

REPORT TO UNITHOLDERS

We are committed to providing unitholders with a stable stream of monthly distributions and maximizing long-term total return.

We will continue to seek opportunities to acquire investments in high quality businesses, run by strong management teams at attractive prices.

This approach enabled us to exceed our targetted capital unit distributions for 2006.

Dear Fellow Unitholders,

2006 will be remembered as a year of significant transition for the income trust sector due to the Federal Government's October 31, 2006 announcement of the Tax Fairness Plan for Canadians. We will provide the highlights of the Tax Fairness Plan as it applies to the income trust sector, as well as our views of its implications for the future of income trusts. In addition, we will provide an overview of the performance of income trusts for 2006 and share our outlook for 2007.

MARKET OVERVIEW

On October 31, 2006, the Federal Government announced the Tax Fairness Plan for Canadians, which is expected to come into effect for existing trusts in their 2011 taxation year. The following is a summary of the detailed Plan as it relates to income trusts:

- There will be a Distribution Tax of up to 31.5% on distributions from publicly-traded income trusts and limited partnerships.
- Distributions from income trusts in 2011 will be treated as dividends for tax purposes and thereby taxed at a lower rate than ordinary income.
- The portion of distributions deemed to be "return of capital" will not be subject to the Distribution Tax.
- Effectively all income trusts, other than REITs (additional clarification from the Federal Government is required to assess whether the non-property portion of lodging and seniors housing REITs will be impacted by the Tax), will be subject to the new Distribution Tax.
- For existing income trusts, there will be a four-year transition period and they will not be subject to the Distribution Tax until their 2011 taxation year.
- For income trusts that commenced trading after October 31, 2006, the Distribution Tax will begin in their 2007 taxation year.

On December 15, 2006, the Federal Government provided additional clarification on the Tax Fairness Plan for Canadians. The following is a summary of key points:

- Income trusts will be permitted to issue equity in an amount equal to the greater of: 1) 40% of equity in 2007 and 20% of equity in each of 2008, 2009, and 2010; or 2) \$50 million per year; with the benchmark date for the calculation of equity being the October 31, 2006 market capitalization for each individual trust.
- The conversion of an income trust back to a corporation would be considered a tax-free rollover for investors.

Overall, we expect these announcements to result in a tax treatment for income trusts similar to that of corporations, with unitholders being treated more like shareholders from a taxation standpoint, beginning in 2011. In essence, income trusts can now be viewed as corporations with a four year tax holiday. At this time, there is continued pressure on the Federal Government to extend the tax-free grace period for existing trusts. If extended, this would enhance the current value of income trusts.

The following table shows current versus proposed tax rates on income trust distributions and corporate dividends for Canadian and U.S. investors.

	<i>Income Trust – Distributions</i>			<i>Corporation – Dividend</i>
	Current	Proposed for 2011	Change	Proposed for 2011
Taxable Canadian	46%	45.5%	(0.5%)	45.5%
Tax-deferred Canadian	–%	31.5%	31.5%	31.5%
Taxable U.S. investor	15%	41.5%	26.5%	41.5%

It is important to note that while the proposed changes will result in higher taxes for tax-deferred Canadian investors and taxable U.S. investors, taxable Canadian investors will actually be taxed at a slightly lower rate. In other words, as far as distributions are concerned, taxable Canadian investors will end up in a similar position on an after-tax basis to where they are today.

While the Tax Fairness Plan for Canadians has created a challenge for the income trust sector, its financial impact appears to be a one-time valuation adjustment reflecting the new Distribution Tax that will be applied in 2011. We estimate the average impact of the potential Distribution Tax on underlying capital values to be approximately 15%, however, this figure will vary significantly depending on the tax situation of each individual trust and whether or not the tax-free grace period is extended beyond four years. From the date of the announcement on October 31, 2006 to December 31, 2006, the S&P/TSX Capped Income Trust Total Return Index (the “Index”) had a negative return of 8.6%.

While it is difficult to predict the future, we expect that by 2011 many of the businesses in the income trust sector will continue to exist, however, we expect their form will be different. Some trusts may convert back to corporations and retain their cash flow to fund future growth, while others may become high dividend paying corporations. We also expect some trusts will remain as income trusts. It will ultimately be the business performance, which will most significantly impact the investment performance of each individual income trust.

For 2006, the Index had a loss of 2.8% (its first negative year since 1998 and the first time income trusts did not outperform Canadian stocks since 1999). This loss was largely the result of the October 31, 2006 announcement as the Index had a return of 8.6% in the last two months of the year. With significant market volatility throughout the year, the Index reached its high on August 9, 2006 recording a year-to-date return of 11.4% at that time and reached its low on November 14, 2006 for a year-to-date return of negative 12.5% at that time.

In addition, income trust unit performance was not consistent across all sectors during 2006. According to the CIBC WM Income Trust Group Indices performance summary, REITs were the top performers with a 27.0% return in 2006. All other sectors had negative returns for 2006: power and pipeline trusts lost 4.2%; oil and gas royalty trusts lost 6.1%; and business trusts lost 8.5%. Oil and gas royalty trusts continue to form the largest portion of the S&P/TSX Capped Income Trust Index representing approximately 49% as at December 31, 2006. As a result, the Index is highly sensitive to changes in the prices of oil and gas royalty trusts and therefore changes in the underlying prices of oil and gas.

INCOME TRUSTS – GOOD BUSINESSES CONTINUE TO EXIST WITHIN THE TRUST STRUCTURE

Notwithstanding the challenges faced by the income trust market in 2006, we continue to believe that there are many businesses in the income trust sector that provide attractive long-term investment opportunities.

As shown in the table below, the current income trust market continues to offer investors a diverse group of businesses offering high yields. As at December 31, 2006, the average yield for the income trust sector was 10.9%. This is significantly higher than the 2.4% yield offered from the S&P/TSX Composite Index and the 4.1% yield on the 10-year Canada bond. As a result, there continues to be no better place to satisfy an investor's desire for yield than income trusts.

Sub-sector	# of Trusts	Market Capitalization ¹	Average Yield
Oil and gas royalty trusts	31	\$ 71.0	14.5%
Business trusts	168	85.5	11.2%
Real estate investment trusts (REITs)	33	30.3	6.9%
Power and pipeline trusts	23	18.4	9.4%
Total	255	\$ 205.2	10.9%

¹ In \$ billions

The distributions of income trusts are not fixed but tend to vary over time based on the economic performance of the business underlying the income trust and its distribution policy. While we expect the proposed Distribution Tax to hinder the ability of a trust to maintain its current distribution in 2011, there are still up to four years before the Distribution Tax will be payable and certain trusts may be able to grow their distributable cash over this period to offset the impact of the new Distribution Tax. Over the past three years, approximately 40% of trusts, each year, have increased their distributions:

Percentage of TSX Trusts	2006	2005	2004
Increased distributions ¹	39.2%	44.9%	38.3%
Maintained distributions ¹	45.1%	46.6%	52.0%
Decreased / omitted / no distribution	15.7%	8.5%	9.7%

¹ Based on date of announcement of change in distributions for each trust

There are a number of income trusts that are strong businesses run by experienced management and possess attractive economics, which have managed to grow their distributable cash and increase their distributions in the past. We are confident that the strongest trusts will continue to perform well in the future. Whether these trusts remain income trusts or convert to a corporate form remains to be seen, however they will continue to remain solid businesses and good investments if purchased at reasonable prices.

FUND PERFORMANCE

The Fund was formed to actively manage a diversified portfolio of selected income trust securities from four primary sectors: business trusts, power generation and pipeline trusts, oil and gas royalty trusts and REITs. We invest in trusts in each of these four sectors that we believe are capable of generating high quality cash flows with minimal sustaining capital requirements and that have the potential to appreciate in value.

For the 12-month period ended December 31, 2006, the Fund's net asset value per unit decreased by 35.3%, resulting in total negative return, including distributions, of 25.3%. During the same timeframe, the Index lost 2.8%.

Distributions

The Fund declared and paid monthly distributions for the first four months of 2006 at its targetted monthly rate of \$0.1125 per unit, or \$1.35 per unit per year, and increased its distribution to \$0.1167 per unit per month, or \$1.40 per unit per year, beginning with its distribution paid in June 2006. The Fund has met all its distribution targets since inception and is committed to delivering stable distributions to unitholders. The portfolio is currently expected to generate a reliable flow of cash to sufficiently meet the Fund’s targetted annual distribution of \$1.40 per unit in 2007.

OUTLOOK

We expect 2007 to be a volatile year for the income trust market given the heavy influence of oil and gas royalty trusts (47% average in 2006) on the Index. While we continue to believe that this weighting in oil and gas royalty trusts of almost 50% is not prudent, we continue to position our Funds with meaningful exposure to the oil and gas sector through direct oil and gas investment, exposure through its service sector, and by investing in businesses that are economically connected with Canada’s western economy. For the first two months of 2007, the Fund has benefitted from this strategy as the Fund has outperformed the Index returning 3.81% versus 1.87% for the Index.

We believe that the Fund’s holdings of income trusts are run by quality management and possess attractive business economics. Over the long term, for any equity investment – whether it is legally constituted as a corporation, a trust, or another legal form – it is the business performance of the entity that will determine the success of the investment. We will continue to monitor the business performance of the Fund’s investments and the status of the income trust sector as the proposed new Distribution Tax on income trusts becomes law. The four-year transition period should provide ample time for the businesses behind the most successful trusts to adjust to the new tax reality.

Thank you for your continued support of our Fund.



Bruce Robertson
On behalf of the Manager



Kevin Charlebois
On behalf of the Investment Advisor

Forward-Looking Statements

The Report to Unitholders and Management Report of Fund Performance contain “forward-looking statements” and information. The words “believe,” “typically,” “generally,” “anticipate,” “expect,” “will,” “potential,” “positioned,” “should,” “seek,” and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify forward-looking statements. Although the Fund Manager and Investment Advisor believe that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements or information include: general economic conditions; changes in interest and exchange rates; changes in legislation or practices governing the income trust sector, and other risks and factors described from time to time in the documents filed by the Manager with the securities regulators in Canada. The Manager undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.