



**BND.UN \$ 75,000,000**

*Management's Report on Fund Performance of*

## **CROWN HILL DIVIDEND FUND**

*For the six months ended June 30, 2007*

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

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

## Management's Report of Fund Performance

**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

|                              |  |
|------------------------------|--|
| <b>DISCLOSURE</b>            | <p>This management report of fund performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or 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 <a href="http://www.crownhill.ca">www.crownhill.ca</a> or SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p> <p>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.</p>              |
| <b>CORPORATE STRUCTURE</b>   | <p>Crown Hill Dividend 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. Annual redemptions over the past three years have reduced the number of Units outstanding to 934,633. 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").</p> |
| <b>RESULTS OF OPERATIONS</b> | <p>Total expenses, inclusive of administration and investment management fees, general &amp; administrative costs and interest expense, for the six months ended June 30, 2007 were \$256,779. Net gain from operations for the Fund was \$482,645 (or \$0.33 per Unit). \$525,563 was distributed to Unitholders.</p> <p>The Fund's net asset value per Unit decreased from \$10.17 as of December 31, 2006 to \$10.02 as at June 30, 2007. The Fund's net asset value, decreased from \$15,910,584 as of December 31, 2006, to \$9,360,386 as at June 30, 2007. This difference is due to redemptions of 630,318 Units for a reduction in net asset value of \$6,492,274, on the redemption date, May 31, 2007.</p>  |
| <b>RECENT DEVELOPMENTS</b>   | <p>The Canadian economy has continued to grow in the past six months, but the stock market is beginning to show some strains. While the market peaked at the end of May, the slow-down in the U.S. housing market is beginning to make itself felt. Oil and metal prices have stabilized while the U.S. consumer is beginning to show some weakness. The high dollar has hurt the Ontario and Quebec manufacturing sectors, but this has been offset by the booming real estate and commodity markets. The main driver for the market has been the massive private equity buyouts that have been happening recently. It is not clear how long these will go on for but they are not a fundamental driver of economic activity so their effect will likely be ephemeral.</p>  |

## Management's Report on Fund Performance

continued

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| <p><b>RECENT DEVELOPMENTS</b></p>        | <p>Looking forward, we expect the second half of 2007 to be volatile with the overall performance of the market to be flat. The U.S. housing slow-down will continue to make itself felt in the credit markets, and the large consumer goods sectors such as automobiles. Retailers will begin to feel the pinch and it is possible that the U.S. could be faced with a mild recession by the first half of 2008.</p> <p>The Fund has experienced another large redemption in May 2007. The Manager will likely hold a Unitholder meeting sometime in the next twelve months to address this issue.</p> <p><b>Change in accounting policy</b></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, 2007, 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 June 30, 2007 net assets and net asset value per unit calculated using both the last traded price ("Industry Standard") and the closing bid price ("Financial Statements").</p> |
| <p><b>RELATED PARTY TRANSACTIONS</b></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 \$46,640 for the six months ended June 30, 2007 (of which \$4,952 was payable at June 30, 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 period totaled \$45,473. 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 period ended June 30, 2007 was \$21,052. Unitholder Servicing costs for the period totaled \$22,814 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 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 two and a half years. The information for the years ended December 31, 2005 and 2006 is derived from the Fund's annual audited financial statements and the information for six months ended June 30, 2007 is derived from the Fund's interim financial statements.

|  | <i>Six months ended<br/>June 30, 2007</i> | <i>Year ended<br/>December 31,<br/>2006</i> | <i>Year ended<br/>December 31,<br/>2005</i> |
|--|---|---|---|
| <b>Net asset value, Financial Statements <sup>(3)</sup>, beginning of period</b> | <b>\$ 10.17</b>                           | \$ 9.83                                     | \$ 9.45                                     |
| <b>Initial adoption of new accounting policy</b>                                 | <b>(0.01)</b>                             | -   | -   |
| <b><u>Increase (decrease) from operations:</u></b>                               |   |   |   |
| <b>Total revenue</b>   | <b>0.13</b>                               | 0.25  | 0.26  |
| <b>Total expenses</b>  | <b>(0.18)</b>                             | (0.28)                                      | (0.30)                                      |
| <b>Realized gains (losses) for the period</b>                                    | <b>0.92</b>                               | 0.99  | 0.60  |
| <b>Unrealized gains (losses) for the period</b>                                  | <b>(0.53)</b>                             | (0.16)                                      | 0.51  |
| <b>Transaction costs</b>   | <b>(0.01)</b>                             |   |   |
| <b>Total increase (decrease) from operations <sup>(1)</sup></b>                  | <b>0.33</b>                               | 0.80  | 1.07  |
| <b><u>Distributions:</u></b>   |   |   |   |
| <b>From income (excluding dividends)</b>   | <b>-</b>                                  | -   | -   |
| <b>From dividends</b>  | <b>-</b>                                  | -   | -   |
| <b>From capital gains</b>  | <b>-</b>                                  | -   | -   |
| <b>Return of capital</b>   | <b>0.36</b>                               | 0.72  | 0.72  |
| <b>Total annual distributions<sup>(2)</sup></b>                                  | <b>0.36</b>                               | 0.72  | 0.72  |
| <b>Net asset value, Financial Statements <sup>(3)</sup>, end of period</b>       | <b>\$ 10.02</b>                           | \$ 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.
- 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

|  | <i>Six months<br/>ended<br/>June 30,2007</i> | <i>Year ended<br/>December 31,<br/>2006</i> | <i>Year ended<br/>December 31, 2005</i> |
|--|--|---|---|
| <b>Net asset value,<br/>Financial Statements<sup>(5)</sup></b>           | <b>\$ 9,360,386</b>                          | \$ 15,910,584                               | \$ 24,220,496                           |
| <b>Adjustment from bid<br/>to closing price<sup>(5)</sup></b>            | <b>\$ 11,066</b>                             | n/a   | n/a                                     |
| <b>Net asset value,<br/>Industry Standard<sup>(5)</sup></b>              | <b>\$ 9,371,452</b>                          | n/a   | n/a                                     |
| <b>Number of units<br/>outstanding</b>                                   | <b>934,633</b>                               | 1,564,951                                   | 2,463,993                               |
| <b>Net asset value per<br/>unit, Industry<br/>Standard<sup>(5)</sup></b> | <b>\$ 10.03</b>                              | n/a   | n/a                                     |
| <b>Management expense<br/>ratio<sup>(2)</sup></b>                        | <b>3.42 %</b>                                | 2.93 %                                      | 3.18 %                                  |
| <b>Management expense<br/>ratio before waivers or<br/>absorptions</b>    | <b>3.42 %</b>                                | 2.93 %                                      | 3.18 %                                  |
| <b>Portfolio turnover<br/>rate<sup>(3)</sup></b>                         | <b>0.18 %</b>                                | 7.81 %                                      | 4.29 %                                  |
| <b>Trading expense<br/>ratio<sup>(4)</sup></b>                           | <b>0.11 %</b>                                | 0.06 %                                      | 0.02 %                                  |
| <b>Closing market price</b>  | <b>\$ 9.60</b>                               | \$ 9.85                                     | \$ 9.16                                 |

- 1) This information is provided as at June 30, 2007, December 31, 2006 and December 31, 2005.
- 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 turn over 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.

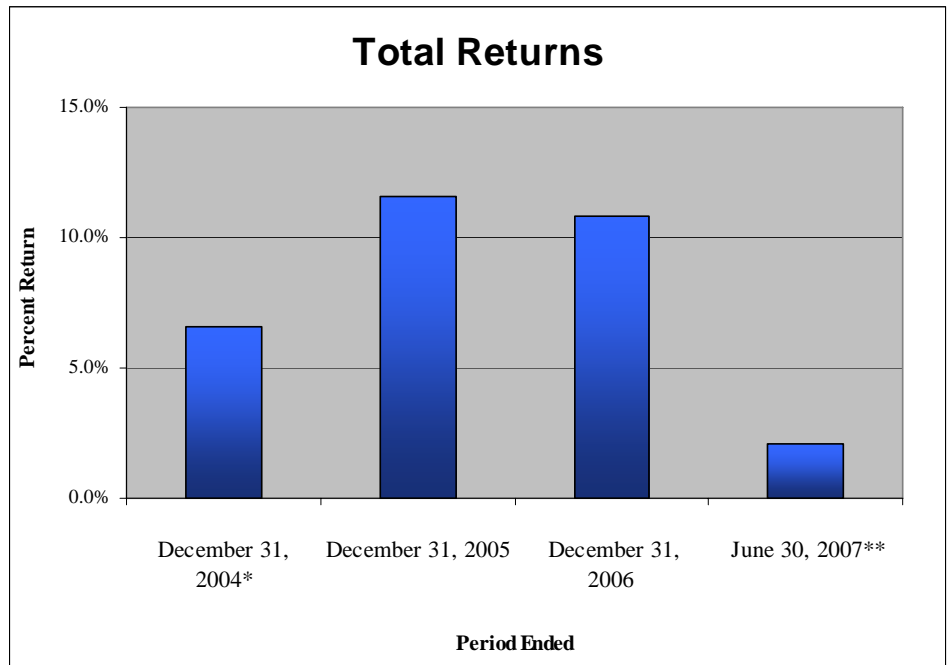
The total fees and expenses for the six months ended June 30, 2007 were \$256,779, with the following breakdown:

| <i>Category</i>                             | <i>Amount Paid</i> | <i>Percent of Fees &amp; Expenses</i> |
|---|--------------------|---------------------------------------|
| <b>Management fees</b>                      | <b>\$ 46,640</b>   | <b>18.2 %</b>                         |
| <b>Legal fees</b>                           | <b>1,334</b>       | <b>0.5 %</b>                          |
| <b>Service fees</b>                         | <b>26,614</b>      | <b>10.4 %</b>                         |
| <b>Board and insurance expenses</b>         | <b>15,143</b>      | <b>5.9 %</b>                          |
| <b>Administrative expenses</b>              | <b>45,473</b>      | <b>17.7 %</b>                         |
| <b>Custody, valuation and transfer fees</b> | <b>32,197</b>      | <b>12.5 %</b>                         |
| <b>Accounting and audit fees</b>            | <b>45,493</b>      | <b>17.7 %</b>                         |
| <b>Regulatory and listing expenses</b>      | <b>20,971</b>      | <b>8.2 %</b>                          |
| <b>Unitholder servicing expenses</b>        | <b>22,814</b>      | <b>8.9 %</b>                          |

**PAST PERFORMANCE**

**Year-by-Year Returns**

The following bar chart shows the Fund's annual performance since inception on June 1, 2004. These charts indicate, in percentage terms, how much an investment made on the first day of each financial period (if purchased at NAV per unit) would have grown by the last day of each period (if sold at NAV per unit).



\* 7 months \*\*6 months

## Management's Report on Fund Performance

continued

**SUMMARY OF INVESTMENT PORTFOLIO**

The following is a summary of the investment portfolio currently held by the Fund. For more information, please consult the financial statements.

| CANADIAN EQUITIES                               | NUMBER OF SHARES | AVERAGE COST     | MARKET VALUE     | % OF NET ASSETS | INDUSTRY      |
|---|------------------|------------------|------------------|-----------------|---------------|
| Alcan Inc.                                      | 2,657            | \$ 130,952       | \$ 229,963       | 2.5             | Materials     |
| Bank of Montreal                                | 3,474            | 182,001          | 237,622          | 2.5             | Financial     |
| Bank of Nova Scotia                             | 4,500            | 153,472          | 233,460          | 2.5             | Financial     |
| BCE Inc.  | 6,347            | 169,793          | 255,721          | 2.7             | Telecom       |
| Bell Aliant Regional Communications Income Fund | 7,581            | 250,242          | 237,664          | 2.5             | Telecom       |
| Canadian Imperial Bank of Commerce              | 2,315            | 153,760          | 221,684          | 2.4             | Financial     |
| Canadian Oil Sands Trust                        | 7,600            | 79,764           | 250,344          | 2.7             | Energy        |
| Canadian Tire Corp                              | 3,100            | 144,584          | 258,912          | 2.8             | Cons Cyc*     |
| Canadian Utilities Ltd.                         | 5,100            | 137,798          | 235,620          | 2.5             | Utility       |
| Cascades Inc.                                   | 20,300           | 278,892          | 231,217          | 2.5             | Materials     |
| Emera Inc.                                      | 11,250           | 191,866          | 223,650          | 2.4             | Utility       |
| Enbridge Inc.                                   | 6,400            | 156,949          | 229,760          | 2.5             | Utility       |
| EnCana Corp.                                    | 3,586            | 100,489          | 234,955          | 2.5             | Energy        |
| Finning International Inc.                      | 7,600            | 122,389          | 228,684          | 2.4             | Industrial    |
| Great-West Lifeco Inc.                          | 6,900            | 169,257          | 238,395          | 2.5             | Financial     |
| IGM Financial, Inc.                             | 4,500            | 151,068          | 232,965          | 2.5             | Financial     |
| Imperial Oil Ltd.                               | 4,760            | 96,911           | 236,048          | 2.5             | Energy        |
| Loblaw Companies Ltd.                           | 4,800            | 299,542          | 249,360          | 2.7             | Cons Non-Cyc* |
| Manitoba Telecom Services                       | 4,906            | 229,705          | 230,042          | 2.5             | Telecom       |
| Manulife Financial Corp.                        | 6,110            | 161,026          | 242,995          | 2.6             | Financial     |
| MDS Inc.  | 11,300           | 244,048          | 245,210          | 2.6             | Health Care   |
| Molson Coors Canada Inc                         | 2,204            | 201,446          | 215,243          | 2.3             | Cons Non-Cyc* |
| National Bank of Canada                         | 3,800            | 166,571          | 233,206          | 2.5             | Financial     |
| Petro-Canada                                    | 4,200            | 122,997          | 237,174          | 2.5             | Energy        |
| RioCan REIT                                     | 8,950            | 125,114          | 210,683          | 2.3             | Financial     |
| Royal Bank of Canada                            | 4,070            | 120,646          | 230,443          | 2.5             | Financial     |
| Saputo Inc.                                     | 5,700            | 187,594          | 250,686          | 2.7             | Cons Non-Cyc* |
| Sun Life Financial Inc.                         | 4,800            | 176,081          | 243,648          | 2.6             | Financial     |
| The Thomson Corporation                         | 5,200            | 232,377          | 226,200          | 2.4             | Cons Cyc**    |
| TD Bank   | 3,243            | 144,757          | 236,285          | 2.5             | Financial     |
| Westshore Terminals Income Fund                 | 18,000           | 224,975          | 250,740          | 2.7             | Materials     |
| <b>TOTAL CANADIAN EQUITIES</b>                  |                  | <b>5,307,066</b> | <b>7,318,579</b> | <b>78.3</b>     |               |

Management's Report on Fund Performance

continued

**SUMMARY OF INVESTMENT PORTFOLIO (continued)**

| U.S. EQUITIES                           | NUMBER OF SHARES | AVERAGE COST        | MARKET VALUE        | % OF NET ASSETS | INDUSTRY    |
|---|------------------|---------------------|---------------------|-----------------|-------------|
| 3M Co.                                  | 2,600            | \$ 306,569          | \$ 239,956          | 2.5             | Industrial  |
| General Electric Company                | 5,910            | 251,041             | 240,343             | 2.5             | Industrial  |
| Hewlett-Packard Company                 | 4,900            | 142,271             | 232,316             | 2.5             | Technology  |
| Intel Corporation                       | 9,900            | 386,925             | 249,798             | 2.7             | Technology  |
| IBM                                     | 2,100            | 253,269             | 234,937             | 2.5             | Technology  |
| Johnson & Johnson                       | 3,400            | 257,940             | 222,683             | 2.4             | Health Care |
| Microsoft Corporation                   | 7,100            | 254,938             | 222,425             | 2.4             | Technology  |
| Pfizer Inc.                             | 7,900            | 378,659             | 214,545             | 2.3             | Health Care |
| The Home Depot, Inc.                    | 5,600            | 271,099             | 234,348             | 2.5             | Cons Cyc**  |
| <b>TOTAL U.S. EQUITIES</b>              |                  | <b>2,502,711</b>    | <b>2,091,351</b>    | <b>22.3</b>     |             |
| <b>TRANSACTION COSTS</b>                |                  | <b>(12,866)</b>     | -                   | -               |             |
| <b>TOTAL INVESTMENTS</b>                |                  | <b>\$ 7,796,911</b> | <b>9,409,930</b>    | <b>100.6</b>    |             |
| <b>OTHER ASSETS, NET OF LIABILITIES</b> |                  |                     | <b>(49,544)</b>     | <b>(0.6)</b>    |             |
| <b>TOTAL NET ASSETS</b>                 |                  |                     | <b>\$ 9,360,386</b> | <b>100.0</b>    |             |

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

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

