



# *Imperial Pools*

## *Annual Management Report of Fund Performance*

*December 31, 2006*

### *Imperial Short-Term Bond 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 Short-Term Bond Pool (the *Pool*) seeks to provide a high level of interest income and some capital growth, while attempting to preserve capital by investing primarily in bonds, debentures, notes, or other debt instruments of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years.
- The term to maturity of the Pool is adjusted to reflect the outlook for interest rates. Pool assets are allocated to those sectors of the bond market that are expected to outperform. Additionally, detailed issuer credit reviews are conducted.

#### Risk

- The Pool is a conservative Canadian bond fund that is suitable for short to medium-term investors who can tolerate low investment risk.
- The risk classification of the Pool has been revised from 'low-to-moderate' to 'low' 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 4.04% for the period and slightly outperformed the Scotia Capital Short-Term Bond Index (the *benchmark*), which returned 4.00% over the same period.

The corporate sector outperformed the benchmark, while the government sector underperformed. This was the result of an increase in yields earned on corporate bonds relative to government bonds.

After hiking rates by 1% in the first half of the year, the Bank of Canada and the U.S. Federal Reserve Board remained on the sidelines, monitoring the impact of their monetary tightening programs that had been in place for many months.

The bond market reacted to the end of rate hikes, pushing 10-year bond yields 50 basis points lower. Canadian bond yields declined by more than their U.S. counterparts, due to a subdued Canadian inflation rate and a slowing Canadian economy.

During the first half of the year, the sub-adviser increased the Pool's allocation to the provincial and corporate sectors, while reducing cash. In the second half of the year, the sub-adviser increased allocations to mortgage-backed securities and the corporate sector, while reducing the Government of Canada sector which helped improve the portfolio's yield. In addition, the sub-adviser replaced shorter-dated corporate bonds with longer-dated corporate bonds, in order to improve the yield of the portfolio.

At the end of the year, the sub-adviser kept the term to maturity of the portfolio below the benchmark to preserve capital.

Effective June 23, 2006, the Pool's total net assets were affected by a concurrent strategic and tactical asset allocation change in CIBC Personal Portfolio Services, a discretionary investment service provided by CIBC Trust Corporation (*CIBC Trust*). The asset allocation changes to the program caused the assets of the Pool at that time to fall by approximately 20%. Although these cash flows are notable, the impact on the Pool is considered to be minimal.

#### Recent Developments

Over the period, there were no events or activities that had a material impact on the Pool.

### **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 will pay to CIBC Global a portion of the fees paid to CAMI by the Pool.

#### **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, no brokerage commissions or other fees were paid by the Pool to CIBC WM or 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	2002
<b>Net Asset Value, beginning of period</b>	\$10.19	\$10.36	\$10.36	\$10.40	\$10.33
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.44	\$0.44	\$0.46	\$0.53	\$0.54
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the period	(0.11)	0.03	(0.01)	0.03	0.04
Unrealized gains (losses) for the period	0.05	(0.18)	0.01	(0.06)	0.06
<b>Total increase (decrease) from operations<sup>1</sup></b>	\$0.37	\$0.28	\$0.45	\$0.49	\$0.63
<b>Distributions:</b>					
From income (excluding dividends)	\$0.44	\$0.44	\$0.46	\$0.52	\$0.53
From dividends	—	—	—	—	—
From capital gains	—	0.01	—	0.01	0.01
Return of capital	—	—	—	—	—
<b>Total Annual Distributions<sup>2</sup></b>	\$0.44	\$0.45	\$0.46	\$0.53	\$0.54
<b>Net Asset Value, end of period</b>	\$10.16	\$10.19	\$10.36	\$10.36	\$10.40

<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	2002
<b>Net Assets (000s)<sup>3</sup></b>	\$1,937,939	\$2,406,124	\$2,198,205	\$1,675,913	\$1,323,033
<b>Number of Units Outstanding<sup>3</sup></b>	190,822,477	236,087,771	212,233,452	161,820,055	127,195,890
<b>Management Expense Ratio<sup>4</sup></b>	0.07%	0.08%	0.09%	0.12%	0.08%
<b>Management Expense Ratio before waivers or absorptions<sup>5</sup></b>	0.34%	0.32%	0.33%	0.36%	0.39%
<b>Portfolio Turnover Rate<sup>6</sup></b>	117.30%	118.20%	115.13%	103.74%	78.50%
<b>Trading Expense Ratio<sup>7</sup></b>	0.00%	0.00%	0.00%	0.00%	0.00%

<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.

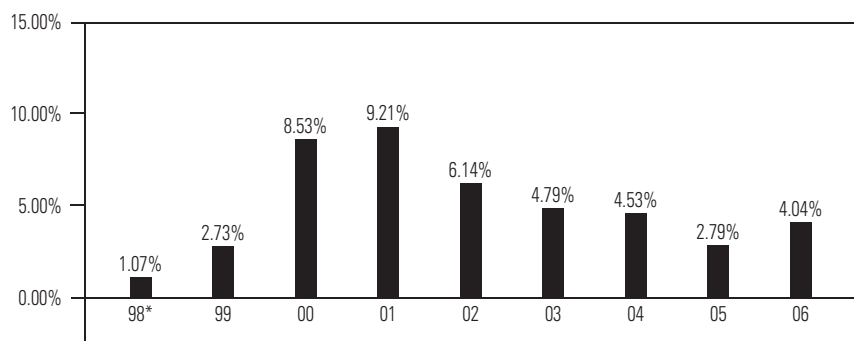
## Past Performance

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 benchmark is Scotia Capital Short-Term Bond Index. The Scotia Capital Short-Term Bond Index is an index that is intended to represent the Canadian short-term bond market. It contains bonds with remaining effective terms greater than or equal to 1 year and less than or equal to 5 years. A discussion of the Pool's performance relative to its primary benchmark can be found in the section entitled *Results of Operations*.

## 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.



\*1998 return is for the period from October 15, 1998 to December 31, 1998.

## 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 benchmark.

	Imperial Short-Term Bond Pool	Scotia Capital Short-Term Bond Index
Past Year	4.04%	4.00%
Past 3 Years	3.78%	3.81%
Past 5 Years	4.45%	4.56%
Since Inception	5.32%	5.31%

**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).

<b>Portfolio Breakdown</b>	<b>% of Net Assets</b>
Corporate Bonds	45.61%
Government of Canada & Guaranteed Bonds	20.88%
Provincial Government & Guaranteed Bonds	18.22%
Mortgage-Backed Securities	13.59%
Other Assets, Less Liabilities	1.20%
Short-Term Investments	0.30%
Municipal Government Bonds	0.20%

<b>Top Positions</b>	<b>% of Net Assets</b>
Canada Housing Trust No. 1, 4.60%, 2011/09/15	11.85%
Province of Quebec, 3.15%, 2009/08/17	5.92%
Province of Ontario, 3.21%, 2009/08/13	5.54%
Canada Housing Trust No. 1, 3.55%, 2010/09/15	4.55%
Canada Housing Trust No. 1, 4.65%, 2009/09/15	4.49%
Province of Ontario, 4.50%, 2008/04/17	3.51%
Real Estate Asset Liquidity Trust, Class 'A1', Series '2006-1', 4.71%, 2015/07/12	3.08%
Schooner Trust, Class 'A-1', 4.55%, 2016/01/12	2.64%
CDP Financial Inc., 4.20%, 2008/10/14	2.31%
Genesis Trust, Class 'A', Series '2005-2', 4.00%, 2010/03/15	2.06%
UE Waterheater Operating Trust, 4.15%, 2009/01/30	1.87%
Royal Bank of Canada, Variable Rate, Callable, 2015/06/24	1.84%
Enbridge Income Fund, 4.19%, 2009/12/21	1.63%
CDP Financial Inc., 4.20%, 2008/07/14	1.60%
Calloway REIT, Series 'A', Callable, 4.51%, 2010/09/22	1.59%
Bank of Montreal, 4.30%, 2009/09/04	1.55%
Canadian Credit Card Trust, Series '05-1', 4.14%, 2010/04/26	1.55%
Canada Safeway Ltd., 4.45%, 2008/11/14	1.53%
Bank of Nova Scotia, 3.93%, 2010/02/18	1.48%
Royal Bank of Canada, Variable Rate, Callable, 2015/01/25	1.39%
Toronto-Dominion Bank (The), Variable Rate, Callable, 2016/01/18	1.38%
Province of Manitoba, 3.33%, 2009/05/10	1.35%
Bank of Montreal, 4.69%, 2011/01/31	1.35%
Citigroup Finance Canada Inc., 4.78%, 2009/06/15	1.30%
Wells Fargo Financial Canada Corp., 3.60%, 2010/06/28	1.29%

**Imperial Pools**

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Commissions, trailing commissions, management fees, and expenses all may be associated with an investment in the Imperial Pools. Please read the Imperial Pools simplified prospectus before investing. The Imperial Pools are not guaranteed, their values change frequently, and past performance may not be repeated.

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