

**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE YEAR ENDED DECEMBER 31, 2006**

ACUITY ALL CAP & INCOME TRUST



TABLE OF CONTENTS

ACUITY INVESTMENT TEAM	PAGE 2
INVESTMENT OBJECTIVE & STRATEGIES	PAGE 3
RISK	PAGE 3
RESULTS OF OPERATIONS	PAGE 3
RECENT DEVELOPMENTS	PAGE 4
RELATED PARTY TRANSACTIONS	PAGE 4
FINANCIAL HIGHLIGHTS	PAGE 5
MANAGEMENT FEES	PAGE 6
PAST PERFORMANCE	PAGE 6
YEAR-BY-YEAR RETURNS	PAGE 6
ANNUAL COMPOUND RETURNS	PAGE 7
SUMMARY OF INVESTMENT PORTFOLIO	PAGE 8

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.461.4570, by writing to us at 65 Queen Street West, Suite 1800, Toronto, Ontario, M5H 2M5 or by visiting our website at www.acuityfunds.com or SEDAR at www.sedar.com.

Security holders 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 relating to the investment fund.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Trust, including its strategy, expected performance and condition. 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,” “plans,” “believes,” “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Trust action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Trust and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made about the Trust. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware that the Trust has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

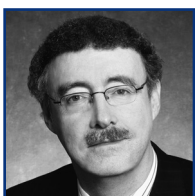
THE ACUITY INVESTMENT TEAM

Ian O. Ihnatowycz
President, C.E.O. and
Chief Investment Officer



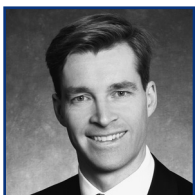
Ian O. Ihnatowycz founded both Acuity Funds Ltd. and Acuity Investment Management Inc. in 1990 to provide discretionary investment management for individual, institutional, pension and mutual fund clients. Ian obtained an MBA from the University of Western Ontario after receiving a B.Sc., majoring in pharmacology, from the University of Toronto. He obtained the Chartered Financial Analyst designation in 1986 and the Chartered Director designation in 2005.

Hugh McCauley
Managing Director and Lead
Portfolio Manager



Hugh McCauley is a Chartered Financial Analyst and graduated with an MBA and B.Sc. in Engineering from McMaster University. His academic background and technological insights complement his investment expertise, and have provided a unique perspective to the ongoing management of Acuity portfolios since 1996.

David Stonehouse
Director, Fixed Income
and Portfolio Manager



David Stonehouse is a Chartered Financial Analyst who contributes additional technological expertise to Acuity Investment Management Inc. He received an MBA from McMaster University and a B.Sc. in Engineering from Queen's University. Prior to joining Acuity, David was a Senior Analyst at OMERS specializing in Canadian equities.

Warren Fenton
Director, Equities
and Portfolio Manager



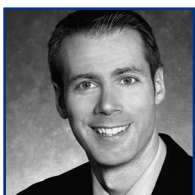
Warren Fenton is a Chartered Financial Analyst and received a B.A. in Commerce from the University of Ottawa. Prior to joining Acuity, he was a highly ranked merchandising/ consumer products analyst in the investment industry. Warren continues to employ his extensive knowledge of consumer oriented businesses on behalf of Acuity portfolios.

Martin Grosskopf
Associate Portfolio
Manager and Manager of
Sustainability Research



Martin Grosskopf brings a unique perspective to Acuity Investment Management Inc. in combining traditional financial analysis with environmental, social and governance factors. Martin has an MBA from the Schulich School of Business (York), a graduate degree in environmental management (York) and an undergraduate degree from the University of Toronto. Prior to joining Acuity, Martin worked within the engineering industry in consulting and project management roles primarily in the areas of environmental and quality management.

Spencer Mellish
Associate Director,
Global Equities and
Portfolio Manager



Spencer Mellish is a Chartered Financial Analyst and received a B.A. in International Relations and Economics from Dalhousie University in 1995. Prior to joining Acuity, Spencer was Portfolio Manager with the CN Investment Division and prior to that was a Financial Analyst with Bolton Tremblay Inc. Spencer has over 12 years of experience in financial analysis and portfolio management.

Management Discussion of Fund Performance

(March 8, 2007)

INVESTMENT OBJECTIVE & STRATEGIES

The Acuity All Cap & Income Trust (the "Trust") is a closed-end investment trust with the investment objectives of providing holders of Units with monthly distributions, preserving capital throughout the life of the Trust and enhancing the long-term total return within the portfolio of securities.

Acuity Investment Management Inc. (the "Investment Advisor"), invests in a diversified portfolio of securities consisting primarily of units of income funds and common shares. The Investment Advisor will diversify the Trust's investments within the various asset classes and market capitalizations comprising the portfolio of securities as considered appropriate based on the Investment Advisor's view of current and anticipated market conditions. When determining an appropriate asset class weighting, the Investment Advisor will consider such factors as economic conditions, business factors, commodity prices, interest rates, stability and credit ratings generally attributable to an asset class. When determining an appropriate market capitalization mix, the Investment Advisor will consider such factors as economic conditions, relative global industry classification standard (GICS), sector weightings, relative valuation and volatility of each of the market capitalization ranges outlined in the prospectus to attempt to maintain an optimal mix and appropriate diversification to achieve the investment objective of the Trust.

The Investment Advisor seeks companies that typically possess proven management, proprietary/strategic advantages and financial strength.

RISK

There were no material changes to the Trust over the financial year that affected the overall level of risk associated with an investment in the Trust. The risk factors of the Trust remain as disclosed in the prospectus.

RESULTS OF OPERATIONS

The Trust's net assets decreased by 47.3% from \$78.7 million to \$41.4 million at the end of the year. The decrease in net assets was attributable to redemption of units of \$33.9 million, cash distributions of \$9.0 million offset by \$5.6 million growth in portfolio due to investment performance.

INVESTMENT PERFORMANCE

Over the past year, the Trust's units gained 5.7% compared to 5.2% for the blended benchmark comprised of a 60% weight in the S&P/TSX Capped Income Trust Index and a 40% weight in the S&P/TSX Composite Index. The S&P/TSX Capped Income Trust Index declined 2.8% and the S&P/TSX Composite Index returned 17.3%. The Trust's return is after the deduction of fees and expenses paid by the Trust.

In 2006, the Canadian market was characterized by resiliency. Following a midsummer correction caused by initial concerns of a housing-related slowdown in the U.S., the S&P/TSX Index rebounded to post strong returns during the balance of the year. In contrast to this strength, the Canadian income trust market delivered relatively weak returns largely due to the federal government's October 31st announcement of the Tax Fairness Plan. This regulatory development exacerbated the challenges facing the oil and gas production and services trusts, which had already been affected by an earlier retreat in energy prices. In spite of this difficult market environment, the Trust outperformed its benchmark and generated solid returns during the year, largely due to its overweight position in equities and exposure to materials. The Trust paid its monthly distributions as scheduled throughout 2006.

At December 31, approximately 36% of the Trust was invested in income trusts, approximately 44% in large cap equities, and approximately 17% in small and mid cap equities, with the balance in cash.

OPERATIONS

Fees and Expenses

During the year, the Trust paid management fees of \$741 thousand, service fees of \$239 thousand, interest and bank charges of \$96 thousand and other operating expenses of \$80 thousand. The management expense ratio ("MER") for unitholders was 1.85%, compared with 1.85% in 2005.

Unitholder Activity

A total of 2,564,739 Trust units were redeemed under the annual redemption program at the net asset value on May 31, 2006. The total amount of the redemption was \$33,864,814.

Loan Facility

Pursuant to an agreement with a Canadian chartered bank, the Trust maintains a loan facility to an amount not to exceed 20% of the total assets of the Trust to a maximum of \$16 million. The Trust has the option to borrow at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage, payable monthly. In addition, the Trust is required to pay a standby fee on the undrawn credit of 0.10%.

During the year the loan facility balance ranged from a minimum balance of \$0 to a maximum balance of \$5.1 million. The loan facility was used to purchase additional portfolio securities and maintain liquidity. As at December 31, 2006, the Trust had no balance outstanding against the loan facility.

RECENT DEVELOPMENTS

The fundamental economic backdrop remains positive, in our view. The U.S. housing slow down, while meaningful, is already five quarters old. Many leading indicators point to sustained growth in 2007, and the likelihood of a full-blown recession appears low given factors such as strong corporate balance sheets, services sector activity, and employment levels. In addition, given an improving inflation story, we believe that the North American central banks are not likely to increase interest rates any further. Such a situation should provide a positive backdrop for equities. We also believe the prospects for income trusts are brighter this year following a disappointing 2006. From our perspective, it appears as though the market has assimilated the impact of the tax proposal announcement. Indeed, many growth-oriented income trusts have fully maintained their business momentum since the Flaherty announcement, as their operations have not missed a beat. As investors refocus on company fundamentals, we anticipate that unit prices should reflect the strong double digit growth rates the businesses we have selected are experiencing. Overall, we are constructive about the prospects for the Trust.

RELATED PARTY TRANSACTIONS

MANAGER

The Trust is managed by Acuity Funds Ltd. ("Acuity"), Acuity manages the ongoing business of the Trust and monitors the performance of the Investment Advisor. Acuity is responsible for providing or arranging for required administrative services to the Trust including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Trust; preparing financial statements and financial and accounting information as required by the Trust; ensuring that, where required by applicable law from time to time, unitholders are provided with financial statements (including semi-annual and annual financial statements) and other required reports; ensuring that the Trust complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Trust's reports to unitholders and the Canadian securities regulatory authorities; determining the amount of distributions to be made by the Trust; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

Acuity receives a monthly management fee for its services, based on the average net asset value calculated at each valuation time and is reimbursed by the Trust for all reasonable costs and expenses incurred by Acuity on behalf of the Trust.

INVESTMENT ADVISOR

The Trust's investment advisor is Acuity Investment Management Inc. ("AIMI"). AIMI, an affiliate of Acuity provides investment advisory and portfolio management services to the Trust. Acuity pays a fee to AIMI for its services and such fee is not payable or reimbursable to Acuity.

Financial Highlights

The following table shows selected key financial information about the Trust and is intended to help you understand the Trust's financial performance for the fiscal periods indicated. This information is derived from the Trust's audited annual financial statements. Please see the inside cover for information about how you can obtain the Trust's annual or interim financial statements.

Periods ended December 31	2006	2005	2004
Net Asset Value, beginning of period (net of cost of issue)	\$12.36	\$10.67	\$9.38
Increase (decrease) from operations:			
Total revenue	0.57	0.42	0.23
Total expenses	(0.24)	(0.21)	(0.12)
Realized gains (losses) for the period	3.41	0.88	(0.16)
Unrealized gains (losses) for the period	(2.57)	1.08	1.74
Total increase (decrease) from operations¹	1.17	2.17	1.69
Distributions:			
From income (excluding dividends)	(0.04)	(0.05)	(0.01)
From dividends	(0.09)	(0.03)	(0.03)
From capital gains	(2.05)	-	-
Return of capital	-	(0.62)	(0.37)
Total Annual Distributions²	(2.18)	(0.70)	(0.41)
Net asset value at December 31 of the year shown	\$10.90	\$12.36	\$10.67

Ratios and Supplemental Data

Net Assets (000's)³	\$41,137	\$78,663	\$86,628
Number of units outstanding³	3,802,127	6,366,866	8,116,234
Management expense ratio (net of cost of issue)	1.85%	1.85%	1.93%*
Management expense ratio⁴	1.85%	1.85%	8.15%*
Management expense ratio before waivers or absorptions	1.85%	1.85%	8.15%*
Portfolio turnover rate⁵	68%	63%	n/a
Trading expense ratio⁶	0.41%	0.30%	n/a
Closing market price	\$11.00	\$11.78	\$10.45

*Annualized

- Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- Distributions were paid in cash.
- This information is provided as at December 31 of the year shown.
- Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily net assets during the period.
- The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, 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 fund.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during that period. The trading expense ratio is a new requirement and is provided from 2005 onwards.

Management Fees

The Trust paid Acuity management fees of \$741,470 and service fees of \$238,975. Pursuant to the terms of the Declaration of Trust, Acuity is entitled to a fee at an annual rate of 1.10% of the net asset value ("NAV") plus an amount equal to the service fee payable to registered dealers. Fees payable to Acuity are calculated and payable monthly based on the NAV calculated at each valuation time during that month. The Trust's management fees were used by Acuity to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services.

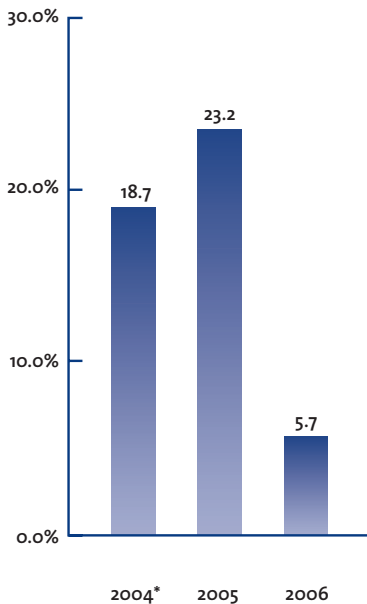
Acuity will pay to dealers the service fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per unit for each unit held by clients of the dealers.

Past Performance

The performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance and past performance does not necessarily indicate future performance.

YEAR-BY-YEAR RETURNS

This chart shows the Trust's annual performance for each of the years shown and illustrates how the performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted.



**return is for partial year from May 17, 2004 (net of cost of issue)*

ANNUAL COMPOUND RETURNS

The following table shows the annual compound total returns of the Trust for the periods shown ended on December 31, 2006. The annual compound total return is also compared to a blended index of 60% S&P/TSX Capped Income Trust Index /40% S&P/TSX Composite Index, the S&P/TSX Capped Income Trust Index and the S&P/TSX Composite Index.

	Since Inception	Past 1 Year
Trust	18.0%*	5.7%
Blended Index	21.1%	5.2%
S&P/TSX Capped Income Trust Index	20.6%	(2.8)%
S&P/TSX Composite Index	21.8%	17.3%

*return is net of cost of issue

S&P/TSX Capped Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion derive their distribution income from actual operating entities. Relative weights of individual constituent income trusts are capped at 25%. The number of constituents is not fixed.

S&P/TSX Composite Index is a broad-based market capitalization weighted index of the largest, most widely-held stocks and trusts listed on The Toronto Stock Exchange.

SUMMARY OF INVESTMENT PORTFOLIO AT DECEMBER 31, 2006

ASSET MIX

Cash & Cash Equivalents	2.6%
Income Trusts	36.3%
Canadian Equities	53.4%
Foreign Equities	7.0%
Warrants	0.7%

TOP 25 HOLDINGS

Security Name	% of net assets
Royal Bank of Canada	5.0%
CCS Income Trust	4.7%
Canadian Oil Sands Trust	4.6%
Energy Savings Income Fund	4.5%
Trinidad Energy Services Units	4.2%
Canadian National Railway Co.	3.8%
IGM Financial Inc.	3.6%
Republic Services Inc.	3.5%
Bank of Nova Scotia	3.4%
Harsco Corp.	3.4%
Niko Resources Ltd.	3.1%
BFI Canada Income Fund	3.1%
Toronto-Dominion Bank	2.9%
Crescent Point Energy Trust	2.8%
Agnico-Eagle Mines	2.7%
Bear Creek Mining Corp.	2.7%
Cash & Cash Equivalents	2.6%
Keyera Facilities Income Fund	2.4%
Badger Income Fund	2.2%
Galleon Energy Inc. - CL A	2.2%
Canadian Imperial Bank of Commerce	2.2%
Sierra Wireless Inc.	2.0%
Newalta Income Fund	1.8%
Yamana Gold Inc.	1.8%
Iberian Minerals Corp.	1.6%

TOTAL NET ASSET VALUE:

\$41,437,535

CORPORATE DIRECTORY

DIRECTORS OF THE MANAGER:

IAN O. IHNATOWYCZ

N. WILLIAM C. ROSS

WAYNE T. EGAN

ALAN H. HUBBS

ROBERT A. MITCHELL

OFFICERS AND SENIOR MANAGEMENT OF THE MANAGER:

IAN O. IHNATOWYCZ
President, Chief Executive Officer and Director

GEORGE HENRY
Chief Financial Officer and Chief Operating Officer

STEPHEN CRAWFORD
Senior Vice President, National Sales

LISA CHARETTE
Manager, Investor Relations

PORTFOLIO MANAGEMENT:

IAN O. IHNATOWYCZ
*President, Chief Executive Officer and
Chief Investment Officer*

HUGH MCCAULEY
Managing Director and Lead Portfolio Manager

GEORGE HENRY
Chief Financial Officer and Chief Operating Officer

DAVID STONEHOUSE
Director, Fixed Income and Portfolio Manager

WARREN FENTON
Director, Equities and Portfolio Manager

MARTIN GROSSKOPF
Associate Portfolio Manager and Manager of Sustainability Research

SPENCER MELLISH
Associate Director, Global Equities and Portfolio Manager

AUDITORS:

DELOITTE & TOUCHE LLP
Toronto, Canada

BANKERS:

CIBC
Toronto, Canada

TRANSFER AGENT:

COMPUTERSHARE INVESTOR SERVICES INC.
Toronto, Canada

COUNSEL:

BORDEN LADNER GERVAIS LLP
Toronto, Canada

CUSTODIAN:

CIBC MELLON GLOBAL SECURITIES SERVICES COMPANY
Toronto, Canada

TORONTO STOCK EXCHANGE LISTING:

AIG.UN (*Acuity Growth & Income Trust*)

AAI.UN (*Acuity All Cap & Income Trust*)

AFU.UN (*Acuity Focused Total Return Trust*)

ART.UN (*Acuity Multi-Cap Total Return Trust*)

ADF.UN (*Acuity Diversified Total Return Trust*)

Investment solutions offered through Acuity Funds Ltd.

Acuity Mutual Funds

A comprehensive selection of core investment options to satisfy a broad spectrum of financial goals and risk tolerances.

- Acuity Canadian Equity Fund
- Acuity All Cap 30 Canadian Equity Fund
- Acuity Canadian Small Cap Fund
- Acuity Natural Resource Fund
- Acuity Canadian Balanced Fund
- Acuity Conservative Asset Allocation Fund
- Acuity Dividend Fund
- Acuity Growth & Income Fund
- Acuity Income Trust Fund
- Acuity High Income Fund
- Acuity Fixed Income Fund
- Acuity Money Market Fund
- Acuity Global Equity Fund
- Acuity Global Dividend Fund
- Acuity Global High Income Fund

Acuity Clean Environment Mutual Funds

For individuals looking to invest in financially strong companies that fit the concept of sustainable development.

- Acuity Clean Environment Equity Fund
- Acuity Clean Environment Balanced Fund
- Acuity Clean Environment Global Equity Fund

Acuity Social Values Mutual Funds

For individuals looking to invest in financially strong companies that reflect their values and concerns for the environment, society and the workplace.

- Acuity Social Values Canadian Equity Fund
- Acuity Social Values Global Equity Fund

Acuity Pooled Funds

For high net worth investors who seek professional investment management.

- Acuity Pooled Canadian Equity Fund
- Acuity Pooled Pure Canadian Equity Fund
- Acuity Pooled Social Values Canadian Equity Fund
- Acuity Pooled Canadian Small Cap Fund
- Acuity Pooled Canadian Balanced Fund
- Acuity Pooled Conservative Asset Allocation Fund
- Acuity Pooled Income Trust Fund
- Acuity Pooled Growth & Income Fund
- Acuity Pooled High Income Fund
- Acuity Pooled Dividend Fund
- Acuity Pooled Fixed Income Fund
- Acuity Pooled Short Term Fund
- Acuity Pooled U.S. Equity Fund
- Acuity Pooled Global Equity Fund
- Acuity Pooled Global Balanced Fund
- Acuity Pooled Global High Income Fund
- Acuity Pooled Global Dividend Fund
- Acuity Pooled EAFE Equity Fund

Acuity Registered Education Savings Plans (RESPs)

Acuity Retirement Savings Plans (RSPs)

Acuity Retirement Income Funds (RIFs)

Acuity Group Retirement Savings Plans (GRSPs)



Head Office

65 Queen Street West, Suite 1800
Toronto, Ontario M5H 2M5
Tel: 416-366-9933/800-461-4570
Fax: 416-366-2568/888-957-4125
www.acuityfunds.com

