



# *Imperial Pools*

## *Annual Management Report of Fund Performance*

*December 31, 2006*

*Imperial Canadian Dividend Pool*

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. If you have not received a copy of the annual financial statements with this annual management report of fund performance, you can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-357-8777, by writing to us at CIBC, 5650 Yonge Street, 19th floor, Toronto, Ontario, M2M 4G3, or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com).

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.



## Management Report of Fund Performance

for the financial year ended December 31, 2006

All figures are reported in Canadian dollars unless otherwise noted.

### Management Discussion of Fund Performance

#### Objective and Strategies

##### Imperial Canadian Dividend Pool

- Imperial Canadian Dividend Pool (the *Pool*) seeks to maximize dividend income in a manner consistent with capital preservation by investing primarily in high quality preferred shares and dividend producing common shares of Canadian corporations on a diversified industry basis.
- The Pool practices a prudent bottom-up, earnings-growth oriented investment strategy that gives dominant weighting to fundamental characteristics of the individual stocks.

#### Risk

The Pool is a Canadian equity fund that is suitable for medium-term investors who can tolerate low to moderate investment risk.

The risk classification of the Pool has been revised from 'moderate-to-high' to 'low-to-moderate' based on the recommendations of the Fund Volatility Classification Working Group of the Investment Funds Institute of Canada (*IFIC*). The potential for risk volatility was determined by using the standard deviation method (i.e., dispersion in a fund's returns over a given period from its mean). The review was performed on the rolling three-year and five-year standard deviations. Notably, the IFIC Working Group recommendations are intended to introduce a consistent methodology for fund volatility risk classification by mutual fund managers.

Despite changing the risk classification of the Pool, over the one-year period ending December 31, 2006, no significant changes had an impact on the overall risk level of the Pool. The risks of investing in the Pool remain as discussed in the Simplified Prospectus.

#### Results of Operations

The portfolio sub-adviser of the Pool is CIBC Global Asset Management Inc. (*the sub-adviser*). The commentary that follows reflects the views of the sub-adviser and provides a summary of the

results of operations of the Pool for the 12-month period ended December 31, 2006.

The Pool returned 12.01% for the period and underperformed the S&P/TSX Composite Index (the *primary benchmark*), which returned 17.26% over the same period. The Pool outperformed its secondary benchmark, a blended index consisting of 45% S&P/TSX Composite Index, 45% BMO Nesbitt Burns 50 Preferred Shares Index, and 10% Scotia Capital Universe Bond Index (the *secondary benchmark*), which returned 10.07% over the same period.

The Pool increased its holdings in equity investments during the year. At the end of 2005, the asset mix was 50% in equities, 24% in preferred shares, 13% in bonds, and the remainder in cash. At the end of 2006, the asset mix stood at 61% in equities, 18% in preferred shares, 13% in bonds, and the remainder in cash. This change was due to the shrinking preferred share market and the better opportunities available in equities.

The Pool outperformed the secondary benchmark due to its overweight in equities. The Pool's overweight investment in large-capitalization stocks aided performance.

The preferred shares portion of the portfolio underperformed due to a lack of suitable issues and its sensitivity to changes in interest rates.

Income trust exposure in the equities portion of the portfolio dropped from 11.8% of the portfolio at the beginning of the year, to 11.1% at the end of the year, because of declines in market value. The federal government's proposed new taxation rules for income trusts, which were announced on October 31, 2006, contributed to these declines.

The fixed income portion of the portfolio underperformed the Scotia Capital Universe Bond Index. The Pool's duration continues to be shorter than the Scotia Capital Universe Bond Index, decreasing from 4.05 years to 3.95 years.

The best performing sectors within the primary benchmark were materials, information technology, and telecommunication services. The Pool was overweight in telecommunications services.

The Pool's position in Falconbridge and Inco were eliminated as those companies were taken over during the period.

The Pool's largest sector weighting was in financials, which returned 19.2% and outperformed the benchmark. The Pool is underweight in energy, which returned 6.1% and underperformed the benchmark.

During the year, the Pool held 10 of the benchmark's top 15 performing equities: Royal Bank, Falconbridge, Manulife, CIBC, Inco, Toronto-Dominion Bank, Bank of Nova Scotia, Teck Cominco, Rogers Communications, and Alcan. The sub-adviser established new positions in Petro-Canada, Penn West Energy, Alcan, Canadian Pacific, Manulife, and Rogers Communications. The sub-adviser also added Bell Aliant Regional Income Trust, which was sold from BCE., and eliminated Epcor Power from the portfolio.

The net effect of all equity transactions was that weightings in energy, industrials, telecommunications, and financials increased, while the weighting in materials decreased.

The Pool's performance will be primarily affected by the performance of the primary benchmark, as common shares represent 61% of the Pool's assets. Changes in interest rates will also have an impact on the Pool, as bonds and preferred shares are sensitive to changes in interest rates.

Over the period, the Pool experienced positive cash inflows from clients, which caused the Pool's assets to increase by approximately 30%. Although this cash flow is notable, the impact on the Pool is considered to be minimal.

### **Recent Developments**

During the period, changes were made to the Pool's performance measurement benchmarks. The Pool's primary benchmark was changed from a single blended benchmark consisting of 60% BMO Nesbitt Burns 50 Preferred Shares Index, 35% S&P/TSX Capped Index, and 5% Scotia Capital Universe Bond Index to a single broad-based benchmark – the S&P/TSX Composite Index. The change in primary benchmark was made to provide an appropriate broad-based securities index for performance comparison. Additionally, a secondary performance measurement benchmark was added to better represent the investment strategies of the Pool. The secondary benchmark is a blended benchmark consisting of 45% S&P/TSX Composite Index, 45% BMO Nesbitt Burns 50 Preferred Shares Index, and 10% Scotia Capital Universe Bond Index.

During the period, the Pool had exposure to income trusts. On October 31, 2006, the Federal Minister of Finance announced a summary of the government's intentions to introduce tax measures aimed at removing the tax advantages for entities structured as income trusts and certain listed partnerships over corporations. The proposed changes are:

- New income trusts and partnerships will be taxed similar to corporations beginning in 2007, and existing trusts/partnerships will be impacted beginning in the 2011 tax year. This will end income trust/partnership tax advantages, starting in 2011.
- The effective combined federal and provincial rate to be paid by trusts/partnerships on distributions will start at 34% in 2007 (effectively mirroring federal and provincial taxes on corporations) and drops to 31.5% by 2011. Of this total tax collected, the federal government plans to remit tax to the provinces at a rate of 13%.
- Most Real Estate Investment Trusts (REITs) are exempted from these proposals.

Over the long term, it is expected that income trusts will eventually be valued similar to taxable corporations and be viewed as high yielding common stocks. Please refer to the *Results of Operations* section for more detail, if applicable, on investment trusts.

### **Related Party Transactions**

Canadian Imperial Bank of Commerce (*CIBC*) and its affiliates have the following roles and responsibilities with respect to the Pool, and receive the fees described below in connection with their roles and responsibilities:

#### ***Manager of the Pool***

CIBC is the manager (*Manager*) of the Pool. CIBC will receive management fees with respect to the day-to-day business and operations of the Pool. The Pool may pay the Manager an annual maximum management fee of up to 0.25% of the net asset value of the Pool, as described in the section entitled *Management Fees*.

#### ***Trustee of the Pool***

CIBC Trust Corporation (*CIBC Trust*), a wholly-owned subsidiary of CIBC, is the trustee (*Trustee*) of the Pool. The Trustee holds title to the property (cash and securities) of the Pool on behalf of its unitholders.

#### ***Portfolio Adviser of the Pool***

CIBC Asset Management Inc. (*CAMI*), a wholly-owned subsidiary of CIBC, is the portfolio adviser of the Pool. As portfolio adviser, CAMI provides, or arranges to provide, investment advice and portfolio management services to the Pool.

**Sub-adviser of the Pool**

CAMI has retained CIBC Global Asset Management Inc. (*CIBC Global*), a wholly-owned subsidiary of CIBC, as the sub-adviser of the Pool, to provide investment advice and portfolio management services to the Pool. CAMI pays a fee to CIBC Global.

**Discretionary Managers**

As at the date of this report, units of the Pool are exclusively offered through discretionary investment management services provided by CIBC Trust, CIBC Private Investment Counsel Inc. (*CIBC PIC*), and CIBC Global (the “Discretionary Managers”), each a wholly-owned subsidiary of CIBC. The Discretionary Managers purchase units of the Pool on behalf of their clients and are registered unitholders of the Pool. CIBC Investor Services Inc. (*CIBC ISI*) and CIBC Securities Inc. (*CIBC SI*), each a wholly-owned subsidiary of CIBC, are the dealers through which clients are referred to CIBC Trust and the CIBC Personal Portfolio Services. There are no compensation arrangements with these dealers in respect of the sale of units of the Pool. However, CIBC Trust receives fees from its clients for offering discretionary managed accounts, which may hold units of the Pool. CIBC receives fees from CIBC Trust for the services of CIBC advisers with CIBC ISI and CIBC SI, in assisting clients in opening discretionary investment management accounts with CIBC Trust, and for acting as clients’ ongoing relationship manager. CIBC is responsible for the remuneration of the CIBC advisers and may pay the CIBC advisers out of such fees. Further details of the arrangement between CIBC and CIBC Trust are disclosed in the discretionary investment management account agreement between CIBC Trust and clients.

CIBC PIC and CIBC Global receive fees from their clients for offering discretionary managed accounts, which may hold units of the Pool, and may pay a portion of such fees to their investment counselors.

**Brokerage Arrangements and Soft Dollars**

Sub-advisers make decisions, including the selection of markets and dealers and the negotiation of commissions, with respect to the purchase and sale of portfolio securities and the execution of portfolio transactions. Brokerage business may be allocated by sub-advisers, including CIBC Global, to CIBC World Markets Inc. (*CIBC WM*) and CIBC World Markets Corp., each a subsidiary of CIBC. CIBC WM and CIBC World Markets Corp. may also earn spreads on sale of fixed income and other securities to the Pool. A spread is the difference between the bid and ask prices for a security in the applicable marketplace, with respect to the

execution of portfolio transactions. The spread will differ based upon various factors such as the nature and liquidity of the security.

Dealers, including CIBC WM and CIBC World Markets Corp., may furnish research, statistical, and other services to sub-advisers, including CIBC Global, that process trades through them (referred to in the industry as “soft-dollar” arrangements). These services assist the sub-advisers with investment decision-making services to the Pool. As per the terms of the sub-advisory agreement, such soft dollar arrangements are in compliance with applicable laws. In addition, the Manager may enter into commission recapture arrangements with certain dealers with respect to the Pool. Any commission recaptured will be paid to the Pool.

During the period, brokerage commissions and other fees of \$13,925 were paid by the Pool to CIBC WM. Spreads associated with fixed income securities are not ascertainable and, for that reason, are not included in the dollar values. No brokerage commissions or other fees were paid by the Pool to CIBC World Markets Corp.

**Pool Transactions**

The Pool may purchase and sell securities of CIBC. The Pool may also, from time to time, purchase securities underwritten by a related dealer, such as CIBC WM or CIBC World Markets Corp., each an affiliate of the Manager. Such transactions are currently made pursuant to exemptions the Pool has received from the Canadian securities regulatory authorities.

**Custodian**

CIBC Mellon Trust Company is the custodian (*Custodian*) that holds all cash and securities for the Pool and ensures that those assets are kept separate from any other cash or securities that it may be holding. The Custodian may hire sub-custodians for the Pool. The fees for the services of the Custodian are paid by the Manager, and charged to the Pool on a recoverable basis. CIBC owns approximately one-half of CIBC Mellon Trust Company.

**Service Provider**

CIBC Mellon Global Securities Services Company (*CIBC GSS*) provides certain services to the Pool, including fund accounting and reporting, securities lending, and portfolio valuation. Such servicing fees are paid by the Manager, and charged to the Pool on a recoverable basis. CIBC indirectly owns approximately one-half of CIBC GSS.

## Financial Highlights

The following tables show selected key financial information about the Pool and are intended to help you understand the Pool's financial performance for the period ended December 31 of the financial years indicated. This information is derived from the Pool's audited annual financial statements.

### The Pool's Net Asset Value per Unit

|  | 2006    | 2005    | 2004    | 2003 <sup>1</sup>    |
|--|---------|---------|---------|----------------------|
| <b>Net Asset Value, beginning of period</b>                  | \$19.53 | \$17.44 | \$16.25 | \$14.41 <sup>△</sup> |
| <b>Increase (decrease) from operations:</b>                  |         |         |         |                      |
| Total revenue  | \$0.81  | \$0.71  | \$0.68  | \$0.62               |
| Total expenses   | (0.01)  | (0.01)  | (0.01)  | (0.01)               |
| Realized gains (losses) for the period                       | 0.83    | 0.16    | 0.15    | 0.23                 |
| Unrealized gains (losses) for the period                     | 0.68    | 1.96    | 1.03    | 1.62                 |
| <b>Total increase (decrease) from operations<sup>1</sup></b> | \$2.31  | \$2.82  | \$1.85  | \$2.46               |
| <b>Distributions:</b>  |         |         |         |                      |
| From income (excluding dividends)                            | \$0.32  | \$0.23  | \$0.13  | \$0.15               |
| From dividends   | 0.46    | 0.44    | 0.53    | 0.49                 |
| From capital gains   | 0.16    | –       | –       | –                    |
| Return of capital  | –       | –       | –       | –                    |
| <b>Total Annual Distributions<sup>2</sup></b>                | \$0.94  | \$0.67  | \$0.66  | \$0.64               |
| <b>Net Asset Value, end of period</b>                        | \$20.89 | \$19.53 | \$17.44 | \$16.25              |

<sup>1</sup>Information presented is for the period from November 24, 2003 to December 31, 2003.

<sup>△</sup>Initial offering price.

<sup>1</sup>Net asset values and distributions are based on the actual number of units outstanding at the relevant time. The total increase (decrease) from operations is based on the weighted average number of units outstanding during the period.

<sup>2</sup>Distributions were paid in cash, reinvested in additional units of the Pool, or both.

### Ratios and Supplemental Data

|   | 2006       | 2005       | 2004       | 2003 <sup>1</sup> |
|---|------------|------------|------------|-------------------|
| <b>Net Assets (000s)<sup>3</sup></b>                                      | \$529,109  | \$407,774  | \$286,501  | \$223,075         |
| <b>Number of Units Outstanding<sup>3</sup></b>                            | 25,332,510 | 20,876,616 | 16,428,507 | 13,729,985        |
| <b>Management Expense Ratio<sup>4</sup></b>                               | 0.07%      | 0.07%      | 0.09%      | 0.04%*            |
| <b>Management Expense Ratio before waivers or absorptions<sup>5</sup></b> | 0.33%      | 0.31%      | 0.33%      | 0.31%*            |
| <b>Portfolio Turnover Rate<sup>6</sup></b>                                | 8.73%      | 3.35%      | 7.91%      | 133.34%           |
| <b>Trading Expense Ratio<sup>7</sup></b>                                  | 0.03%      | 0.01%      | 0.03%      | 0.26%*            |

<sup>1</sup>Information presented is for the period from November 24, 2003 to December 31, 2003.

\*Ratio has been annualized.

<sup>3</sup>This information is provided as at December 31 of the period shown.

<sup>4</sup>Management expense ratio is based on total expenses of the Pool for the period and is expressed as an annualized percentage of daily average net assets during the period.

<sup>5</sup>The decision to waive and/or absorb management fees and operating expenses is at the discretion of the Manager. The practice of waiving and/or absorbing management fees and operating expenses may continue indefinitely or may be terminated at any time without notice to unitholders.

<sup>6</sup>The Pool's portfolio turnover rate indicates how actively the Pool's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Pool buying and selling all of the securities in its portfolio once in the course of the period. The higher a Pool's portfolio turnover rate in a period, the greater the trading costs payable by the Pool in the period, 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 Pool.

<sup>7</sup>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. Spreads associated with fixed income securities trading are not ascertainable, and for that reason are not included in the trading expense ratio calculation.

## Management Fees

The Pool, either directly or indirectly, pays an annual management fee to the Manager in consideration for the provision of, or arranging for the provision of, management, distribution, and portfolio advisory services. This fee is calculated as a percentage of the Pool's net assets and is calculated and credited daily, and paid monthly. The Pool is required to pay Goods and Services Tax (GST) on the management fee.

For the year ended December 31, 2006, of the management fees collected from the Pool, approximately 100% is attributable to general administration, investment advice, and profit. These amounts do not include waived fees or absorbed expenses.

## Past Performance

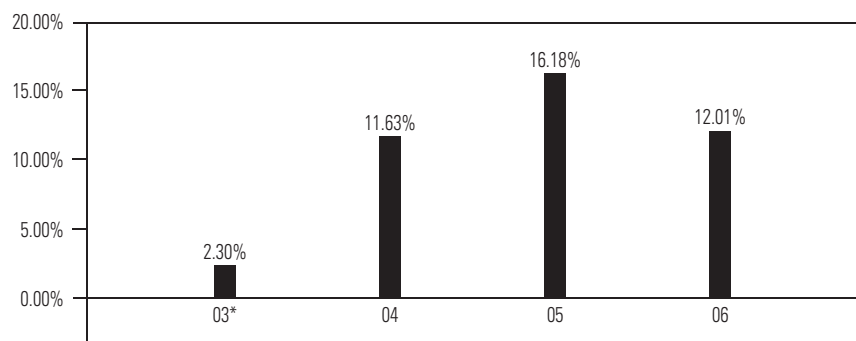
The performance data provided assumes reinvestment of distributions only and does not take into account sales, redemption, distribution, or other optional charges payable by any unitholder that would have reduced returns. Past performance does not necessarily indicate how a fund will perform in the future.

The Pool's primary benchmark is S&P/TSX Composite Index. The S&P/TSX Composite Index is an index that is intended to represent the Canadian equity market. It includes the largest companies listed on the Toronto Stock Exchange. It includes common stock and income trust units and serves as the benchmark for the majority of Canadian pension funds and mutual market funds. A discussion of the Pool's performance relative to its primary benchmark can be found in the section entitled *Results of Operations*.

The Pool's secondary benchmark is a blended index consisting of 45% S&P/TSX Composite Index, 45% BMO Nesbitt Burns 50 Preferred Shares Index, and 10% Scotia Capital Universe Bond Index (the *Secondary Benchmark*). The BMO Nesbitt Burns 50 Preferred Shares Index is an index that is intended to represent the Canadian preferred stock market. It is comprised of 50 preferred shares issued by Canadian companies. The Scotia Capital Universe Bond Index is an index comprised of more than 900 marketable Canadian bonds intended to reflect the performance of the broad Canadian investment-grade bond market. Returns are calculated daily, and are weighted by market capitalization.

## Year-by-Year Returns

This bar chart shows the performance of the Pool for the periods shown, and illustrates how the performance has changed from period to period. The bar chart shows in percentage terms how much an investment made on January 1 would have grown or decreased by December 31 of that year, unless otherwise noted.



\*2003 return is for the period from November 24, 2003 to December 31, 2003.

## Annual Compound Returns

This table shows the annual compound total return of the Pool for each indicated period ending on December 31, 2006. The annual compound total return is also compared to the Pool's benchmarks and previous benchmark. Please refer to the *Recent Developments* section for an explanation of the change in primary benchmark.

|                 | Imperial<br>Canadian<br>Dividend Pool | S&P/TSX<br>Composite<br>Index | Secondary<br>Benchmark | Previous<br>Benchmark |
|-----------------|---------------------------------------|-------------------------------|------------------------|-----------------------|
| Past Year       | 12.01%                                | 17.26%                        | 10.07%                 | 8.77%                 |
| Past 3 Years    | 13.26%                                | 18.55%                        | 10.99%                 | 9.55%                 |
| Since Inception | 13.63%                                | 19.78%                        | 11.69%                 | 10.16%                |

## Summary of Investment Portfolio (as at December 31, 2006)

The *Summary of Investment Portfolio* may change due to ongoing portfolio transactions of the Pool. A quarterly update is available by calling 1-888-357-8777, by writing to us at CIBC, 5650 Yonge Street, 19th floor, Toronto, Ontario, M2M 4G3, or by visiting our website at [www.cibc.com](http://www.cibc.com).

| Portfolio Breakdown                            | % of<br>Net Assets |
|--|--------------------|
| Canadian Equities – Financials                 | 38.40%             |
| Canadian Equities – Energy                     | 16.15%             |
| Canadian Bonds                                 | 13.31%             |
| Canadian Equities – Telecommunication Services | 8.44%              |
| Short-Term Investments                         | 7.60%              |
| Canadian Equities – Utilities                  | 7.36%              |
| Canadian Equities – Materials                  | 3.25%              |
| Canadian Equities – Consumer Discretionary     | 2.11%              |
| Canadian Equities – Industrials                | 1.94%              |
| Canadian Equities – Consumer Staples           | 0.89%              |
| Other Assets, Less Liabilities                 | 0.55%              |

| Top Positions  | % of<br>Net Assets |
|--|--------------------|
| Cash & Cash Equivalents                              | 7.55%              |
| Bank of Montreal                                     | 5.69%              |
| Royal Bank of Canada                                 | 5.34%              |
| Bank of Nova Scotia                                  | 4.72%              |
| Government of Canada, 6.00%, 2011/06/01              | 4.09%              |
| TransCanada Corp.                                    | 3.79%              |
| Canadian Oil Sands Trust                             | 3.77%              |
| Government of Canada, 6.00%, 2008/06/01              | 3.49%              |
| Enbridge Inc.  | 3.40%              |
| Toronto-Dominion Bank (The)                          | 2.89%              |
| Telus Corp., Non-Voting                              | 2.47%              |
| Government of Canada, 4.50%, 2015/06/01              | 2.43%              |
| Power Financial Corp.                                | 2.35%              |
| Canadian Utilities Ltd., Class 'A'                   | 2.34%              |
| Hydro-Quebec, 6.50%, 2011/02/15                      | 2.06%              |
| RioCan REIT  | 1.91%              |
| BCE Inc.   | 1.86%              |
| Manulife Financial Corp.                             | 1.73%              |
| Imperial Oil Ltd.                                    | 1.73%              |
| Power Financial Corp., 5.20%, Preferred, Series 'C'  | 1.39%              |
| Teck Cominco Ltd., Class 'B'                         | 1.35%              |
| Great-West Lifeco Inc., 4.70%, Preferred, Series 'D' | 1.19%              |
| Sun Life Financial Inc.                              | 1.17%              |
| BCE Inc., 5.32%, Preferred, Series 'Z'               | 1.12%              |
| Canadian Imperial Bank of Commerce                   | 1.09%              |

**Imperial Pools**

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This document may contain forward-looking statements. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or other similar wording. In addition, any statements that may be made concerning future performance, strategies, or prospects, and possible future actions taken by the Pool, are also forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results and achievements of the Pool to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic; market and business conditions; fluctuations in securities prices, interest rates, and foreign currency exchange rates; changes in government regulations; and catastrophic events. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, or otherwise.

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