

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).

Distributions (by record date)

	XCM	XCM.PR.A	Total
Total to Date	\$0.6000	\$0.8953	\$1.4953
2008 YTD	\$0.1000	\$0.4375	\$0.5375
2007	\$0.5000	\$0.4578 ⁽¹⁾	\$0.9578

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

Commentary

Fueled by the intensification of the ongoing credit crisis, world financial markets reached a level of "panic" during October which arguably has never been seen by investors on such a global scale. Several of the largest financial institutions in the United States and around the world required unprecedented government intervention in order to rescue them from complete insolvency. Others were required to make emergency decisions to save their businesses by being acquired by other stronger partners. The volatility index reached record levels indicating investor fear was at historically high levels. In the short term, this financial crisis has had a very broad and severe impact on investments across the world. All sectors of the financial markets from financial services stocks to commodity based stocks were aggressively sold down. It appears the selling pressure has been greatly exacerbated by forced liquidation required by assorted investment funds responding to redemption demands and the need to de-lever their portfolios to meet margin calls. This caused dramatic short term moves as those funds tried to raise "cash" from the most liquid sources which in many cases are the large capitalization stocks. Governments around the world have delivered a clear message that they are willing to continue to take significant action and do whatever is necessary to support financial markets and restore confidence. The Manager believes these actions will ultimately prove to be the pivotal turning point in the recovery of financial markets.

The impact of the broad based selling has adversely impacted the portfolio, and not surprisingly, the net asset value has been adversely affected. The net asset value has declined by approx. 15% from Aug 31/08 to Oct 31/08. The Manager believes current valuation of CIBC common stock is now trading at an attractive level and already reflects and has "priced" in a significant economic slowdown. In particular, the dividend yield on the portfolio has reached historically high levels compared against fixed income securities and the level of inflation. The current yield in the underlying portfolios is

6.3%. CIBC has excellent earnings growth history and a long record of maintaining and growing their dividend over time. This should provide meaningful support to the stock price of CIBC even through this economic slowdown. As a result of the volatility index reaching all time record highs, the option premiums available in the market are also attractive and are allowing the Manager to add significant levels of additional income to the portfolio. 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.

Details

Units Issued:	8,710,000
Inception Date:	Feb 16, 2007
Termination Date:	Dec 1, 2014
Net Asset Value:	\$9.75 (Oct 31/08)
Cash & Fixed Income Weighting:	59%
Canadian Equity Weighting:	41%
XCM.PR.A Trading Price:	\$6.57 (Oct 31/08)
Current Yield:	8.0% annually
Market Capitalization:	\$56,943,504
XCM Trading Price:	\$1.75 (Oct 31/08)
Market Capitalization:	\$15,167,600

Holding

Symbol

Canadian Imperial Bank of Commerce	CM
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