

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.

Dear Fellow Unitholders,

The year 2007 was another year of transition for the income trust sector. It has been over a year since the Canadian Federal Government's October 31, 2006 announcement of the Tax Fairness Plan for Canadians. We will provide an overview of events occurring since the announcement and a synopsis of returns in 2007. In addition, we will provide our comments on the current status of the income trust market and our expectations for the income trust sector in the future. Also, we will explain Fund performance for 2007 and share our outlook for 2008.

MARKET OVERVIEW

The Tax Fairness Plan for Canadians was passed in the Federal Budget announced March 19, 2007 and has now become law. Income trusts have approximately three years remaining before they will be subject to a Distribution Tax beginning in their 2011 taxation year. Effectively, income trusts can now be viewed as corporations with a tax holiday until 2011.

The performance of the income trust sector and the S&P/TSX Composite Index (as a proxy for the overall Canadian equity market) since the October 31, 2006 announcement is as follows:

	S&P/TSX Capped Income Trust Total Return Index	S&P/TSX Composite Index	Difference ¹
October 31, 2006 to December 31, 2006 ¹	(8.6%)	5.1%	(13.7%)
October 31, 2006 to December 31, 2007 ¹	(2.6%)	15.4%	(18.0%)
December 31, 2006 to December 31, 2007	6.6%	9.8%	(3.2%)

¹ Based on the closing price prior to the announcement

Since the announcement, the S&P/TSX Capped Income Trust Total Return Index has underperformed the S&P/TSX Composite Index. In our 2006 Report to Unitholders, we estimated the average impact of the Distribution Tax on the underlying capital values to be approximately 15%. This one-time adjustment in value was largely reflected in the relative performance of the S&P/TSX Capped Income Trust Total Return Index versus the S&P/TSX Composite Index over the October 31, 2006 to December 31, 2006 timeframe as the difference in performance was 13.7%. On a go forward basis, we believe it will be the long-term business performance of the companies in each Index which will determine the long-term relative performance of the Indices.

Income trust unit performance was not consistent across all sectors for 2007. According to the CIBC WM Income Trust Group Indices performance summary, Business Trusts were the top performers with a 21.4% return. Returns for the other sectors were as follows: Power and Pipeline Trusts gained 13.1%; Oil and Gas Royalty Trusts returned 0.0%; and REITs lost 3.3%. Oil and Gas Royalty Trusts continue to form the largest portion of the S&P/TSX Capped Income Trust Total Return Index representing approximately 48% as at December 31, 2007. 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 – STILL THE SOURCE FOR YIELD ALTHOUGH THE NUMBER OF TRUSTS IS DECREASING

During 2007, there was a significant decrease in the number of income trusts:

Sub-sector	# of Trusts December 31, 2007	# of Trusts December 31, 2006	Change
Oil and gas royalty trusts	27	31	(4)
Business trusts	135	168	(33)
Real estate investment trusts (REITs)	27	33	(6)
Power and pipeline trusts	19	23	(4)
Total	208	255	(47)

The decrease in the number of income trusts has been largely due to the significant number of takeovers, mergers, and sales during 2007 as seen in the table below:

	Number of Trusts	Market Capitalization Acquired ¹
Takeovers/mergers/sales - Domestic Acquirer	(24)	\$ 17.4
Takeovers/mergers/sales - Foreign Acquirer	(22)	11.0
New listings	1	N/A
De-listed	(2)	N/A
Total	(47)	\$ 28.4

¹ In \$ billions

Source: RBC Capital Markets

Domestic acquirers were responsible for the largest number of transactions representing the greatest amount of market capitalization acquired. According to RBC Capital Markets, the average takeover premium was 23% for 2007 (based on the last close price prior to the first offer or announced strategic review). With the majority of this corporate activity occurring in the Business Trust sector, it was a contributing factor to this sector's strong performance of 21.4% for 2007 and the out-performance of the Business Trust sector relative to the other income trust sectors.

We expect that the number of income trusts will continue to decrease. There were also another six takeovers announced in 2007 that did not close prior to December 31, 2007 according to RBC Capital Markets. While it is difficult to forecast market developments, we continue to expect that many of the businesses will continue to exist as independent entities; however, we expect their form to 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 to remain as income trusts. As for those trusts that are acquired, these takeovers will likely continue to be done at a premium to their trading price prior to any announcement.

Throughout this continuing transition in the income trust market, trusts still offer investors a source for high yields. As seen from the table below, the current income trust market continues to offer investors a diverse group of companies offering high yields. As at December 31, 2007, the average yield for the income trust sector was 10.8%. This is significantly higher than the 2.4% yield offered from the S&P/TSX Composite Index and the 4.0% yield on the 10-year Government of Canada bond. As a result, there continue to be few better places to satisfy an investor's desire for yield than income trusts.

The following table summarizes the income trust market as of December 31, 2007:

Sub-sector	# of Trusts	Market Capitalization ¹	Average Yield
Oil and gas royalty trusts	27	\$ 70.4	13.7%
Business trusts	135	65.8	10.8%
Real estate investment trusts (REITs)	27	23.0	8.7%
Power and pipeline trusts	19	16.8	9.6%
Total	208	\$ 176.0	10.7%

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 the Tax Fairness Plan will hinder the ability of a trust to maintain its current distribution in 2011, there are approximately three years before the new tax will be effective and we believe certain trusts will be able to grow their distributable cash over this period to offset the impact of the new tax. From 2004 to 2006, approximately 40% of trusts, each year, have increased their distributions. However, going forward we expect this figure to be lower as trusts adapt to the future Distribution Tax, as can be evidenced by the fact that only about 20% of income trusts increased their distributions during 2007:

Percentage of TSX Trusts	2007	2006	2005	2004
Increased distributions ¹	21.2%	39.2%	44.9%	38.3%
Constant distributions ¹	57.6%	45.1%	46.6%	52.0%
Decreased/omitted/no distribution ¹	21.2%	15.7%	8.5%	9.7%

¹ Based on date of announcement

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 and will provide attractive long-term investment opportunities 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: 1) business trusts; 2) power generation and pipeline trusts; 3) oil and gas royalty trusts; and 4) 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 year ended December 31, 2007, the Fund's published net asset value per unit, which is used for purchases and redemptions, decreased by 22.3%, resulting in a total return, including distributions, of negative 6.5%. During the same timeframe, the S&P/TSX Capped Income Trust Total Return Index gained 6.6%. Given the split share structure of the Fund, the Fund had leverage in excess of 2.0 times throughout the year, which magnifies both the positive and negative returns of the Fund by approximately two times. The Fund underperformed the Index largely due to the poor performance of the Portfolio's investments in the Oil & Gas Services sector. At the start of 2007, over 13% of the Fund was invested in income trusts in the Oil & Gas Services sector which was the worst performing income trust sub-sector according to RBC Capital Markets with a negative return of 33% for 2007.

For the twelve months ended December 31, 2007, the Fund generated net realized losses of approximately \$5.2 million. This was largely due to realizing losses of \$2.7 million on Canetic Resources Trust, \$1.8 million on Peyto Energy Trust, and \$1.0 million on Trilogy Energy Trust as the funds were redeployed into three other Oil and Gas Royalty Trusts: Crescent Point Energy Trust, Focus Energy Trust, and Paramount Energy Trust. As well, there were realized losses of \$1.6 million, \$1.1 million, and \$1.1 million from the sale of Primary Energy Recycling Corporation, XS Cargo Income Fund and Blackwatch Energy Services Trust respectively. All three were sold due to their deteriorating business prospects. The capital losses were partially offset by realized gains in a number of positions, including a \$1.8 million gain on the Altus Group Income Fund.

Distributions

The Fund declared and paid monthly distributions in 2007 at its targeted monthly rate of \$0.1167 per unit, or \$1.40 per unit per year. The Fund has increased its distribution once since its original targeted annual distribution of \$1.35 per unit per year in May 2006. On December 18, 2007, the Fund announced that it was decreasing its monthly distribution to \$0.084 per unit or \$1.008 on an annual basis effective with the January 2008 distribution, payable in February 2008. The reduction was partly due to distribution decreases by certain trusts in the Fund's investment portfolio, fewer distribution increases by other trusts due to regulatory changes in the income trust sector, and increased borrowing costs due to higher interest rates relative to last year. We believe the targeted annual distribution of \$1.00 per unit in 2008 is more sustainable in the current environment, provides a greater margin of safety, and better reflects the income-generating ability of the Fund's investment portfolio.

OUTLOOK

We expect the high level of acquisition and strategic review activity to continue in 2008 and that the number of income trusts will continue to decrease. The S&P/TSX Capped Income Trust Total Return Index will continue to be heavily influenced by the performance of the oil and gas royalty trusts due to their large index weighting (currently 48%) which we expect to be very volatile due to their direct exposure to oil and gas prices. We plan to continue to be underweight oil and gas royalty trusts relative to the Index as we continue to believe it is not prudent to have almost 50% of the Fund invested in a single sector. However, we plan to continue to position our Funds with exposure to the oil and gas sector through direct oil and gas investment, exposure through its service sector, and investing in businesses that are economically connected with Canada's western economy.

We continue to 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 - we believe 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 will continue to adapt to the changing income trust sector.

Thank you for your continued support of our Fund.



Bruce Robertson
On behalf of the Manager



Kevin Charlebois
On behalf of the Investment Advisor

March 9, 2008

Forward Looking Statements

The Report to Unitholders and Management Report of Fund Performance contain forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" and information. The words "believe," "may," "plan," "expect," "will," "potential," "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. These forward-looking statements include, among others, statements with respect to the future performance of the income trust sector and likelihood of income trust conversions to corporate structures, acquisition trends in the income trust sector, Fund annual distribution targets and portfolio weightings. Although the 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 Fund's Prospectus, Annual Information Form and other documents filed by the Manager with the securities regulators in Canada. Except as required by law, 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.