITAL YIELD TRUST II

Trust Specific Financial Instruments Risks (Note 12)

Skylon Global Capital Yield Trust II (the "Trust II") was exposed to the financial instrument risks' of the Skylon Global High Yield Trust. The Trust II was created to obtain exposure to an actively managed portfolio of global high yield instruments that 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 II 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 in respect of any positive amount of the Forward Contract value. As at December 13, 2009, Trust II indirectly holds 80% of the Skylon Global High Yield Trust. Details of the Trust II's financial instruments risks exposure can be found in the Trust Specific Financial Instruments Risks of the Skylon Global High Yield Trust. For details of the credit rating of the Counterparty of the Forward Agreement, please refer to the "Statement of Investment Portfolio - Schedule A."

Fair Value Hierarchy

The table below summarizes the inputs used by the Trust in valuing the Trust's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2009

| | Level 1 (in \$000's) | Level 2 (in \$000's) | Level 3 (in \$000's) | Total (in \$000's) |
|------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Equities - long | 31,461 | – | – | 31,461 |
| Forward contract | – | (2,280) | – | (2,280) |
| Total | 31,461 | (2,280) | – | 29,181 |

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

Annual Financial Statements as at December 31, 2009

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements

Statement of Investment Portfolio (as at December 31, 2009)

| | Number of Shares/ Face Amount | Description | Average Cost (\$) | Fair Value (\$) |
|--|----------------------------------|--|----------------------|--------------------|
| U.S.A. (97.1%) | | | | |
| USD | 200,000 | Fannie Mae, Whole Loan 0.58125% 09/25/2042 | 35,498 | 36,315 |
| USD | 50,000 | Hawaiian Telcom Communications Inc. 9.75% 05/01/2013 | 62,470 | 920 |
| USD | 100,752 | PIMCO Developing Local Markets Fund | 1,157,113 | 1,316,535 |
| USD | 85,985 | PIMCO Diversified Income Fund Institutional Accumulation | 965,950 | 1,215,760 |
| USD | 932,075 | PIMCO Emerging Markets Bond Fund | 17,544,251 | 16,941,480 |
| USD | 1,532,354 | PIMCO GIS High Yield Bond Fund | 16,986,646 | 14,417,420 |
| USD | 100,000 | Sprint Nextel Corp. 6% 12/01/2016 | 99,836 | 95,926 |
| USD | 1,050,000 | United States Treasury Notes 1.125% 06/30/2011 | 1,131,447 | 1,108,292 |
| USD | 25,000 | WAMU, 2007-OA1 A1A 1.33167% 02/25/2047 | 9,664 | 9,691 |
| Commissions and other Portfolio Transaction Costs | | | – | |
| Total Bonds & Equities (97.1%) | | | 37,992,875 | 35,142,339 |
| DERIVATIVE INSTRUMENTS | | | | |
| Foreign Currency Forward Contracts (1.2%) (see Schedule A) | | | | 443,766 |
| Interest Rate Swap Contracts (0.4%) (see Schedule B) | | | 52,962 | 141,227 |
| Credit Default Swap Contracts (0.2%) (see Schedule C) | | | – | 87,617 |
| Total Investments (98.9%) | | | 38,045,837 | 35,814,949 |
| Other Assets (net) (1.1%) | | | | 393,456 |
| Total Net Assets (100.0%) | | | | 36,208,405 |

Currency Codes

USD - U.S. Dollar

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 (cont'd)

Statement of Investment Portfolio (as at December 31, 2009) cont'd

Schedule A

Foreign Currency Forward Contracts (1.2%)

| Contracts | Counterparty | Credit Rating of the Counterparty* | Price (\$) | Due Date | Pay | Receive | Unrealized Gain (Loss) (\$) |
|---|-------------------------------|------------------------------------|------------|-----------|-------------------------|----------------------------|-----------------------------|
| 1 | Citigroup Inc | A-1 | 1.66 | 13-Jan-10 | (9,000) British Pound | 14,968 US \$ | 447 |
| 1 | Goldman Sachs Group Inc., The | A-1 | 1.05 | 21-Jan-10 | (4,840,000) Canadian \$ | 4,591,438 US \$ | (13,361) |
| 1 | Citigroup Inc | A-1 | 0.95 | 21-Jan-10 | (1,000) Canadian \$ | 954 US \$ | 3 |
| 1 | Deutsche Bank AG | A-1 | 0.95 | 07-Jan-10 | (133,538) US \$ | 140,000 Canadian \$ | (381) |
| 1 | Deutsche Bank AG | A-1 | 1.92 | 02-Feb-10 | (100,676) US \$ | 193,750 Brazilian Real | 10,366 |
| 1 | Goldman Sachs Group Inc., The | A-1 | 0.63 | 13-Jan-10 | (36,800) US \$ | 23,000 British Pound | 385 |
| 1 | Goldman Sachs Group Inc., The | A-1 | 1.06 | 21-Jan-10 | (284,746) US \$ | 302,000 Canadian \$ | 2,667 |
| 1 | JP Morgan | A-1 | 1.06 | 21-Jan-10 | (33,847,562) US \$ | 36,031,000 Canadian \$ | 449,495 |
| 1 | Deutsche Bank AG | A-1 | 0.15 | 07-Jun-10 | (419,027) US \$ | 2,838,910 Chinese Renminbi | (2,431) |
| 1 | HSBC Holdings PLC | A-1+ | 1.51 | 08-Jan-10 | (55,833) US \$ | 37,000 Euro | (3,013) |
| 1 | Barclays PLC | A-1 | 0.15 | 07-Jun-10 | (85,000) US \$ | 576,411 Chinese Renminbi | (411) |
| Total Foreign Currency Forward Contracts Value | | | | | | | 443,766 |

Schedule B

Interest Rate Swap Contracts (0.4%)

| Contracts | Notional/ (Local) | | Credit Rating of the Counterparty* | Due Date | Price (\$) | Cost (\$) | Fair Value (\$) |
|---|-------------------|--|------------------------------------|-----------|------------|---------------|-----------------|
| 5,500,000 | 83,962 | Irs USD LIBOR 3 Month -4.0% 12-17-08 (Rec Fix) | A-1 | 17-Dec-10 | 2.44 | 52,962 | 141,227 |
| Total Interest Rate Swap Contracts Value | | | | | | 52,962 | 141,227 |

Schedule C

Credit Default Swap Contracts (0.2%)

| Contracts | Notional/ (Local) | | Credit Rating of the Counterparty* | Due Date | Price (\$) | Cost (\$) | Fair Value (\$) |
|--|-------------------|---|------------------------------------|-----------|------------|-----------|-----------------|
| 4,500,000 | 79,569 | CDX.NA.HY.10 Index - 2.36% (Rec Cpn) | A-1 | 20-Jun-11 | 1.77 | - | 83,647 |
| 500,000 | (8,068) | United Mexican States - 0.75% (Rcv Cpn) | A-1 | 20-Apr-11 | -1.61 | - | (8,481) |
| 150,000 | (3,202) | Nalco Company - 2.85% (Rcv Cpn) | A-1 | 20-Dec-12 | -2.13 | - | (3,366) |
| 400,000 | (307) | Ohio Edison - 0.47% (Rec Cpn) | A-1 | 22-Mar-10 | -0.08 | - | (322) |
| 500,000 | 15,352 | Telefono de Mexico - 0.55% (Pay Cpn) | A-1 | 20-Apr-11 | 3.07 | - | 16,139 |
| Total Credit Default Swap Contracts Value | | | | | | - | 87,617 |

*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.

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 (cont'd)

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

| | As at December 31, 2009 | As at December 31, 2008 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Investments at fair value* | 35,142 | 27,390 |
| Cash | 757 | 6,843 |
| Short term investments | – | 5,840 |
| Daily variation margin on derivative investments | 263 | 1,906 |
| Unrealized gain on futures and forward currency contracts | 463 | 667 |
| Swaps, swaptions and options at fair value | 229 | – |
| Receivable for securities sold | – | – |
| Management fee rebate receivable | 15 | 12 |
| Dividends and accrued interest receivable | 6 | 165 |
| | 36,875 | 42,823 |
| LIABILITIES | | |
| Payable for securities purchased | – | 2,344 |
| Unrealized loss on futures and forward currency contracts | 20 | 256 |
| Swaps, swaptions and options at fair value | – | 858 |
| Distributions payable | 614 | 728 |
| Management fees payable | 28 | 30 |
| Accrued expenses | 5 | 4 |
| | 667 | 4,220 |
| Net assets and unitholders' equity | 36,208 | 38,603 |
| UNITHOLDERS' EQUITY | | |
| Unit capital | 51,384 | 62,230 |
| Contributed surplus | 12,159 | 8,643 |
| Retained earnings (deficit) | (27,335) | (32,270) |
| Net assets and unitholders' equity | 36,208 | 38,603 |
| *Investments at cost | 37,993 | 31,542 |
| Net assets per unit (Note 8) | 23.58 | 21.21 |
| Number of units outstanding (Note 3) | 1,535,571 | 1,820,093 |

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|---|---------------------------------|----------|
| | 2009 | 2008 |
| INVESTMENT INCOME | | |
| Interest | 552 | 1,223 |
| Derivative income (loss) | 233 | 188 |
| Income distribution from investments | 1,493 | 2,010 |
| Management fee rebate | 114 | 144 |
| Less: Foreign withholding taxes | (5) | (9) |
| | 2,387 | 3,556 |
| EXPENSES | | |
| Management fees (Note 4) | 290 | 404 |
| Administrative expenses (Note 4) | 15 | 34 |
| Interest expense | 1 | 4 |
| Legal | 7 | 5 |
| Audit | 29 | 29 |
| Goods and services tax | 17 | 24 |
| | 359 | 500 |
| Net investment income (loss) for the year | 2,028 | 3,056 |
| Realized and unrealized gain (loss) on investments and commissions and other portfolio transaction costs | | |
| Realized gain (loss) on investments | 3,923 | (13,860) |
| Foreign exchange gain (loss) | (600) | 297 |
| Commissions and other portfolio transaction costs | (12) | (20) |
| Change in unrealized appreciation (depreciation) of investments and derivatives | 2,164 | 2,726 |
| Net gain (loss) on investments | 5,475 | (10,857) |
| Increase (decrease) in net assets from operations | 7,503 | (7,801) |
| Increase (decrease) in net assets from operations per unit | \$4.85 | (4.25) |
| STATEMENTS OF RETAINED EARNINGS (DEFICIT) | | |
| Retained earnings (deficit), beginning of year | (32,270) | (21,603) |
| Increase (decrease) in net assets from operations | 7,503 | (7,801) |
| (Excess) deficiency on amount paid on units redeemed | – | – |
| Distribution from net income | (2,568) | (2,866) |
| Distribution from realized gains | – | – |
| Retained earnings (deficit), end of year | (27,335) | (32,270) |
| Contributed surplus, beginning of year | 8,643 | 6,227 |
| (Excess) deficiency on amounts paid on units redeemed | 3,516 | 2,416 |
| Contributed surplus, end of year | 12,159 | 8,643 |

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

SKYLON GLOBAL HIGH YIELD TRUST

Financial Statements (cont'd)

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

| | For the years ended December 31 | |
|--|---------------------------------|----------|
| | 2009 | 2008 |
| Net assets, beginning of year | 38,603 | 61,335 |
| CAPITAL TRANSACTIONS | | |
| Cost of units redeemed | (9,728) | (12,615) |
| (Excess) deficiency on amounts paid on units redeemed | 3,516 | 2,416 |
| | (6,212) | (10,199) |
| DISTRIBUTIONS TO UNITHOLDERS | | |
| From net income | (2,568) | (2,866) |
| From realized gains | – | – |
| From return of capital | (1,118) | (1,866) |
| | (3,686) | (4,732) |
| Increase (decrease) in net assets from operations | 7,503 | (7,801) |
| Net assets, end of year | 36,208 | 38,603 |

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

| | For the years ended December 31 | |
|--|---------------------------------|----------|
| | 2009 | 2008 |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Net investment income (loss) | 2,028 | 3,056 |
| Proceeds of disposition of investments | 28,025 | 43,131 |
| Purchase of investments | (27,924) | (24,446) |
| Net change in non-cash balances related to operations | 1,797 | (474) |
| | 3,926 | 21,267 |
| FINANCING ACTIVITIES | | |
| Distributions paid | (3,800) | (4,440) |
| Cost of units redeemed | (6,212) | (10,199) |
| | (10,012) | (14,639) |
| Increase (decrease) in cash during the year | (6,086) | 6,628 |
| Cash (Bank overdraft), beginning of year | 6,843 | 215 |
| Cash (Bank overdraft), end of year | 757 | 6,843 |

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12)

The Trust's investments were concentrated in the following segments as at December 31, 2008

| Category | Percentage of Net Assets (%) |
|------------------------------------|---|
| Long Positions: | |
| U.S.A. | 59.4 |
| Cash & Equivalents | 17.0 |
| Short Term Notes | 15.1 |
| Colombia | 3.2 |
| Panama | 2.7 |
| Interest Rate Swap Contracts | 2.2 |
| Philippines | 1.8 |
| Mexico | 1.5 |
| Foreign Currency Forward Contracts | 1.1 |
| Ireland | 0.5 |
| Bermuda | 0.4 |
| Uruguay | 0.2 |
| Other Assets | -0.7 |
| Credit Default Swap Contracts | -4.4 |

Other Price Risk

As at December 31, 2009 and 2008, the Trust was exposed to other price risk as its holdings were sensitive to changes in general economic conditions across the world. The Trust's portfolio consisted of pooled trusts and fixed income securities. The majority of the Trust assets were invested in units of other pooled trusts, which indirectly exposed the Trust to other price risk arising from the pooled trusts' holdings.

As at December 31, 2009, had the global markets increased or decreased by 10% (December 31, 2008 - 10%), with all other variables held constant, net assets of the Trust would have increased or decreased, respectively, by approximately \$3,389,000 (December 31, 2008 - \$1,693,000). In practice, the actual results may differ from this 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, 2009

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12) (cont'd)

Interest Rate Risk

As at December 31, 2009 and 2008, the Trust was exposed to interest rate risk as it was invested in fixed income securities and other pooled trusts. As a result, the value of the Trust's investments could have fluctuated 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 was to changes in prevailing interest rates. The Trust was indirectly exposed to interest rate risk through investments in other pooled trusts.

The tables below summarize the Trust's exposure to interest rate risk, categorized by the contractual maturity date.

| as at December 31, 2009 | 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) | Total (in \$000's) |
|-------------------------------|-------------------------------------|--------------------------------|--------------------------------|---|-----------------------|
| Interest Rate Exposure | 263 | 1,108 | 1 | 142 | 1,514 |

| 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) | Total (in \$000's) |
|-------------------------------|-------------------------------------|--------------------------------|--------------------------------|---|-----------------------|
| Interest Rate Exposure | 6,299 | 1,224 | 665 | 8,578 | 16,766 |

As at December 31, 2009, had the prevailing interest rates increased or decreased by 0.25% (December 31, 2008 - 0.25%), with all other variables held constant, net assets of the Trust would have decreased or increased, respectively, by approximately \$33,000 (December 31, 2008 - \$319,000). In practice, the actual results may differ. The difference may be material.

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12) (cont'd)

Currency Risk

As at December 31, 2009 and 2008, the Trust was exposed to currency risk as most of its assets were 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, the Trust's holdings were hedged against fluctuations in values of foreign currencies. The Trust was indirectly exposed to currency risk through investments in other pooled trusts.

The tables below summarize the Trust's exposure to currency risk, net of derivative instruments, as applicable.

as at December 31, 2009

| CURRENCY | Financial Instruments Exposure (in \$000's) | Derivatives Exposure (in \$000's) | Total Currency Exposure (in \$000's) | Net Assets (%) |
|-------------------|---|---|--|----------------------|
| US Dollar | 36,137 | (32,621) | 3,516 | 9.5 |
| Chinese Renminbi | - | 526 | 526 | 1.4 |
| Brazilian Real | - | 117 | 117 | 0.3 |
| Euro | 19 | 56 | 75 | 0.2 |
| British Pound | - | 24 | 24 | 0.1 |
| Mexican Peso | 3 | - | 3 | 0.1 |
| Polish Zloty | 3 | - | 3 | 0.1 |
| South Africa Rand | 1 | - | 1 | 0.1 |
| Total | 36,163 | (31,898) | 4,265 | 11.8 |

as at December 31, 2008

| CURRENCY | Total Currency Exposure (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, 2009, had the Canadian dollar strengthened or weakened by 10% (December 31, 2008 - 10%) in relation to all other foreign currencies held in the Trust, with all other variables held constant, net assets of the Trust would have decreased or increased, respectively, by approximately \$427,000 (December 31, 2008 - \$248,000). In practice, the actual results may differ from this 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, 2009

SKYLON GLOBAL HIGH YIELD TRUST

Trust Specific Financial Instruments Risks (Note 12) (cont'd)

Credit Risk

As at December 31, 2009 and 2008, the Trust was exposed to credit risk as it was invested in fixed income securities that bear an investment grade rating. The majority of the Trust's assets were invested in units of pooled trusts, and as a result, the Trust was indirectly exposed to credit risk arising from holdings of the pooled trusts.

The Trust was invested in debt securities, preferred securities and derivative instruments, as applicable, with the following credit ratings:

as at December 31, 2009*

| CREDIT RATING [^] | Net Assets (%) |
|----------------------------|----------------|
| AA/Aa/A+ | 1.5 |
| BBB/Baa/B++ | 0.1 |
| BB/Ba/B+ | 0.3 |
| Not Rated | 3.6 |
| Total | 5.5 |

as at December 31, 2008*

| 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.

[^]Refer to Note 12 for Credit Rating cross reference.

Fair Value Hierarchy

The table below summarizes the inputs used by the Trust in valuing the Trust's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2009

| | Level 1 (in \$000's) | Level 2 (in \$000's) | Level 3 (in \$000's) | Total (in \$000's) |
|------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Bonds | – | 1,205 | – | 1,205 |
| Asset backed securities | – | 46 | – | 46 |
| Pooled trusts | 33,891 | – | – | 33,891 |
| Foreign currency forward contracts | – | 443 | – | 443 |
| Swaps | – | 229 | – | 229 |
| Total | 33,891 | 1,923 | – | 35,814 |

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

Annual Financial Statements as at December 31, 2009

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. The Trust and Trust II may partially settle the Forward Agreement prior to the Termination Date in order to fund monthly distributions, redemptions of units, payment for purchases of units in the market and expenses of the 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, 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 ("Canadian GAAP"). Certain prior period balances have been reclassified to conform with the current period presentation.

The following is a summary of the significant accounting policies of the Trusts:

(a) Adoption of Accounting Amendments

The Canadian Institute of Chartered Accountants ("CICA") amended Section 3862 "Financial Instruments – Disclosures" to require disclosures about the inputs to fair value measurements. Amended Section 3862 became effective for annual financial statements relating to fiscal years ending after September 30, 2009. Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Trusts' investments.

The hierarchy of inputs is summarized as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The adoption of the new accounting amendment has no impact on the valuation policies of the Trusts. The Trusts adopted the amendments to Section 3862 in the December 31, 2009 annual financial statements. The adoption of the amendments are described in Note 12.

(b) Valuation of Investments

Canadian GAAP requires the fair value of financial instruments traded in an active market to be measured based on an investment's bid/ask price depending on the investment position (long/short).

For the purpose of processing unitholder transactions, net asset value is calculated based on the closing market price of investments (referred to as "Net Asset Value"), while for financial statement purposes net assets are calculated based on bid/ask price of investments (referred to as "Net Assets").

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

At the financial reporting date, listed securities are valued based on the bid price for securities held long and the ask price for securities held short. 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. Underlying funds are valued on each business day at their net asset value as reported by the underlying funds' manager.

(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 Statements 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 transaction costs.

(e) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date for financial reporting purposes and any unrealized and 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.

(f) Foreign Exchange

Foreign currency amounts are translated into Canadian dollars the functional currency of the Trusts 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 Statements of Operations.

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

Increase (decrease) in net assets from operations per unit in the Statements 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 on each valuation day based on the difference between the value of the contract on the date the contract originated and the value of the contract on the valuation day.

All unrealized gains (losses) arising from forward foreign currency contracts are recorded as part of "Change in unrealized appreciation (depreciation) of investments and derivatives" in the Statements of Operations and "Unrealized gain (loss) on futures and forward currency contracts" in the Statements 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 Statements of Operations.

The value of the forward contract as part of the Forward Agreement 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 Statements of Operations and "Unrealized gain (loss) on forward contract" in the Statements 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 Statements 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 Statements 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 Statements 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 Statements 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 1 of the Income Tax Act (Canada) on the amount of its income for the year, including net realized taxable capital 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 virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial legislation, as redemptions occur. 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.

The Skylon Global High Yield Trust is a unit trust and deemed a financial institution for purposes of the 'specific debt obligation' and 'mark-to-market' rules contained in the Income Tax Act (Canada) at any time if more than 50% of the fair market value of all interest in the Trust are held at that time by one or more such financial institutions. The Trust will be subject to tax in each taxation year under Part 1 of the Income Tax Act (Canada) on the amount of its income for the year, including net realized and unrealized gains, if any, less the portion thereof that it deducts in respect of the amount paid or payable to unitholders in the year. The Trust intends to distribute all of its net income and net realized and unrealized gains so that the Trust will not generally be liable for income tax thereon.

To comply with the mark-to-market rules, during the year, the Trust issued a distribution which was automatically reinvested without charge, into the Trust. These units were immediately consolidated so that the number of units outstanding equalled the number of units outstanding immediately prior to the distribution.

(n) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP 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 Trust II units are disclosed in the Statements of Changes in Net Assets, respectively. In accordance with the objectives and risk management policies outlined in Note 12, the Trust and 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 partial settlement of the Forward Agreement.

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 (the "Monthly Redemption") or at the end of each year (the "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 the 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.

Notes to the Financial Statements (cont'd)

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.

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

| Unit Transactions | 2009 | 2008 |
|---|----------------|----------------|
| Balance, beginning of year | 315,963 | 393,108 |
| Units purchased for cancellation (Note 5) | (60) | - |
| Units redeemed | (44,182) | (77,145) |
| Balance, end of year | 271,721 | 315,963 |

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 | 2008 |
|-----------------------------|------------------|------------------|
| Balance, beginning of year | 1,376,963 | 1,613,793 |
| Units redeemed | (176,507) | (236,830) |
| Balance, end of year | 1,200,456 | 1,376,963 |

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 Statements of Changes in Net Assets. In accordance with the objectives and risk management policies outlined in Note 12, the Skylon Global High Yield Trust endeavors 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. The counterparty is entitled to redeem their units daily. Units will be redeemed at the net asset value per unit on such date.

The Skylon Global High Yield Trust endeavours to provide the unitholder with the annual distributions per unit.

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

| Unit Transactions | 2009 | 2008 |
|-----------------------------|------------------|------------------|
| Balance, beginning of year | 1,820,093 | 2,178,320 |
| Units redeemed | (284,522) | (358,227) |
| Balance, end of year | 1,535,571 | 1,820,093 |

When units of the Trusts are redeemed at a price per unit which is lower than the average cost per unit of capital, the difference is included in "Contributed surplus" on the Statements of Net Assets. If the redemption price is greater than the average cost of capital, the difference is first charged to "Contributed surplus" until the entire account is eliminated, and the remaining amount is charged to "Retained Earnings (Deficit)" in the Statements of Net Assets.

4. FEES AND OTHER EXPENSES

(a) Management Fees

The Manager is entitled to an annual fee of 0.25% of the net asset value 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.

Skylon Global High Yield Trust pays to the Manager an annual fee (the "Management fees") equal to 0.85% of its net asset value calculated and paid monthly in arrears. Skylon 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 2009 and 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, accounting fees and independent review committee 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 net asset value 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 Skylon 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 year ended December 31, 2009, the Trust purchased 60 units for cancellation at cost of \$1,300 (nil for 2008).

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 of 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, 2009 and 2008, 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, 2009 and 2008 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, 2009 and 2008 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, 2009 and 2008 the Skylon Global High Yield Trust was not engaged in securities lending.

7. INCOME TAX LOSSES CARRY 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 carry forward or non-capital losses carry forward as at December 31, 2009.

Skylon Global Capital Yield Trust II

Losses carry forwards (in \$000's)

| | 2009 | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Net capital losses carry forward | 1,576 | | | | | | | | |
| Year of expiry | 2010 | 2014 | 2015 | 2025 | 2026 | 2027 | 2028 | 2029 | Total |
| Non-capital losses carry forward | - | - | - | - | - | - | 400 | 240 | 640 |

Skylon Global High Yield Trust

Losses carry forwards (in \$000's)

| | 2009 | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Net capital losses carry forward | 16,358 | | | | | | | | |
| Year of expiry | 2010 | 2014 | 2015 | 2025 | 2026 | 2027 | 2028 | 2029 | Total |
| Non-capital losses carry forward | - | - | - | - | - | - | - | - | - |

8. NET ASSETS COMPARISON

In accordance with National Instrument 81-106, a comparison of net assets per unit and net asset value per unit, as at December 31, 2009 and 2008, is as follows:

| Skylon Global Capital Yield Trust | 2009 | 2008 |
|-----------------------------------|-------|-------|
| Net assets per unit | 25.13 | 22.49 |
| Net asset value per unit | 25.21 | 22.54 |

| | | |
|---|-------------|-------------|
| Skylon Global Capital Yield Trust II | 2009 | 2008 |
| Net assets per unit | 20.96 | 18.78 |
| Net asset value per unit | 21.05 | 18.90 |
| Skylon Global High Yield Trust | 2009 | 2008 |
| Net assets per unit | 23.58 | 21.21 |
| Net asset value per unit | 23.98 | 21.21 |

9. RELATED PARTY TRANSACTIONS

The Bank of Nova Scotia has a significant interest in CI Financial Corp. The Trusts may have direct or indirect holdings in Bank of Nova Scotia and/or CI Financial Corp.

During the year ended December 31, 2009, Blackmont Capital Inc. was a subsidiary of CI Financial Corp. As CI Financial Corp. is the parent company of CI Investments Inc., the Manager of the Trusts, Blackmont Capital Inc. was considered a related party to the Trusts. On December 31, 2009, CI Financial Corp. sold its interest in Blackmont Capital Inc. to unrelated parties.

The Trusts did not pay brokerage commissions to Blackmont Capital Inc. during the years ended December 31, 2009 and 2008.

10. INTERNATIONAL FINANCIAL REPORTING 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 ("Canadian GAAP"). IFRS becomes effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Based on the Manager's current evaluation of the differences between IFRS and Canadian GAAP, the Manager currently does not expect any impact to net asset value or net asset value per unit as a result of the transition to IFRS, and expects that the main impact will be on the financial statements, where additional disclosures or changes in presentation will be required. Further updates on the progress in the implementation of the IFRS transition plan and any changes to reporting will be provided during the implementation period leading up to January 1, 2011.

11. FINANCIAL INSTRUMENTS

The categorization of financial instruments is as follows: investments and derivatives are classified as held for trading and are stated at fair value. Receivable for securities sold, dividends and accrued interest receivable, cash and derivatives receivable and management fee rebate receivable are designated as loans and receivables. They are recorded at amortized cost which approximates their fair value due to their short-term nature. Similarly, payable for unit redemptions, payable for securities purchased, management fees payable, accrued expenses, service fee payable, distributions payable, spread fee payable and borrowing fee payable are designated as financial liabilities and are carried at their amortized cost which approximates their fair value, due to their short-term nature. Financial liabilities are generally settled within three months of issuance.

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

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 to 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.

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 and interest rate derivative instruments 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. Alternatively, 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 for short-term debt securities.

Interest rate risk also applies to Trusts 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 Canadian dollar, 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 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 of the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of the Trust's other assets are represented by their carrying amount as disclosed in the Statements of Net Assets.

Credit ratings for debt securities, preferred securities and derivative instruments are obtained from Standard & Poor's, where available, otherwise ratings are obtained from: Moody's Investors Service, Dominion Bond Rating Services and Canadian Bond Rating Services.

Credit ratings can be either long-term or short-term. Short-term credit ratings are generally assigned to those obligations and derivative instruments considered short-term in nature. The table below provides a cross-reference between the long-term credit ratings disclosed in the Credit Rating table inclusive of the short-term credit ratings disclosed in the derivatives schedules in the Statement of Investment Portfolio.

Credit Rating as per Credit Risk table

AAA/Aaa/A++
 AA/Aa/A+
 A
 BBB/Baa/B++
 BB/Ba/B+
 B
 CCC/Caa/C++
 CC/Ca/C+
 C and Lower
 Not Rated

Credit Rating as per derivatives schedules

A-1+
 A-1, A-2, A-3
 B, B-1
 B-2
 B-3
 C
 -
 -
 D
 WR

Significant cash balances as disclosed in the Statements of Net Asset are maintained by the custodian, RBC Dexia. The Manager monitors the credit worthiness of the custodian on a regular basis.

All transactions executed by the Trusts in listed securities are settled / paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

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 aims to invest 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 aims to retain sufficient cash and cash equivalent 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 Statements of Investments 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.

Fair Value Hierarchy

The adoption of the amended Section 3862 requires the Trusts to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level includes publicly traded equities, exchange traded and retail mutual funds, exchange traded warrants, futures contracts, traded options, American depositary receipts ("ADRs") and Global depositary receipts ("GDRs").

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These include fixed income securities, mortgage backed securities ("MBS"), short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments include private equities, private term loans and private equity funds and certain derivatives. As observable prices are not available for these securities, the Trusts may use a variety of valuation techniques to derive the fair value.

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

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.

