



Management's Report on Fund Performance of

BOND TRUST

For the year ended June 30, 2009

26,934,730 BND.UN \$75,900,000

Management's Report on Fund Performance

	FOR THE YEAR ENDED JUNE 30, 2009
DISCLOSURE	<p>This management report of fund performance contains financial highlights, but does not contain the financial statements of the investment fund. You can get a copy of the financial statements at your request, and at no cost, by calling 416-361-1212, by writing to us at Crown Hill Capital Corporation, 141 Adelaide Street West, Suite 1006, Toronto, Ontario, M5H 3L5 or by visiting our website at www.crownhill.ca or SEDAR at www.sedar.com.</p> <p>Holders of units (the "Unitholders" and the "Units"), may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.</p>
CORPORATE STRUCTURE	<p>Bond Trust (the "Fund") is a special purpose investment trust established under the laws of the Province of Ontario on January 28, 2003 (date of inception). The outstanding Units are owned by UBS Canada Inc. Crown Hill Investment Corporation was the manager (the "Manager") of the Fund until June 6, 2008, at which time it was replaced by Crown Hill Capital Corporation. Crown Hill Asset Management Inc. is the investment advisor (the "Investment Advisor") to the Fund.</p>
INVESTMENT OBJECTIVES AND STRATEGY OF THE FUND	<p>The Fund's investment objectives are:</p> <ul style="list-style-type: none"> (i) to pay to Unitholders on or about December 31, 2012 (the "Termination Date"), an amount equal to \$10.00 per Unit* and (ii) to provide Unitholders with a stable stream of semi-annual distributions of approximately \$0.25 per Unit. <p>To provide the Fund with the means to meet its investment objectives, the Fund manages its assets to provide exposure to two portfolios of debt securities as follows:</p> <ul style="list-style-type: none"> (i) the "Capital Repayment Portfolio": a portfolio structured to pay, at the Termination Date, \$10.00 per Unit* and consist primarily of debt securities issued or guaranteed by Provinces of Canada (comprising at least 75% of the Capital Repayment Portfolio) and by global financial institutions; and (ii) the "Distribution Portfolio": a portfolio structured to pay approximately \$0.25 per Unit* semi-annually commencing June 30, 2003 through to the Termination Date and consist of or provide exposure to debt securities issued by North American corporations considered investment grade, at the time of investment, by S&P or another recognized rating agency. <p>The Investment Advisor actively monitors the Capital Repayment and Distribution Portfolios on behalf of the Unitholders.</p> <p>*The special distributions in January 2008 and January 2009 will effectively reduce these amounts by 20.541%.</p>

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RISK

An investment in Units is subject to certain risk factors, including:

- (i) there can be no assurance that the Fund will be able to achieve its capital repayment objective or its distribution objective;
- (ii) the Net Asset Value ("NAV") per Unit will vary according to, among other things, interest rates, the overall performance of the debt markets, the value of the securities in the Capital Repayment Portfolio and the Distribution Portfolio and distributions paid on the Units;
- (iii) the Fund's current absence of a public trading market for Units;
- (iv) reliance on the Manager, the Investment Advisor and key personnel;
- (v) possible changes in tax or other legislation;
- (vi) legal and statutory rights;
- (vii) the potential liability of Unitholders;
- (viii) potential conflicts of interest;
- (ix) status of the Fund;
- (x) there is no guarantee that the Capital Repayment Portfolio and the Distribution Portfolio will earn any future return and the Capital Repayment Portfolio and the Distribution Portfolio could be subject to losses;
- (xi) risks of investing in debt securities;
- (xii) sensitivity of market price of Units to interest rates;
- (xiii) foreign market exposure;
- (xiv) the possibility of the Fund being unable to acquire or dispose of illiquid securities or that the bond markets in general become illiquid;
- (xv) reliance on UBS AG and CIBC Mellon to provide the Manager with weekly pricing information; and
- (xvi) not distributing \$7.95 per Unit at the end of December 2012 (\$10.00 less the reduction of capital from the two special distributions).

Currently, the Manager believes that the main risk with investing in the Fund is risk factor (xi), the risks of investing in debt securities, and in particular the credit risks in the Distribution Portfolio. In the event that one of the credits in the Distribution Portfolio was to default, there would be a reduction in distributions to Unitholders.

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RESULTS OF OPERATIONS

The Fund's current fiscal year began on July 1, 2009. Total expenses, inclusive of administration and investment management fees, general & administrative costs and interest expense, for the year ended June 30, 2009 were \$227,071. The decrease in Net Assets from operations for the Fund was \$1,808,791 (or \$0.25 per Unit). Unitholders received total distributions of \$9,599,570 which includes a special distribution of \$6,078,570 on January 8, 2009.

The Fund's Net Assets decreased from \$59,355,413 (\$8.24 per Unit) as at June 30, 2008, to \$54,199,349 (\$7.53 per Unit) as at June 30, 2009. This represents a 8.7% decrease over the period.

As a result of large redemptions in Investment Grade Trust, the Counterparty made payments of \$6,162,635 on January 7, 2008 and \$6,252,297 on January 8, 2009, so as to reduce the notional value of the UBS AG derivative contract by 20.541% from \$72,000,000 to \$57,210,480.

RECENT DEVELOPMENTS

In the past year, the global financial markets have experienced substantial upheaval. Triggered by the bankruptcy of Lehman Brothers, this upheaval resulted in trillions of dollars of losses and massive government bailouts of banks worldwide. The Fund's counterparty, UBS AG, announced losses in excess of \$50 billion in 2008 and received billions of dollars in guarantees from the Swiss government.

As the after-effects of these shocks have begun to subside, we have seen a strong recovery in global markets, led by financial stocks. Nonetheless, some sectors - such as the auto industry - have continued to struggle, particularly in the United States. World economies have experienced significant damage and are expected to take several years to fully recover.

The Fund has managed to weather this storm relatively well. All of the credits in the Capital Repayment Portfolio remain intact. It has, however, experienced its first default in the Distribution Portfolio, with the bankruptcy of Visteon Corporation occurring in June of 2009. This will have the effect of reducing the Fund's annual revenue by 0.495% per annum until the end of December, 2012.

Adoption of new accounting standards

On July 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" and Section 1535, "Capital Disclosures". Sections 3862 and 3863 establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. There is no impact on the net assets or the results of operations as a result of these new standards. The detailed risks of investing in the Fund are disclosed in Note 8 of the financial statements. Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed; see Note 9 of the financial statements.

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<p>RECENT DEVELOPMENTS</p> <p>(Continued)</p>	<p><i>Future Accounting Changes</i></p> <p>In February 2008, the CICA Accounting Standards Board confirmed that Canadian GAAP will be replaced by International Financial Reporting Standards (“IFRS”) for Canadian enterprises with public accountability. These new standards are effective for the Fund beginning July 1, 2011. The Fund is currently assessing the impact of IFRS on its financial reporting.</p>
<p>RELATED PARTY TRANSACTIONS</p>	<p>The following are related party transactions:</p> <ul style="list-style-type: none"> (i) Manager: The Fund has entered into a trust agreement (the “Declaration of Trust”) dated January 28, 2003. Under the terms of the Declaration of Trust, the Manager provides all administrative services required by the Fund and receives a fee of approximately \$9,375 per month plus applicable taxes. All expenses of the Fund are paid for by the Manager, which is then reimbursed by the Fund in a reasonable amount of time. (ii) Trustee: Under the terms of the Declaration of Trust, Crown Hill Investment Corporation (formerly Hollister Capital Corporation) was appointed Trustee of the Fund and was replaced by Crown Hill Capital Corporation effective June 6, 2008. (iii) Unitholder: Interest income includes \$3,560,111 (2008 - \$4,190,090) from UBS AG under the terms of the Swap Contract.

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FINANCIAL HIGHLIGHTS

The following table shows selected key financial highlights of the Fund and is intended to help you understand the Fund's financial highlights for the past three years. The information for the years ended June 30, 2007 and 2008 and 2009 is derived from the Fund's annual audited financial statements.

<i>Year ended June 30,</i>	2009	2008	2007
Net Assets per Unit , beginning of year	\$ 8.24	\$ 9.46	\$ 9.26
Initial adoption of new accounting policy	n/a	0.00	n/a
<u>Increase (decrease) from operations:</u>			
Total revenue	0.84	0.90	0.91
Total expenses	(0.03)	(0.03)	(0.03)
Partial settlement of swap contract	-	(0.26)	(0.63)
Realized gains (losses) for the year	-	-	-
Unrealized gains (losses) for the year	(1.06)	(1.29)	0.53
Total increase (decrease) from operations ⁽¹⁾	(0.25)	(0.68)	0.78
Payment made by Counterparty to reduce notional value of Swap Contract	0.87	0.86	-
<u>Distributions:</u>			
From income (excluding dividends)	0.49	0.61	0.58
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	0.84	0.79	-
Total distributions⁽²⁾	1.33	1.40	0.58
Net Assets per Unit, end of year	\$ 7.53	\$ 8.24	\$ 9.46

- 1) Net Assets and distributions are based on the actual number of Units outstanding at the relevant time. The increase from operations is based on the weighted average number of Units outstanding over the financial period.
- 2) Distributions were paid in cash.

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RATIOS AND
SUPPLEMENTAL
DATA

<i>Year ended June 30,</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
Net Assets ⁽⁵⁾	\$ 54,199,349	\$ 59,355,413	\$ 68,130,639
Adjustment from bid to closing price ⁽⁵⁾	-	-	Not Applicable
Net Asset Value ⁽⁵⁾	\$ 54,199,349	\$ 59,355,413	\$ 68,130,639
Number of units outstanding	7,200,000	7,200,000	7,200,000
Net Asset Value per Unit ⁽⁵⁾	\$ 7.53	\$ 8.24	\$ 9.46
Management expense ratio ⁽²⁾	0.44 %	0.36 %	0.36 %
Management expense ratio before waivers or absorptions	0.44 %	0.36 %	0.36 %
Portfolio turnover rate ⁽³⁾	-	% -	% -
Trading expense ratio ⁽⁴⁾	-	-	-
Closing Net Assets per Unit ⁽⁵⁾	\$ 7.53	\$ 8.24	\$ 9.46

- 1) This information is provided as at June 30, 2009, June 30, 2008 and June 30, 2007.
- 2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average Net Asset Value during the period.
- 3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a fund.
- 4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average Net Asset Value during the period.
- 5) At June 30, 2009 and June 30, 2008 there is no difference between Net Asset Value (used for unitholder transaction purposes, calculated at last traded price for the day) and Net Assets (used solely for financial statements purposes, calculated at bid price for the day).

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MANAGEMENT FEES

The main costs to the Fund are management fees.

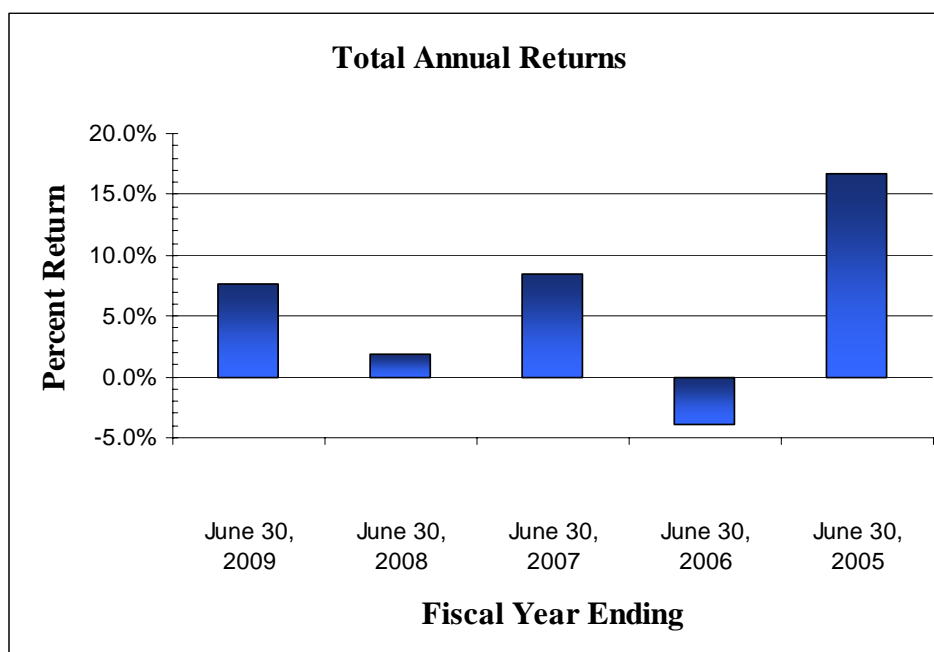
The total fees and expenses for the year were \$227,071, with the following breakdown:

<i>Category</i>	<i>Amount Paid</i>	<i>Percent of Fees & Expenses</i>
Management fees	\$ 118,125	52.1 %
Administrative expenses	49,770	21.9 %
Audit fees	31,641	13.9 %
Custody, valuation and transfer fees	17,326	7.6 %
Accounting fee	8,487	3.7 %
Regulatory and listing expenses	1,722	0.8 %

PAST PERFORMANCE

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for its past five full fiscal years. This chart indicates, in percentage terms, how much an investment made on the first day of each financial period (if purchased at the NAV per Unit) would have grown by the last day of each period (if sold at the NAV per Unit).



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**ANNUAL
COMPOUND
RETURNS**

The benchmark is the iShares CDN Bond Fund (TSX: XBB). Differences in performance between the Fund and the benchmark will arise from differences in credit quality and duration.

	<i>1-Year</i>	<i>3-Year</i>	<i>5-Year</i>	<i>Since Inception</i>
Bond Trust	7.6 %	5.4 %	5.3 %	4.6 %
iShares CDN Bond Index Fund	6.7 %	5.8 %	5.8 %	n/a

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SUMMARY OF INVESTMENT PORTFOLIO

The following is a summary of the investment portfolio held by the Fund as at June 30, 2009. The entire portfolio is subject to a cash flow smoothing swap. For more information, please consult the financial statements.

Par Value	Description	Coupon	Maturity	Fair Value	% of Net Assets
Capital Repayment Portfolio					
Par Value in CDN \$ (except as noted)					
6,000,000	Ontario Hydro	0.000%	4/15/2012	\$ 15,007,608	27.7%
2,494,000	Ontario Hydro	0.000%	2/6/2013	2,245,140	4.1%
4,200,000	Ontario Hydro	0.000%	2/18/2013	3,775,744	7.0%
1,500,000	Province of British Columbia	0.000%	6/18/2012	1,400,873	2.6%
4,500,000	Province of British Columbia	0.000%	8/23/2012	4,172,260	7.7%
4,000,000	Province of Ontario	0.000%	12/2/2012	3,637,228	6.7%
13,900,000	Province of Ontario	0.000%	1/13/2013	12,601,396	23.3%
7,200,000	Province of Quebec	0.000%	4/1/2012	6,732,744	12.4%
1,600,000 U.S.	Credit Suisse First Boston	6.500%	1/15/2012	2,005,178	3.7%
800,000 U.S.	Goldman Sachs Group	5.700%	9/1/2012	972,558	1.8%
1,600,000 U.S.	Morgan Stanley Dean Witter	6.600%	4/1/2012	1,967,338	3.6%
12,584,000	UBS Default Contingency Swap	0.000%	12/31/201	9,433,629	17.4%
				63,951,696	118.0%
Distribution Portfolio					
Par value in US \$					
738,000	Anthem Inc. (Wellpoint Inc.)	6.800%	8/1/2012	894,504	1.6%
165,000	AOL Time Warner Inc.	6.875%	5/1/2012	204,987	0.4%
729,000	AON Corp.	7.375%	12/14/201	895,551	1.6%
217,000	Arvinmeritor Inc .	8.750%	3/1/2012	159,398	0.3%
154,000	CIT Group Inc.	7.750%	4/2/2012	107,111	0.2%
512,000	Coca Cola Enterprises Inc.	6.125%	8/15/2011	642,837	1.2%
164,000	Disney (Walt) Co.	6.375%	3/1/2012	209,171	0.4%
802,000	Electronic Data Systems	7.125%	10/15/200	948,651	1.7%
247,000	Falconbridge Ltd.	7.350%	6/5/2012	305,942	0.6%
618,000	Ford Motor Credit Co.	7.375%	2/1/2011	649,729	1.2%
256,000	General Electric Capital Corp.	4.625%	9/15/2009	299,214	0.6%

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SUMMARY OF
INVESTMENT
PORTFOLIO

(continued)

Par Value	Description	Coupon	Maturity	Fair Value	% of Net Assets
Distribution Portfolio (continued)					
Par value in US \$					
749,000	Safeco Corp.	7.250%	9/1/2012	\$ 766,568	1.4 %
931,000	Sprint Capital Corp.	8.375%	3/15/2012	1,064,999	2.0 %
722,000	Sun Microsystems Inc.	7.650%	8/15/2009	839,543	1.5 %
633,000	Teco Energy Inc.	7.200%	5/1/2011	758,067	1.4 %
				8,746,272	16.1 %
	Swap contract			(18,635,728)	(34.4)%
TOTAL INVESTMENTS				54,062,240	99.7 %
OTHER ASSETS LESS LIABILITIES				137,109	0.3 %
TOTAL NET ASSETS				\$ 54,199,349	100.0 %

This summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available.