



BND.UN \$ 75,000,000

Management's Report on Fund Performance of

MACCS SUSTAINABLE YIELD TRUST

For the year ended December 31, 2007

PBK.UN \$ 26,934,730 BND.UN

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

Management's Report of Fund Performance

FOR THE YEAR ENDED DECEMBER 31, 2007

DISCLOSURE

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Trust. You can get a copy of the annual 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.

Holders of units (the "Unitholders"), may also contact us using one of these methods to request a copy of the Trust's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

CORPORATE STRUCTURE

MACCs Sustainable Yield Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario on January 28, 2005 (date of inception). On February 18, 2005, the Trust completed an initial public offering (the "Offering") of 3,250,000 Units (the "Units") at \$10 per Unit (the "Offering Price"). Subsequently an option granted to the agents was exercised for 280,000 Units at \$10 per Unit. The Trust's Units are listed on The Toronto Stock Exchange.

INVESTMENT OBJECTIVES AND STRATEGY OF THE FUND

The investment objectives of the Trust are to maintain an SR-1 Stability Rating from Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") on the Units and to provide Unitholders with monthly distributions. In order to achieve its investment objectives, the Trust has invested the net proceeds from the issuance of the Units, together with borrowings, in a diversified portfolio of income funds, constructed by the Investment Manager based on criteria which it believes are reflective of the requirements for achieving an SR-1 Stability Rating from S&P. The income funds that comprised the portfolio as at December 31, 2007 were selected by the Investment Manager based on the following criteria:

- each income fund was publicly rated by either S&P or Dominion Bond Rating Service Limited;
- each income fund had a minimum float capitalization of \$400 million;
- each income fund had a stability rating of SR-5 or higher (or equivalent); and
- each income fund had a yield of at least 6.50% per annum.

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<p>RISK</p>	<p>There were no changes to the Trust during the period that affected the overall level of risk of an investment in the units of the Trust. The suitability and investor risk tolerance characteristics of the Trust remain as disclosed in the Trust’s prospectus.</p>
<p>RESULTS OF OPERATIONS</p>	<p>The Trust’s last completed fiscal year began on January 1, 2007. Total expenses, inclusive of administration and investment management fees, general & administrative costs and interest expense, for the year ended December 31, 2007 were \$557,888. The total increase from operations for the Fund was \$1,663,713 (or \$0.84 per Unit); \$1,332,340 was distributed to Unitholders.</p> <p>The Trust’s net assets per Unit decreased from \$8.81 as of December 31, 2006, the end of the previous fiscal year, to \$8.14 as at December 31, 2007. The Trust’s net assets, decreased from \$22,079,167 as of December 31, 2006, to \$9,582,976 as at December 31, 2007. This difference is largely due to net redemptions of 1,368,223 Units for a reduction in net asset value of \$14,110,845 during the year.</p>

Management’s Report on Fund Performance **continued**

RECENT DEVELOPMENTS	<p>Change in accounting policy</p> <p>For financial reporting purposes, on January 1, 2007, the Trust adopted a new accounting policy as per the Canadian Institute of Chartered Accountant’s Handbook Section 3855, Financial Instruments: Recognition and Measurement, on a retroactive basis without restatement of prior periods. The Trust now values its securities at closing bid price (rather than using the last traded price) and transaction costs are now disclosed separately in the results of operations (rather than purchase costs being added to the cost of securities purchased and sales costs being deducted from sales proceeds).</p> <p>The effect of the initial adoption of this new accounting policy, using the closing bid price as at December 31, 2006, is a decrease of \$55,247 in the net assets of the Trust at the beginning of the period. The change in recording of transaction costs has no impact on the net assets of the Trust.</p> <p>For the purpose of calculating and reporting of NAV (other than for financial reporting purposes) the Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, until September 30, 2008, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of an investment fund. As a result, we present the December 31, 2007 net assets and net assets per Unit calculated using the closing bid price (“GAAP”) and the Net Asset Value and the Net Asset Value per Unit calculated using the last traded price (“Transactional”)</p> <p>Change in Manager and Trustee</p> <p>In February 2008, Crown Hill Capital Corporation became the Trustee and Manager of the Trust, replacing MACCs Administrator Inc. in the role.</p>
RELATED PARTY TRANSACTIONS	<p>MACCs Administrator Inc. (“MACCs”) was the Trustee and Manager of the Trust and was responsible for providing and arranging for the provision of administrative services required by the Trust. MACCs was paid a management fee equal to 0.45% per annum of the Transactional net asset value of the Trust, plus applicable taxes, calculated and payable monthly in arrears. MACCs was responsible for paying the Investment Manager, Fiera YMG Capital Inc., from its annual management fee.</p>

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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance for the years shown. This information is derived from the Trust's audited financial statements.

<i>Year ended December 31,</i>	<i>2007</i>	<i>2006</i>	<i>2005 ⁽⁴⁾</i>
GAAP Net assets per Unit ⁽³⁾, beginning of period	\$ 8.81	\$ 9.87	\$ 10.00⁽⁵⁾
Initial adoption of new accounting policy ⁽³⁾	(0.03)	-	-
<u>Increase (decrease) from operations:</u>			
Total revenue	0.86	0.70	0.50
Total expenses	(0.28)	(0.35)	(0.15)
Realized gains for the period	-	0.31	0.26
Unrealized gains (losses) for the period	0.30	(0.81)	0.51
Transaction costs ⁽³⁾	(0.04)	-	-
Total increase (decrease) from operations ⁽¹⁾	0.84	(0.15)	1.12
<u>Distributions:</u>			
From income (excluding dividends)	(0.12)	(0.13)	(0.21)
From dividends	(0.06)	(0.05)	(0.04)
From capital gains	(0.32)	(0.33)	(0.25)
Return of capital	(0.17)	(0.18)	(0.07)
Total annual distributions⁽²⁾	(0.67)	(0.70)	(0.57)
GAAP Net assets per Unit ⁽³⁾, end of period	\$ 8.14	\$ 8.81	\$ 9.87

- 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. This table is not intended to reconcile beginning and ending net assets per Unit.
- 2) Distributions were paid in cash.
- 3) See Change in Accounting Policy under Recent Developments.
- 4) For the period February 18, 2005 to December 31, 2005.
- 5) Initial value

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RATIOS AND
SUPPLEMENTAL
DATA

	2007 ⁽¹⁾	2006	2005 ⁽⁶⁾
Transactional Net Asset Value ⁽⁵⁾	\$ 9,628,124	\$ 22,079,167	\$ 33,942,130
Number of units outstanding	1,176,746	2,507,469	3,439,800
Management expense ratio ⁽²⁾	3.08 %	3.69 %	10.31 %
Management expense ratio before waivers or absorptions	3.08 %	3.69 %	10.31 %
Management expense ratio (not including IPO costs)	3.08 %	3.69 %	1.81 %
Portfolio turnover rate ⁽³⁾	61.15 %	86.93 %	62.18 %
Trading expense ratio ⁽⁴⁾	0.45 %	0.40 %	0.54 %
Transactional Net Asset Value per Unit ⁽⁵⁾	\$ 8.18	\$ 8.81	\$ 9.87
Closing market price	\$ 7.62	\$ 8.28	\$ 9.18

- 1) This information is provided as at December 31st of the year shown.
- 2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- 3) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher the Trust's portfolio turnover rate in a year, the greater the trading costs payable by the Trust 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 a high turnover rate and the performance of the Trust.
- 4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- 5) See Change in Accounting Policy under Recent Developments.
- 6) Amounts in % are for the period February 18, 2005 to December 31, 2005.

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MANAGEMENT FEES

The main costs in the Trust are interest and bank charges, management fees and audit fees. Since the Trust was operating with a loan facility, the interest on that facility was the largest expense item for the year

The total fees and expenses for the year were \$557,888 with the following breakdown:

<i>Category</i>	<i>Amount Paid</i>	<i>Percent of Fees & Expenses</i>
Management fees	\$ 86,586	15.5 %
Dealers' service fees	57,249	10.3 %
Legal fees	73,030	13.1 %
Interest and bank charges	103,022	18.5 %
Administration fees	63,744	11.4 %
Audit fees	85,301	15.3 %
Securityholder reporting costs	36,347	6.5 %
Advisory board fees	40,468	7.3 %
Transfer agency fees	9,089	1.6 %
Custodial fees	879	0.2 %
Other	2,173	0.4 %

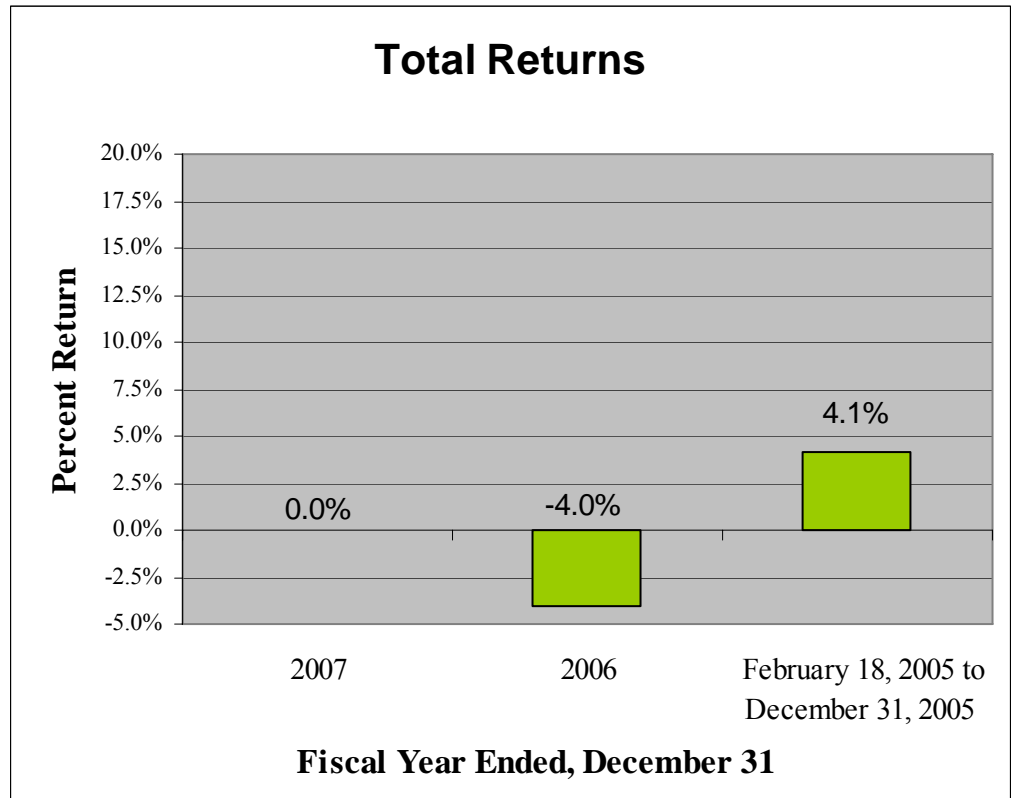
Management's Report on Fund Performance

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**PAST
PERFORMANCE**

Year-by-Year Returns

The following bar chart shows the Trust's annual performance for its past three fiscal periods. These charts indicate, 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 Trust's benchmark is the S&P/TSX Capped Income Trust Index. It is a broad-based composite index which may encompass any or all Global Industry Classifications Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion derive the distribution income from actual operating entities. Relative weights of individual constituent income trusts are capped at 25%. The number of constituents is not fixed.

	<i>1-Year</i>	<i>Since Inception</i>
MACCs Sustainable Yield Trust	0.0%	0.0%
S&P/TSX Capped Income Trust Index	-2.7%	-0.5%

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**SUMMARY OF
INVESTMENT
PORTFOLIO**

The following is a summary of the top 25 holdings in the investment portfolio held by the Trust as at December 31, 2007. For more information, please consult the financial statements.

TOP 25 HOLDINGS	% OF NET ASSETS
Inter Pipeline Fund	7.8%
Great Lakes Hydro Income Fund	4.8%
EPCOR Power LP	4.5%
Macquarie Power & Infrastructure Income Fund	4.3%
Pembina Pipeline Income Fund	4.2%
Consumers' Waterheater Income Fund	4.2%
Northland Power Income Fund	4.1%
Atlantic Power Corp.	4.0%
Fort Chicago Energy Partners LP	4.0%
Yellow Pages Income Fund	4.0%
Bonavista Energy Trust	4.0%
Keyera Facilities Income Fund	3.9%
Canada Treasury Bills	3.8%
AltaGas Income Trust	3.8%
Bell Aliant Regional Communications Income Fund	3.8%
GAZ Metro LP	3.7%
Canetic Resources Trust	3.6%
Timberwest Forest Corp.	3.4%
Fording Canadian Coal Trust	3.3%
Royal Utilities Income Fund	3.3%
Enerplus Resources Fund	3.2%
CML Healthcare Income Fund	3.0%
Superior Plus Income Fund	3.0%
Teranet Income Fund	2.7%
Harvest Energy Trust	2.6%

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continued

SUMMARY OF INVESTMENT PORTFOLIO

(continued)

The following is a summary of the investment portfolio according to industry. For more information please consult the financial statements.

