

**Commerce Split Corp** is an Investment Corporation designed to pay monthly cash dividends. The Corporation invests in common shares of Canadian Imperial Bank of Commerce, a Canadian financial institution with strong fundamentals and performance. Two types of shares are available, a Class A and a Preferred (Priority Equity Share).

## Commentary

Financial markets continued to experience severe volatility through the month of December as most stock markets across the world hit new lows during the month. The theme of unprecedented government intervention continued as governments attempted to use a myriad of fiscal and monetary tools to stabilize the financial system and stimulate their economies. Notwithstanding the massive amounts of capital that have been injected into financial services companies around the world, the credit "freeze" still presents a major problem as lending activity has diminished to record low levels. The lack of available credit to even the most creditworthy corporations is weighing on economic growth. Unemployment levels are rising and even economic growth in China has started to falter. President elect Obama has telegraphed a very significant fiscal stimulus that will be announced in late January after the new President officially takes office on January 20, 2009. In Canada, the threat of a potential coalition government lead by the Liberals and supported by the NDP and Bloc injected another element of significant uncertainty into an already fragile environment in Canada and could slow down the timing of new fiscal stimulus measures. Record levels of redemptions in mutual funds and the continued de-leveraging of hedge funds continues to dominate trading patterns and has resulted in almost indiscriminate broad based selling as these funds are forced to raise cash. Also, there was additional downward pressure in the equity markets up until December 24<sup>th</sup> (the last day of tax loss selling in 2008) as investors realized tax losses on their investments. On the monetary front, central banks around the world continue to aggressively cut administered interest rates to multi-decade lows. At some point the cumulative impacts from these massive fiscal and monetary stimulus measures will begin to have traction and ignite the economic recovery.

The table below indicates the depth of this market downturn year to date as at December 31, 2008:

TSX	-35.0%
S&P 500	-38.5%
DJII	-33.8%
NASDAQ	-40.5%

When capital market liquidation slows or ceases and investors return to fundamentals of the underlying companies, we believe the portfolio will be fairly rewarded. Attractive dividend yields, low valuations and significant option premiums available in the market place all bode well for the portfolio. The Manager continues to actively manage the relative weightings of the companies held within the portfolio.

## Distributions (by record date)

	XCM	XCM.PR.A	Total
Total to Date	\$0.6000	\$0.9828	\$1.5828
2008 YTD	\$0.1000	\$0.5250	\$0.6250
2007	\$0.5000	\$0.4578 <sup>(1)</sup>	\$0.9578

(1) Initial distribution for the period Feb 16/07 to Mar 31/07.

## Details

Units Issued:	8,710,000
Inception Date:	Feb 16, 2007
Termination Date:	Dec 1, 2014
Net Asset Value:	\$9.41 (Dec 31/08)
Cash & Fixed Income Weighting:	71%
Canadian Equity Weighting:	29%
<b>XCM.PR.A</b> Trading Price:	\$6.57 (Dec 31/08)
Current Yield:	8.0% annually
Market Capitalization:	\$55,658,248
<b>XCM</b> Trading Price:	\$0.92 (Dec 31/08)
Market Capitalization:	\$7,793,849

## Holding

## Symbol

Canadian Imperial Bank of Commerce	CM
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## Company News

CIBC % return for December:	2.4%
CIBC % down year-to-date:	-27.6%
Dividend Yield on CIBC shares:	6.8%

Commerce Split Corp. announced a proposed reorganization due to the dramatic and volatile drop in the price of CIBC shares. Please refer to the [December 23, 2008 press release](#).