



BND.UN \$ 75,000,000

Management's Report on Fund Performance of

CROWN HILL DIVIDEND FUND

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 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 (date of inception). 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:

Management's Report on Fund Performance

continued

	<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>
RISK	<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 forego 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;

Management's Report on Fund Performance

continued

	<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 incurred on an 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, 2007. Total expenses, inclusive of administration and investment management fees, general & administrative costs and interest expense, for the year ended December 31, 2007 were \$393,485. The total increase from operations for the Fund was \$169,899 (or \$0.14 per Unit); \$862,031 was distributed to Unitholders.</p> <p>The Fund's net asset value per Unit decreased from \$10.17 as of December 31, 2006, the end of the previous fiscal year, to \$9.32 as at December 31, 2007. The Fund's net asset value decreased from \$15,910,584 as of December 31, 2006, to \$8,711,169 as at December 31, 2007. This difference is largely due to redemptions of 630,318 Units for a reduction in net asset value of \$6,492,277, on the redemption date, May 31, 2007.</p>

Management's Report on Fund Performance

continued

<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 a moderately positive year. High oil and material prices have been good for the resource sectors and the residential real estate market has continued to experience asset appreciation. On the other hand, the U.S. market has performed poorly and the U.S. economy likely slipped into recession at the end of 2007.</p> <p>The main news for both markets has been the sub-prime mortgage debacle in the U.S. and its effects on banks and debt instruments. In Canada, the commercial paper market seized up in the summer, and the major banks have begun writing down trading losses on their asset backed securities exposures. Several major U.S. banks have suffered significant losses and it is estimated that over two million homes in the U.S. could be in default on their mortgages. Meanwhile, oil has continued to remain high, recently exceeding \$100 a barrel.</p> <p>The Fund had a flat year, with most of its per unit decline a result of distributions paid to unit holders. The main difficulty experienced by the Fund was the large redemptions in May when the per unit net asset value exceeded \$10. The Manager has continued its cost control program which has helped mitigate the effects of these redemptions.</p> <p>Looking forward, 2008 will be a difficult year for the Canadian and U.S. equity markets. The recession in the U.S. is likely to affect Canada, especially southern Ontario. The financial sector, especially banks will likely continue to be weak performers as the global credit crunch reduces activity in several of their business lines. While oil prices remain high, much of this appears to be driven by speculation, and it is not inconceivable that a continued slow down in demand could eventually trigger a very sudden drop in the price of oil.</p>

Management's Report on Fund Performance

continued

<p>RECENT DEVELOPMENTS (continued)</p>	<p>Change in accounting policy</p> <p>For financial reporting purposes, on January 1, 2007, the Fund 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 Fund now values its securities at closing bid price (rather than using the last traded price) and transaction costs are now charged to 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 \$15,006 in the net assets of the Fund at the beginning of the period. The change in recording of transaction costs has no impact on the net assets of the Fund.</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 asset value per unit calculated using both the last traded price ("Transactional") and the closing bid price ("GAAP").</p>
<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 \$75,717 for the year ended December 31, 2007 (of which \$4,697 was payable at December 31, 2007).</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 \$70,595. 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 \$46,174.</p> <p>Unitholder Servicing costs for the year totaled \$23,210 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.</p>

Management's Report on Fund Performance

continued

FINANCIAL HIGHLIGHTS

The decrease in the unrealized appreciation of the Fund was caused by the realization of these gains, as a result of selling the securities to fund the redemptions. 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 three years. This information is derived from the Fund's audited financial statements.

<i>Year ended December 31,</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
GAAP NAV per Unit ⁽³⁾, beginning of year	\$ 10.17	\$ 9.83	\$ 9.45
Initial adoption of new accounting policy ⁽³⁾	(0.01)	-	-
<u>Increase (decrease) from operations:</u>			
Total revenue	0.25	0.25	0.26
Total expenses	(0.32)	(0.28)	(0.30)
Realized gains for the period	1.26	0.99	0.60
Unrealized gains (losses) for the period	(1.04)	(0.16)	0.51
Transaction costs ⁽³⁾	(0.01)	-	-
Total increase from operations ⁽¹⁾	0.14	0.80	1.07
<u>Distributions:</u>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	0.72	0.72	0.72
Total annual distributions ⁽²⁾	0.72	0.72	0.72
GAAP NAV per Unit ⁽³⁾, end of year	\$ 9.32	\$ 10.17	\$ 9.83

- 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.
- 3) See Change in Accounting Policy under Recent Developments.

Management's Report on Fund Performance

continued

RATIOS AND
SUPPLEMENTAL
DATA

	2007 ⁽¹⁾	2006	2005
Transactional Net Asset Value ⁽⁵⁾	\$ 8,721,245	\$ 15,910,584	\$ 24,220,496
Number of Units outstanding	934,633	1,564,951	2,463,993
Management expense ratio ⁽²⁾	3.18 %	2.93 %	3.18 %
Management expense ratio before waivers or absorptions	3.18 %	2.93 %	3.18 %
Portfolio turnover rate ⁽³⁾	0.08 %	7.81 %	4.29 %
Trading expense ratio ⁽⁴⁾	0.07 %	0.06 %	0.02 %
Transactional Net Asset Value per unit ⁽⁵⁾	\$ 9.33	\$ 10.17	\$ 9.83
Closing market price	\$ 8.90	\$ 9.85	\$ 9.16

- 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 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. 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.
- 5) See Change in Accounting Policy under Recent Developments.

Management's Report on Fund Performance

continued

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 and 2007, therefore the Manager has begun scaling back this activity to reduce costs.

The total fees and expenses for the year were \$393,485, with the following breakdown:

<i>Category</i>	<i>Amount Paid</i>	<i>Percent of Fees & Expenses</i>
Management fees	\$ 75,717	19.2 %
Legal fees	1,334	0.3 %
Service fees	45,483	11.6 %
Directors fees and expenses	29,216	7.4 %
Insurance expense	18,978	4.9 %
Administrative expenses	70,595	17.9 %
Custody, valuation and transfer fees	54,509	13.9 %
Accounting fees	23,257	5.9 %
Audit fees	30,056	7.6 %
Regulatory and listing expenses	21,130	5.4 %
Unitholder servicing expenses	23,210	5.9 %

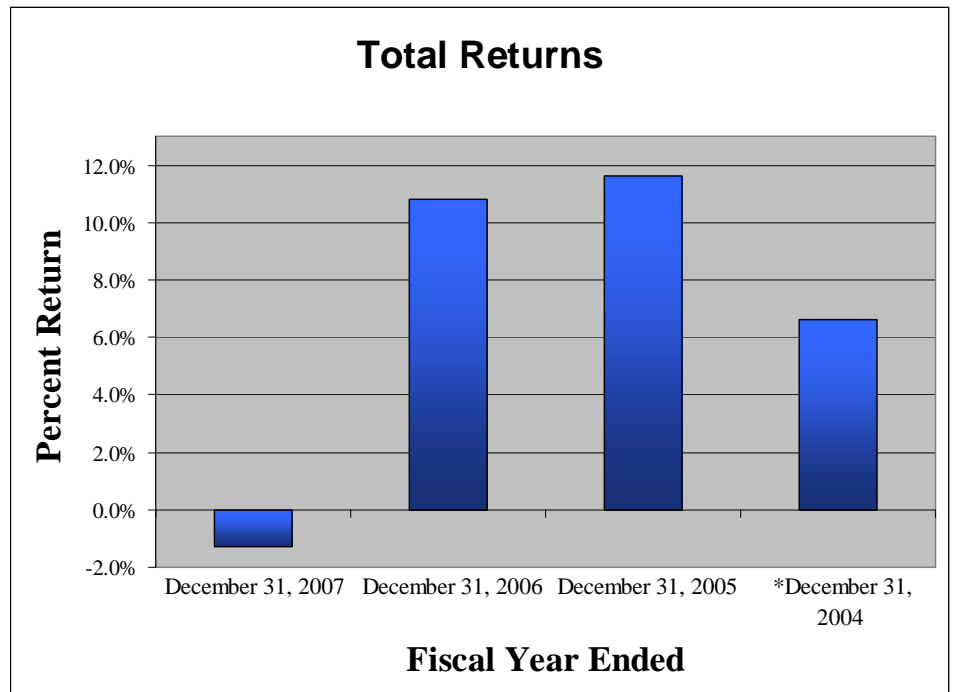
Management's Report on Fund Performance

continued

**PAST
PERFORMANCE**

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for its past four 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

continued

**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 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	-1.2%	6.7%	7.3%
Index (20% DJIA, 80% TSX 60)	7.7%	9.9%	9.5%

**SUMMARY OF
INVESTMENT
PORTFOLIO**

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

CANADIAN EQUITIES	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS	INDUSTRY
Bank of Montreal	3,474	\$ 182,001	\$ 195,413	2.2	Financial
Bank of Nova Scotia	4,500	153,472	225,720	2.6	Financial
BCE Inc.	5,747	153,742	227,581	2.6	Telecom
Bell Aliant Regional Communications Income Fund	7,581	250,190	233,109	2.6	Telecom
CIBC	2,315	153,760	163,277	1.9	Financial
Canadian Oil Sands Trust	6,900	72,157	267,099	3.1	Energy
Canadian Tire Corp	2,800	130,592	207,116	2.4	Cons Cyc*
Canadian Utilities Ltd.	5,100	137,798	233,580	2.7	Utility
Cascades Inc.	20,300	278,892	171,129	2.0	Materials
Emera Inc.	11,250	191,866	245,475	2.8	Utility
Enbridge Inc.	6,400	156,949	256,000	2.9	Utility
EnCana Corp.	3,586	100,489	242,055	2.8	Energy
Finning International Inc.	7,600	122,389	217,644	2.5	Industrial
Great-West Lifeco Inc.	6,400	156,992	227,072	2.6	Financial
IGM Financial, Inc.	4,500	151,068	225,135	2.6	Financial

Management's Report on Fund Performance

continued

SUMMARY OF
INVESTMENT
PORTFOLIO

(continued)

CANADIAN EQUITIES	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS	INDUSTRY
Imperial Oil Ltd.	4,760	\$ 96,911	\$ 259,801	3.0	Energy
Loblaw Companies Ltd.	4,800	299,542	163,056	1.9	Cons Non-Cyc*
Manitoba Telecom Services	4,906	229,705	225,529	2.6	Telecom
Manulife Financial Corp.	5,610	147,848	226,925	2.6	Financial
MDS Inc.	11,300	244,048	216,282	2.5	Health Care
Molson Coors Canada Inc	4,408	201,446	224,411	2.6	Cons Non-Cyc*
National Bank of Canada	3,800	166,571	198,246	2.3	Financial
Petro-Canada	4,200	122,997	223,650	2.6	Energy
RioCan REIT	8,950	118,416	194,663	2.2	Financial
Royal Bank of Canada	4,070	120,646	206,308	2.4	Financial
Saputo Inc.	9,000	148,101	268,470	3.1	Cons Non-Cyc*
Sun Life Financial Inc.	4,400	161,408	244,596	2.8	Financial
The Thomson Corporation	5,200	232,377	209,456	2.4	Cons Cyc**
TD Bank	3,243	144,757	225,226	2.6	Financial
Westshore Terminals Income Fund	16,200	202,477	234,251	2.7	Materials
TOTAL CANADIAN EQUITIES		5,029,607	6,648,295	76.4	
U.S. EQUITIES					
3M Co.	2,600	306,569	216,371	2.5	Industrial
General Electric Company	5,910	251,041	215,700	2.5	Industrial
Hewlett-Packard Company	4,900	142,271	243,882	2.8	Technology
Intel Corporation	8,900	347,841	233,651	2.7	Technology
IBM	1,900	229,148	202,353	2.3	Technology
Johnson & Johnson	3,400	257,940	223,519	2.6	Health Care
Microsoft Corporation	7,100	254,938	249,391	2.9	Technology
Pfizer Inc.	7,900	378,659	176,912	2.0	Health Care
The Home Depot, Inc.	5,600	271,100	148,674	1.7	Cons Cyc**
TOTAL U.S. EQUITIES		2,439,507	1,910,453	21.9	
TRANSACTION COSTS		(12,222)			
TOTAL INVESTMENTS		\$ 7,456,892	8,558,748	98.3	
OTHER ASSETS LESS LIABILITIES			152,421	1.7	
TOTAL NET ASSETS			\$ 8,711,169	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

Management's Report on Fund Performance

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.

