



Mulvihill

## Hybrid Income Funds



Semi-Annual Report 2003

**Mulvihill Premium Global Telecom Fund**

Global Telecom Split Share Corp.



## Message to Shareholders

As of December 31, 2003, the Fund's net asset value was \$36.6 million, or \$12.48 per unit, up from its value of \$12.19 per unit as at June 29, 2003. Equity prices have stabilized in the telecommunications sector, but a recovery trend is only weakly apparent. The S&P index for the sector rose less than 7 percent during 2003, while the overall market recorded a 28 percent gain. The Fund's Class A shares on the Toronto Stock Exchange closed the period trading at \$1.00, and Preferred shares closed at \$11.30.

No dividend payments to Class A shareholders were made during this six-month period. Preferred shareholders' received dividends in September and December for a total of \$0.41 per share maintaining the target yield of 5.5 percent per annum.

The sharp decline in the value of the U.S. dollar versus its Canadian counterpart more than offset modest increases in U.S. equity prices in the telecommunications sector during this period. The Fund has been hedging some of its exposure to U.S. currency in foreign exchange markets to reduce the impact of its weakening status. Competitive conditions in the industry continue to depress prices and delay recovery, especially in the U.S.. Cost-cutting and layoffs have lowered profit thresholds for many companies, but revenue growth remains weak. The Fund's portfolio is now widely diversified across telecommunication service providers, including cable and wireless, as well as equipment suppliers. A conservative level of cash is also being maintained for defensive purposes.

We would like to take this opportunity to thank all shareholders for their continuing support.

February 2003

# Mulvihill Premium *Global Telecom Fund*

## Financial Statements

### Interim Statements of Financial Position

December 31, 2003 (Unaudited) and June 29, 2003 (Audited)

	December 2003	June 2003
<b>ASSETS</b>		
Investments at market value (average cost - \$28,861,473; June 29, 2003 - \$35,972,083)	\$ 23,415,181	\$ 29,292,842
Short-term investments (average cost - \$13,866,425; June 29, 2003 - \$11,623,828)	13,761,799	11,620,160
Cash	36,068	23,613
Interest, dividends and other receivables	65,700	127,896
Due from brokers	83,830	863,713
<b>TOTAL ASSETS</b>	<b>\$ 37,362,578</b>	<b>\$ 41,928,224</b>
<b>LIABILITIES</b>		
Due to brokers	\$ 81,270	\$ 4,839,907
Accounts payable and accrued liabilities	54,672	51,155
Accrued Preferred share distributions	605,314	1,211,866
Redeemable Preferred shares	44,022,870	44,067,870
<b>TOTAL LIABILITIES</b>	<b>44,764,126</b>	<b>50,170,798</b>
<b>DEFICIENCY</b>		
Class A and Class B shares	41,390,619	41,390,619
Deficit	(48,792,167)	(49,633,193)
	(7,401,548)	(8,242,574)
<b>TOTAL LIABILITIES AND DEFICIENCY</b>	<b>\$ 37,362,578</b>	<b>\$ 41,928,224</b>
<b>Net Asset Value per Unit</b>		
Preferred share	\$ 12.4781	\$ 12.1944
Class A share	—	—
	<b>\$ 12.4781</b>	<b>\$ 12.1944</b>

**Financial Statements**

**Interim Statements of Operations and Deficit**

For the six months ended December 31 (Unaudited)

	2003	2002
<b>REVENUE</b>		
Interest, net of foreign exchange	\$ (207,296)	\$ 634,636
Dividends	235,737	220,852
Withholding taxes	(16,596)	(26,347)
	11,845	829,141
<b>Net Realized Gains on Investments and Options</b>	<b>1,270,172</b>	<b>1,171,824</b>
<b>TOTAL REVENUE</b>	<b>1,282,017</b>	<b>2,000,965</b>
<b>EXPENSES</b>		
Management fees	231,628	206,697
Administrative and other expenses	59,033	95,789
Custodian fees	20,182	19,209
GST and capital taxes	59,061	52,171
<b>TOTAL EXPENSES</b>	<b>369,904</b>	<b>373,866</b>
<b>Realized Income before Income Taxes and Preferred Share Transactions</b>	<b>912,113</b>	<b>1,627,099</b>
Income tax expense	–	(51,537)
<b>Net Realized Income before Preferred Share Transactions</b>	<b>912,113</b>	<b>1,575,562</b>
Gain on retraction of Preferred shares	8,440	989,356
<b>Net Realized Income before Distributions</b>	<b>920,553</b>	<b>2,564,918</b>
<b>Preferred Share Distributions</b>		
Accrued distributions	–	(653,804)
Paid distributions	(1,210,629)	(609,976)
	(1,210,629)	(1,263,780)
<b>Net Realized Income (Loss)</b>	<b>(290,076)</b>	<b>1,301,138</b>
Change in unrealized depreciation of investments and foreign exchange during the period	1,131,102	(840,703)
<b>NET INCOME</b>	<b>\$ 841,026</b>	<b>\$ 460,435</b>
<b>DEFICIT</b>		
Balance, beginning of period	\$ (49,633,193)	\$ (49,709,959)
Net income	841,026	460,435
Distributions on Class A shares	–	–
<b>BALANCE, END OF PERIOD</b>	<b>\$ (48,792,167)</b>	<b>\$ (49,249,524)</b>

# Mulvihill Premium *Global Telecom Fund*

## Financial Statements

### Interim Statements of Changes in Net Assets (Deficiency)

For the six months ended December 31 (Unaudited)

	2003	2002
NET ASSETS (DEFICIENCY), BEGINNING OF PERIOD	\$ (8,242,574)	\$ (8,319,340)
Net Realized Income before Distributions	920,553	2,564,918
Distributions		
Preferred shares	(1,210,629)	(1,263,780)
Change in Unrealized Depreciation of Investments and Foreign Exchange during the Period	1,131,102	(840,703)
Changes in Net Assets during the Period	841,026	460,435
NET ASSETS (DEFICIENCY), END OF PERIOD	\$ (7,401,548)	\$ (7,858,905)

### Statement of Investments

December 31, 2003 (Unaudited)

	Par Value	Average Cost	Market Value
SHORT-TERM INVESTMENTS			
<b>Treasury Bills</b>			
Government of Canada - February 12, 2004	300,000	\$ 297,563	\$ 297,563
Government of Canada - February 26, 2004	4,910,000	4,879,150	4,879,150
Government of Canada - March 25, 2004	710,000	704,660	704,660
Government of Canada - April 8, 2004	90,000	89,297	89,297
<b>Total Treasury Bills</b>		5,970,670	5,970,670
<b>Discount Commercial Paper</b>			
Canadian Wheat Board, USD - January 21, 2004	950,000	1,242,087	1,224,976
Export Development Corporation, USD - January 15, 2004	1,800,000	2,351,237	2,323,615
Export Development Corporation, USD - February 19, 2004	2,490,000	3,243,333	3,210,718
Province of Ontario, USD - January 14, 2004	800,000	1,059,098	1,031,820
<b>Total Discount Commercial Paper</b>		7,895,755	7,791,129
		13,866,425	13,761,799
<b>Accrued Interest</b>			21,663
<b>TOTAL SHORT-TERM INVESTMENTS</b>		\$13,866,425	\$13,783,462

Financial Statements

Statement of Investments (continued)

December 31, 2003 (Unaudited)

	Number of Shares	Average Cost	Market Value
<b>INVESTMENTS</b>			
<b>Canadian Common Shares</b>			
<b>Information Technology</b>			
Nortel Networks Corporation	160,000	\$ 917,766	\$ 878,400
<b>Telecommunication Services</b>			
Aliant Inc.	30,000	1,150,775	963,000
BCE Inc.	50,000	1,926,755	1,445,000
Manitoba Telecom Services Inc.	20,000	850,730	880,400
<b>Total Telecommunication Services</b>		<b>3,928,260</b>	<b>3,288,400</b>
<b>Total Canadian Common Shares</b>		<b>\$ 4,846,026</b>	<b>\$ 4,166,800</b>
<b>United States Common Shares</b>			
<b>Cable and Wireless</b>			
Alltel Corp.	10,000	\$ 1,006,349	\$ 601,933
AT&T Wireless Services Inc.	70,000	805,385	722,759
<b>Total Cable and Wireless</b>		<b>1,811,734</b>	<b>1,324,692</b>
<b>Information Technology</b>			
Cisco Systems Inc.	50,000	1,606,937	1,569,446
<b>Telecommunication Services</b>			
AT&T Corp.	20,000	885,746	524,656
Bellsouth Corp.	15,000	958,527	548,563
CenturyTel Inc.	25,000	1,131,383	1,053,836
Cox Communications, Inc.	15,000	670,711	667,774
SBC Communications Inc.	35,000	1,744,168	1,179,120
Sprint Corp.	40,000	912,231	848,754
Verizon Communications Inc.	20,000	1,291,312	906,647
<b>Total Telecommunication Services</b>		<b>7,594,078</b>	<b>5,729,350</b>
<b>Total United States Common Shares</b>		<b>\$11,012,749</b>	<b>\$ 8,623,488</b>
<b>Non-North American Common Shares</b>			
<b>Communications Technology</b>			
Alcatel ADR	50,000	\$ 871,034	\$ 830,275
Nokia Corp. ADR	45,000	1,756,994	988,577
<b>Total Communications Technology</b>		<b>2,628,028</b>	<b>1,818,852</b>
<b>Telecommunication Services</b>			
BT Group ADR	20,000	1,219,879	884,421
Cable & Wireless ADR	170,000	1,466,362	1,539,982
Deutsche Telekom AG ADR	10,000	193,568	234,286
KT Corp. ADR	25,000	848,561	616,083
Nippon Telegraph & Telephone ADR	30,000	1,210,767	952,135
SK Telecom Co. Ltd. ADR	40,000	1,269,723	964,024
Tele Danmark TDC ADR	45,000	1,258,892	1,056,032
Telefonica De Espana ADR	28,153	1,860,245	1,607,672
Telefonos de Mexico ADR	25,000	1,274,079	1,067,081
<b>Total Telecommunication Services</b>		<b>10,602,076</b>	<b>8,921,716</b>
<b>Total Non-North American Common Shares</b>		<b>\$13,230,104</b>	<b>\$10,740,568</b>

# Mulvihill Premium *Global Telecom Fund*

## Financial Statements

### Statement of Investments (continued)

December 31, 2003 (Unaudited)

	Market Value
INVESTMENTS (CONTINUED)	
<b>Forward Currency Contracts</b>	
Bought USD \$1,918,000, Sold CAD \$2,524,515 @ 0.75975 - January 27, 2004	\$ (42,855)
Sold USD \$3,403,000, Bought CAD \$4,465,059 @ 0.76214 - January 27, 2004	61,990
Sold USD \$1,922,000, Bought CAD \$2,531,379 @ 0.75927 - February 11, 2004	42,966
Sold USD \$1,810,000, Bought CAD \$2,361,537 @ 0.76645 - February 25, 2004	16,795
Sold USD \$1,978,000, Bought CAD \$2,652,114 @ 0.74582 - March 10, 2004	88,211
<b>Total Forward Currency Contracts</b>	<b>\$ 167,107</b>

	Number of Contracts	Proceeds	Market Value
OPTIONS			
<b>Written Cash Covered Put Options</b> (100 shares per contract)			
France Telecom ADR - February 2004 @ \$28	300	\$ (33,349)	\$ (30,558)
Rogers Communications Inc., Class B - January 2004 @ \$22	200	(7,200)	(15,396)
Vodafone Group ADR - January 2004 @ \$24	125	(7,948)	(1,084)
<b>Total Written Cash Covered Put Options</b>		<b>(48,497)</b>	<b>(47,038)</b>
<b>Written Covered Call Options</b> (100 shares per contract)			
Alcatel ADR - January 2004 @ \$13	500	(15,081)	(14,960)
AT&T Corp. - January 2004 @ \$20	200	(8,655)	(14,169)
AT&T Wireless Services Inc. - January 2004 @ \$7	700	(19,663)	(52,651)
BCE Inc. - January 2004 @ \$30	500	(10,000)	(175)
BT Group ADR - January 2004 @ \$32	100	(7,369)	(32,840)
Cable & Wireless ADR - January 2004 @ \$7	1,200	(32,957)	(35,538)
CenturyTel Inc. - January 2004 @ \$33	250	(17,644)	(22,053)
Cox Communications, Inc. - January 2004 @ \$35	150	(11,844)	(3,769)
Nippon Telegraph & Telephone ADR - January 2004 @ \$25	225	(13,573)	(30,337)
SK Telecom Co. Ltd. ADR - January 2004 @ \$19	400	(18,726)	(10,710)
Sprint Corp. - January 2004 @ \$17	400	(17,525)	(16,217)
Telefonos de Mexico ADR - January 2004 @ \$33	188	(5,872)	(2,325)
<b>Total Written Covered Call Options</b>		<b>(178,909)</b>	<b>(235,744)</b>
<b>TOTAL OPTIONS</b>		<b>\$ (227,406)</b>	<b>\$ (282,782)</b>
<b>TOTAL INVESTMENTS</b>		<b>\$28,861,473</b>	<b>\$23,415,181</b>



### 1. Corporate Information

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Global Telecom Split Share Corp. (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on May 7, 1998. The Fund was inactive prior to the initial public offering of Preferred shares and Class A shares on June 30, 1998. All shares outstanding on July 2, 2008 will be redeemed by the Fund on that date.

The Fund operates under the registered name Mulvihill Premium Global Telecom Fund.

The Fund invests in a diversified portfolio consisting principally of common shares and American Depositary Receipts (“ADRs”) issued by selected corporations operating in the global telecommunications industry. ADRs are issued by a depository as evidence of a beneficial interest in foreign securities of an issuer that are held on deposit by the depository.

To generate additional returns above the dividend income earned on the portfolio, the Fund will from time to time write covered-call options in respect of all or part of the securities in the portfolio. In addition, the Fund may write cash-covered put options in respect of all of the securities in which the Fund is permitted to invest. Additionally, the Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund may enter into trades to close out positions in such permitted derivatives.

From time to time, the portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States of America or short-term commercial paper with a rating of at least R-1 (mid).

### 2. Basis of Presentation

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The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting standards (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended June 29, 2003.

## **Mulvihill Premium *Global Telecom Fund***

### **Notes to Financial Statements (continued)**

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended June 29, 2003.

### **3. Comparative Figures**

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Certain comparative figures have been reclassified to conform with the current presentation.

### **Statement of Portfolio Transactions**

A copy of the Statement of Portfolio Transactions (unaudited) for Mulvihill Premium Global Telecom Fund for the period ended December 31, 2003 may be obtained without charge by writing to the Fund at 121 King St. W., Suite 2600, Toronto, ON M5H 3T9.

## **Mulvihill Premium *Global Telecom Fund***

### **Hybrid Income Funds**

#### **Managed by Mulvihill Structured Products**

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#### **Mulvihill Platinum**

Mulvihill Pro-AMS *U.S. Fund*

Mulvihill Pro-AMS *RSP Fund*

Mulvihill Pro-AMS *100 Plus (Cdn \$) Fund*

Mulvihill Pro-AMS *100 Plus (U.S. \$) Fund*

Mulvihill Pro-AMS *RSP Split Share Fund*

#### **Mulvihill Premium**

Mulvihill Premium *Canadian Fund*

Mulvihill Premium *U.S. Fund*

Mulvihill Premium *Oil & Gas Fund*

Mulvihill Premium *60 Plus Fund*

Mulvihill Premium *Canadian Bank Fund*

Mulvihill Premium *Global Plus Fund*

Mulvihill Premium *Split Share Fund*

Mulvihill Premium *Global Telecom Fund*

#### **Mulvihill Summit**

Mulvihill Summit *Digital World Fund*

### **Mutual Funds Managed by Mulvihill Capital Management**

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Mulvihill Canadian *Money Market Fund*

Mulvihill Canadian *Bond Fund*

Mulvihill Canadian *Equity Fund*

Mulvihill Global *Equity Fund*

Mulvihill U.S. *Equity Fund*

Premium *Global Income Fund*

Premium *Canadian Income Fund*

### **Head Office**

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