



BND.UN \$ 75,000,000

Management's Report on Fund Performance of

CROWN HILL DIVIDEND FUND

For the year ended December 31, 2006

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, 2006

DISCLOSURE

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. 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.

Holder of units (the "Unitholders"), 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.

CORPORATE STRUCTURE

Effective June 24, 2005 Profit Booking Blue Chip Trust changed its name to Crown Hill Dividend Fund (the "Fund"). The Fund is an investment trust established under the laws of the Province of Ontario on May 19, 2004. On May 31, 2004, the Fund completed an initial public offering (the "Offering") of 2,500,000 Units (the "Units") at \$10 per Unit (the "Offering Price"). Subsequently an option granted to the agents was exercised for 193,473 Units at \$10 per Unit. The Fund's Units are listed on The Toronto Stock Exchange. The Fund will terminate operations on December 31, 2011 (the "Termination Date") and the net assets will be distributed pro rata to unitholders (the "Unitholders"). The manager of the Fund is Crown Hill Capital Corporation (the "Manager").

INVESTMENT OBJECTIVES AND STRATEGY OF THE FUND

The Fund's objectives are: (i) to provide Unitholders with a stable stream of monthly distributions targeted at \$0.06 per Unit (\$0.72 per annum or 7.2% of the Offering Price); and (ii) to preserve and potentially enhance the net asset value of the Fund in order to return at least the Offering Price to Unitholders upon the Termination date.

In order to meet its investment objectives, the Fund adopted the following strategies:

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	<p>1) Investment Strategy: The Fund will invest the net proceeds of the Offering in a highly diversified equally weighted portfolio of equity securities, the “Blue Chip Portfolio”, which is expected to be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have a market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Fund. To generate additional returns, the Fund may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio.</p> <p>2) Profit Booking: If and when the value of any security held in the Blue Chip Portfolio exceeds the original acquisition value by at least 10% the Fund will lock in that 10% or greater gain by using its Profit Booking strategy. The net proceeds of any disposition of securities (after providing for distributions to Unitholders) will be invested in a portfolio of High Quality Fixed Income Securities, the “Profit Booking Portfolio”, maturing on or about the Termination Date of the Fund.</p>
<p>RISK</p>	<p>There are risks associated with an investment in Units that should be considered, including:</p> <ul style="list-style-type: none"> (i) there is no assurance that the Fund will be able to achieve its targeted monthly distributions, enhance or preserve the Net Asset Value per Unit; (ii) because the Profit Booking strategy locks in returns, the Trust may forgo potential returns under certain market conditions; (iii) there is no assurance that the value of the securities acquired by the Fund will not be adversely affected by a number of underlying factors including, without limitation, changes in interest rates and commodity prices; (iv) there can be no assurance that the Units will trade at a price equal to Net Asset Value per Unit; (v) that the market price of the Units and the Net Asset Value per Unit will be affected by interest rate fluctuations; (vi) there will be fluctuations in Net Asset Value per Unit and funds available for Distributions;

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	<ul style="list-style-type: none"> (vii) counterparty risks associated with securities lending; (viii) reliance on the Manager, the Investment Advisor and key personnel; (ix) possible changes in tax or other legislation; (x) the potential liability of Unitholders; (xi) potential conflicts of interest; (xii) potential taxation of the Fund; (xiii) the possible loss of investment; (xiv) the status of the Fund for securities law purposes; (xv) foreign currency exposure; (xvi) foreign market exposure; (xvii) the possibility of the Fund being unable to dispose of illiquid securities; (xviii) possible suspension of redemptions; and (xix) liquidity and counterparty risks associated with the writing of covered call options.
<p>RESULTS OF OPERATIONS</p>	<p>The Fund's last completed fiscal year began on January 1, 2006. Total expenses, inclusive of administration and investment management fees, general & administrative costs and interest expense, for the period ended December 31, 2006 were \$552,441. Net gain from operations for the Fund was \$1,588,125 (or \$1.01 per Unit), of which \$1,395,578 was distributed to Unitholders.</p> <p>The Fund's net asset value per Unit increased from \$9.83 as of December 31, 2005, the end of the previous fiscal year, to \$10.17 as at December 31, 2006. The Fund's net asset value, decreased from \$24,220,496 as of December 31, 2005, to \$15,910,584 as at December 31, 2006. This difference is largely due to redemptions of 899,042 Units for a reduction in net asset value of \$8,502,459, on the redemption date, May 31, 2006.</p>

Management's Report on Fund Performance

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<p>RESULTS OF OPERATIONS (continued)</p>	<p>At inception, the Fund entered into a loan facility enabling it to borrow up to \$2.5 million. This facility was used to borrow sufficient funds to pay the costs associated with the initial public offering, so that every dollar invested in the Fund would be used towards purchasing securities. This resulted in enhanced returns to the investor. On June 3, 2006 the Fund canceled the loan facility.</p>
<p>RECENT DEVELOPMENTS</p>	<p>The Canadian economy and stock market experienced another good year. The peaking and subsequent decline in the price of oil in the middle of the year has helped the economy. It has reduced the over-heating in Alberta, and brought down the dollar, helping the manufacturing sectors in central Canada. The equity market responded through a sector rotation, with oil & gas companies falling and manufacturers rising.</p> <p>The Fund also had a good year. It was designed to capitalize on sector rotations and has done so. It has booked healthy profits from the run up in oil and gas stocks and is now experiencing growth in its health care and manufacturing positions. It did not have much exposure to the Income Trust sector, so the tax change announcement had only a small effect on the Fund.</p> <p>The main difficulty experienced by the Fund this year was the substantial redemptions that occurred in May. In response to this, the Manager began a cost reduction program. It was aided in this program by its purchase of a remaining position in another fund in April. Therefore, it was able to distribute fixed costs over other funds.</p> <p>Looking forward, 2007 will be a more difficult year for the Canadian equity market. We expect oil prices to moderate or decline this year, while metals should hold their own. The financial sector should see modest growth in Canada, due to a slow down in the residential real-estate market and a drying up of Initial Public Offerings from the Income Trust Sector. The dollar has moderated somewhat, relieving some pressure on the manufacturing sector. Nevertheless, southern Ontario and Quebec companies will likely see only modest growth and continued consolidation.</p>

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<p>RELATED PARTY TRANSACTIONS</p>	<p>The Manager is entitled to an annual fee of 0.60% of the NAV of the Fund, calculated and payable, monthly. This amount totaled \$120,359 for the year ended December 31, 2006 (of which \$8,562 was payable at December 31, 2006).</p> <p>All other expenses of the Fund are initially paid by the Manager, which is then reimbursed by the Fund in a reasonable amount of time. Included in these expenses are things such as Administrative costs and Unitholder Servicing costs. Administrative costs for the year totaled \$104,016. This was made up of administrative salaries, employee benefits, general overhead and office supplies. As part of the Administration cost, the Fund is paying a monthly general overhead cost to First Paladin Inc, which varies depending on the actual costs incurred. The general overhead cost for the year was \$52,421.</p> <p>Unitholder Servicing costs for the year totaled \$59,587 which was made up of investor relations salaries, web site fees and payments to service providers for the filing of press releases and SEDAR filings. In late 2004, the Fund experienced low liquidity and was trading at a significant discount to NAV. To address this problem, the Manager put in place an active communications program whereby investment advisors and the public are contacted to explain the Fund's strategies and the benefit of investing in it. In the Manager's view, this program was successful in increasing liquidity, closing the gap between the market price and the NAV. This program began to be scaled back in the fall of 2006.</p>
<p>FINANCIAL HIGHLIGHTS</p>	<p>The past year has seen a continued appreciation in the value of the Fund. This was due to a broad increase in both the Canadian and U.S equity markets. The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past two and one-half years. This information is derived from the Fund's audited financial statements.</p>

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FINANCIAL
HIGHLIGHTS

(continued)

<i>Period ended December 31,</i>	2006	2005	*2004
NAV per Unit, beginning of period	\$ 9.83	\$ 9.45	\$ 9.20
<u>Increase (decrease) from operations:</u>			
Total revenue	0.25	0.26	0.16
Total expenses	(0.28)	(0.30)	(0.16)
Realized gains (losses) for the period	0.99	0.60	0.09
Unrealized gains (losses) for the period	(0.16)	0.51	0.51
Total increase (decrease) from operations ⁽¹⁾	0.80	1.07	0.60
<u>Distributions:</u>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	0.72	0.72	0.36
Total annual distributions ⁽²⁾	0.72	0.72	0.36
NAV per unit, end of period	10.17	9.83	9.45

- 1) Net asset value 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 Asset Value per Unit.
- 2) Distributions were paid in cash.

*The figures for 2004 are for the period from June 1, 2004 to December 31, 2004.

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RATIOS AND
SUPPLEMENTAL
DATA

<i>Period ended December 31,</i>	<i>2006</i>	<i>2005</i>	<i>*2004</i>
Net assets (000's) ⁽¹⁾	\$ 15,910	\$ 24,220	\$ 25,449
Number of units outstanding ⁽¹⁾	1,564,951	2,463,993	2,693,473
Management expense ratio ⁽²⁾	2.93 %	3.18 %	11.63 %
Management expense ratio before waivers or absorptions	2.93 %	3.18 %	11.63 %
Management expense ratio (not including IPO costs)	2.93 %	3.18 %	3.01 %
Portfolio turnover rate ⁽³⁾	7.81 %	4.29 %	7.40 %
Trading expense ratio ⁽⁴⁾	0.06 %	0.02 %	0.15 %
Closing market price	\$ 9.85	\$ 9.16	\$ 8.77

- 1) This information is provided as at December 31st.
- 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 Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 (all else being equal and assuming the fund generates a positive return and does not engage in tax loss selling to offset those returns). There is not necessarily a relationship between a 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 daily average net assets during the period.

*The period ending December 31, 2004 is not a full year. The fund began trading in the Toronto Stock Exchange on June 1, 2004.

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MANAGEMENT FEES

The main costs in the Fund are management fees, administrative expenses and the service fees that are paid to brokers and investment advisors. Since the loan facility was paid down in December 2005, and eliminated in June 2006, there were minimal interest and loan facility expenses in 2006. Unitholders of the Fund were experiencing very low liquidity in 2004, and the market price was suffering from this. The Manager increased its Unitholder servicing by hiring people to actively communicate the benefits of holding Units in the Fund. These communication campaigns succeeded in increased awareness, resulting in higher liquidity and a price trading closer to Net Asset Value. It failed to reduce redemptions in 2006, therefore the Manager has begun scaling back this activity to reduce costs.

The total fees and expenses for the year were \$552,441, with the following breakdown:

<i>Category</i>	<i>Amount Paid</i>	<i>Percent of Fees & Expenses</i>
Management fees	\$ 120,359	21.8 %
Legal fees	6,601	1.2 %
Service fees	74,708	13.5 %
Directors fees and expenses	32,519	5.9 %
Insurance expense	11,070	2.0 %
Administrative expenses	104,016	18.8 %
Interest & loan facility expense	2,048	0.4 %
Custody, valuation and transfer fees	64,805	11.7 %
Accounting fees	17,840	3.3 %
Audit fees	39,978	7.2 %
Regulatory and listing expenses	18,910	3.4 %
Unitholder servicing expenses	59,587	10.8 %

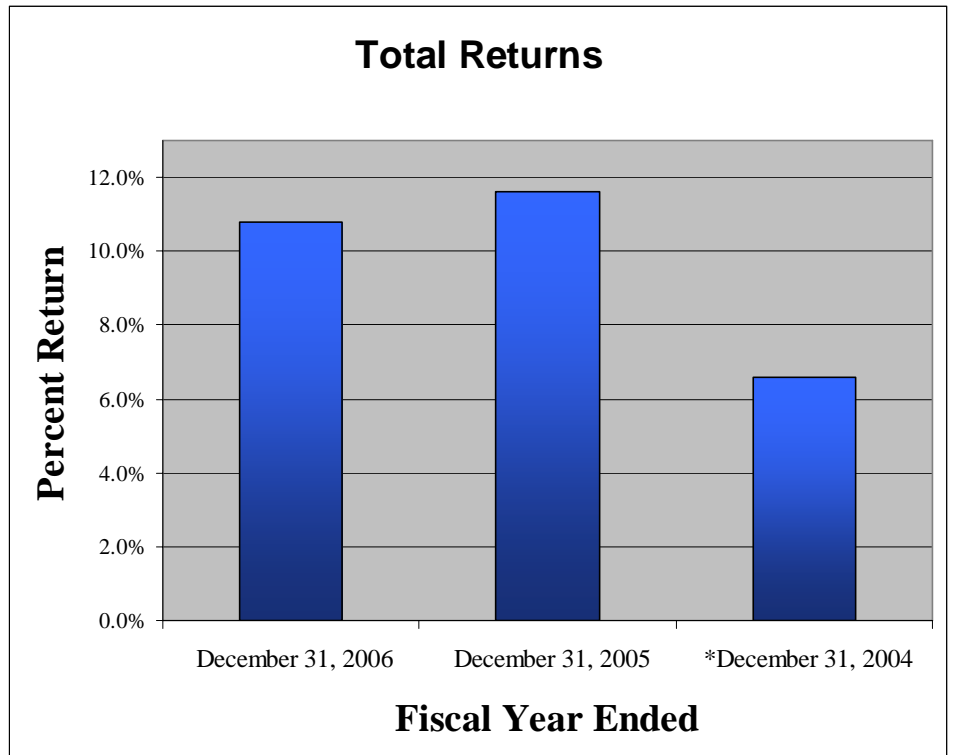
Management's Report on Fund Performance

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**PAST
PERFORMANCE**

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for its past two and one-half fiscal years. 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).



*Seven months

Management's Report on Fund Performance

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**ANNUAL
COMPOUND
RETURNS**

It is difficult to construct a benchmark for the Fund. The purpose behind the Profit Booking strategy is to take profits in a bull market and invest those profits in low risk bonds. This strategy results in a low volatility portfolio that underperforms in a bull market and outperforms in a bear market. Since the Canadian equity market continues to be in the bull phase of the economic cycle, the Fund and the strategy will underperform.

Since the Fund had a 20% exposure to the U.S. equity market, the synthetic benchmark for comparison purposes is 20% Dow Jones Industrial Average (DJIA) and 80% TSX 60.

The main difference in performance is due to the lower exposure in the Fund to the Oil & Gas sector than exists in the TSX 60.

	<i>1-Year</i>	<i>3-Year</i>	<i>Since Inception</i>
Crown Hill Dividend Fund	10.8%	n/a	10.9%
Index (20% DJIA, 80% TSX 60)	19.7%	n/a	18.0%

**SUMMARY OF
INVESTMENT
PORTFOLIO**

The following is a summary of the investment portfolio held by the Fund as at December 31, 2006. For more information, please consult the financial statements.

CANADIAN EQUITIES	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS	INDUSTRY
Alcan Inc.	6,257	\$ 308,380	\$ 355,273	2.2	Materials
Bank of Montreal	5,774	302,498	398,406	2.5	Financial
Bank of Nova Scotia	8,100	276,249	422,010	2.7	Financial
BCE Inc.	12,347	330,304	387,696	2.4	Telecom
Bell Aliant Regional Communications Income Fund	11,181	369,074	301,440	1.9	Telecom
CIBC	4,415	293,240	433,994	2.7	Financial
Canadian Oil Sands Trust	10,300	108,858	335,883	2.1	Energy
Canadian Tire Corp	5,300	247,193	375,664	2.4	Cons Cyc*
Canadian Utilities Ltd.	8,800	237,769	421,080	2.6	Utility
Cascades Inc.	28,100	386,053	371,763	2.3	Materials
Emera Inc.	17,250	294,194	389,850	2.5	Utility
Enbridge Inc.	10,400	255,043	418,808	2.6	Utility
EnCana Corp.	6,486	181,755	348,039	2.2	Energy
Finning International Inc.	8,500	273,764	406,215	2.6	Industrial
Great-West Lifeco Inc.	11,600	284,548	392,080	2.5	Financial
IGM Financial, Inc.	7,900	265,208	387,890	2.4	Financial

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continued

SUMMARY OF
INVESTMENT
PORTFOLIO

(continued)

CANADIAN EQUITIES	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS	INDUSTRY
Imperial Oil Ltd.	8,960	\$ 182,420	\$ 384,653	2.4	Energy
Loblaw Companies Ltd.	6,800	424,351	331,772	2.1	Cons Non-Cyc*
Manitoba Telecom Services	7,906	370,169	366,838	2.3	Telecom
Manulife Financial Corp.	9,910	261,172	389,959	2.5	Financial
MDS Inc.	17,400	375,790	370,098	2.3	Health Care
Molson Coors Canada Inc	4,604	420,805	408,927	2.6	Cons Non-Cyc*
National Bank of Canada	5,800	254,240	381,872	2.4	Financial
Petro-Canada	7,100	207,924	339,025	2.1	Energy
RioCan REIT	14,950	208,989	375,993	2.4	Financial
Royal Bank of Canada	7,170	212,538	397,935	2.5	Financial
Saputo Inc.	10,600	348,859	391,776	2.5	Cons Non-Cyc*
Sun Life Financial Inc.	7,900	289,801	389,628	2.4	Financial
The Thomson Corporation	7,900	353,035	382,202	2.4	Cons Cyc**
TD Bank	6,043	269,741	421,316	2.6	Financial
Westshore Terminals Income Fund	34,300	432,800	404,396	2.6	Materials
TOTAL CANADIAN EQUITIES		9,026,764	11,882,481	74.7	
U.S. EQUITIES					
3M Co.	3,900	459,854	353,680	2.2	Industrial
General Electric Company	9,610	408,208	416,125	2.6	Industrial
Hewlett-Packard Company	9,100	264,218	436,189	2.7	Technology
Intel Corporation	17,500	683,957	412,387	2.6	Technology
IBM	3,700	446,236	418,297	2.6	Technology
Johnson & Johnson	5,400	409,670	414,868	2.6	Health Care
Microsoft Corporation	12,400	445,243	430,877	2.7	Technology
Pfizer Inc.	12,500	599,143	376,748	2.4	Health Care
The Home Depot, Inc.	8,600	416,330	401,915	2.6	Cons Cyc**
TOTAL U.S. EQUITIES		4,132,859	3,661,086	23.0	
TOTAL INVESTMENTS		\$ 13,159,623	15,543,567	97.7	
CASH AND CASH EQUIVALENTS			503,642	3.2	
OTHER ASSETS LESS LIABILITIES			(136,625)	(0.9)	
TOTAL NET ASSETS			\$ 15,910,584	100.0	

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

*Cons Cyc = Consumer Cyclical

**Cons Non-Cyc = Consumer Non-Cyclical

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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.

