Mulvihill

Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2006

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

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Mulvihill Pro-AMS *100 Plus (Cdn $) Fund* [PRC.UN]

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Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the year ended December 31, 2006 of Mulvihill Pro-AMS 100 Plus (Cdn $) Fund. The annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com.

Investment Objectives and Strategies

The Fund's original investment objectives are to pay monthly distributions and to return the original issue price of $25.00 per unit to unitholders on the termination date of December 30, 2016. To provide the Fund with the means to return the original issue price on termination, the Fund entered into a "Forward Agreement" with The Royal Bank of Canada ("RBC") whereby RBC will pay the Fund $25.00 for each unit outstanding on the termination date in exchange for the delivery of the Fund's fixed portfolio. To provide greater certainty to the principal repayment objective, the Fund has suspended the payment of monthly distributions effective May of 2005. The balance of the Fund's net assets are held within its managed portfolio and will be used to finance the operating expenses of the Fund.

Risk

The Fund is comprised of a fixed portfolio, which contains a forward agreement as well as a managed portfolio which holds cash and cash equivalents. The net asset value of the forward agreement is determined by the current level of interest rates and is inversely related to them. For example, increases in long term interest rates will generally have the effect of decreasing the Fund's total net asset value. As the majority of the Fund's total net asset value is comprised of the forward agreement designed to return $25.00 per unit on the termination date, investors should be aware that the primary risk associated with the Fund is interest rate risk.

As the Fund approaches the termination date of December 30, 2016, the fixed portfolio will become an increasing proportion of the total Fund assets. Additionally, the Fund's sensitivity to longer term interest rates will decline, whereas its sensitivity to short term interest rates will increase. Over the past year, the fixed portfolio increased from 82.7 percent to 83.3 percent of the Fund's total net assets, which had the effect of increasing the sensitivity of the total Fund's value to interest rates.

Summary of Investment Portfolio

The composition of the investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.mulvihill.com.

Asset Mix and Portfolio Holdings

December 31, 2006

	% OF NET ASSETS
Securities Pledged as Collateral for Forward Agreement (Fixed Portfolio)	97 %
Cash and Short-Term Investments (Managed Portfolio)	27 %
Other Assets (Liabilities)	(10)%
Forward Agreement (Fixed Portfolio)	(14)%
	100 %

Securities in the fixed portfolio have been pledged to the Royal Bank of Canada ("RBC") as security for the obligation of the Fund under the Forward Agreement. The fixed portfolio effectively has no equity exposure.

Distribution History

INCEPTION DATE: NOVEMBER 2001	REGULAR DISTRIBUTION
Total for 2001	$ 0.35416
Total for 2002	2.12496
Total for 2003	2.12496
Total for 2004	1.63956
Total for 2005	0.32000*
Total for 2006	0.00000
Total Distributions to Date	**$ 6.56364**

* Distributions were suspended effective May 2005.

For complete distribution history and income tax information, please see our website at www.mulvihill.com.

Trading History

November 1, 2001 to December 31, 2006

Results of Operations

For the year ended December 31, 2006, the net asset value of the Fund increased to $19.12 per unit from $18.61 per unit at December 31, 2005. The Fund's units, listed on the Toronto Stock Exchange as PRC.UN, closed on December 29, 2006 at $17.89 per unit, which represents a 6.4 percent discount to the net asset value.

No distributions were paid to unitholders during 2006. Distributions were suspended effective May 2005. The one year total return for the Fund was 2.8 percent. This return is reflective of the high proportion of assets held within the fixed portfolio, the value of such assets is dependent on the level of interest rates. Interest rates generally rose during the first half of 2006; short-term rates leveled at this time and remained flat for the duration of the year. At the same time, long-term rates began to fall somewhat, which created an inverted yield curve in Canada, which persisted for most the second half of 2006. This inversion was a modest benefit to the value of the Fund. Overall, the total return of long bonds in Canada, as represented by the Scotia Capital Universal Bond Index, was 4.1 percent during 2006.

During the year 574,962 units were redeemed by the Fund. The Fund facilitates these redemptions by unwinding a portion of the forward agreement from the fixed portfolio, as well as, the sale of cash equivalents from the managed portfolio. These activities had no material impact on the Fund performance.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual financial statements.

Years ended December 31

	2006	2005	2004	2003	2002
THE FUND'S NET ASSET VALUE PER UNIT					
Net Asset Value, beginning of year(1)	**$ 18.61**	**$ 17.51**	**$ 18.24**	**$ 19.44**	**$ 22.50**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.16**	0.11	–	(0.05)	0.16
Total expenses	**(0.31)**	(0.40)	(0.47)	(0.45)	(0.49)
Realized gains (losses) for the period	**1.91**	2.16	1.24	0.12	(1.25)
Unrealized gains (losses) for the period	**(1.40)**	(0.57)	0.09	1.31	0.64
Total Increase (Decrease) from Operations(2)	**0.36**	**1.30**	**0.86**	**0.93**	**(0.94)**
DISTRIBUTIONS					
Non-taxable distributions	**–**	(0.32)	(1.64)	(2.12)	(2.12)
Total Annual Distributions(3)	**–**	**(0.32)**	**(1.64)**	**(2.12)**	**(2.12)**
Net Asset Value, as at December 31(1)	**$ 19.12**	**$ 18.61**	**$ 17.51**	**$ 18.24**	**$ 19.44**

(1) Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), less expenses, and is calculated based on the weighted average number of units outstanding during the year. The schedule is not intended to total to the ending net asset value as calculations are based on the weighted average number of units outstanding during the year.
(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

RATIOS/SUPPLEMENTAL DATA	2006	2005	2004	2003	2002
Net Assets ($millions)(1)	**$ 22.02**	$ 32.13	$ 72.35	$ 125.46	$ 137.28
Number of units outstanding(1)	**1,151,677**	1,726,639	4,131,018	6,878,031	7,060,765
Management expense ratio(2)	**1.71%**	2.19%	2.67%	2.41%	2.39%
Portfolio turnover rate(3)	**21.99%**	36.92%	16.02%	40.95%	54.20%
Trading expense ratio(4)	**0.00%**	0.03%	0.06%	0.08%	0.13%
Closing market price	**$ 17.89**	$ 17.81	$ 16.52	$ 17.86	$ 19.15

(1) This information is provided as at December 31.
(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and capital taxes but excluding income taxes charged to the Fund, to average net assets. Management expense ratio for 2004 includes the special resolution expense. The management expense for 2006 excluding reversal of deferred investment management fees is 1.86%. The management expense ratio for 2004 excluding the special resolution expense is 2.42%.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets during the period.

Management Fees

Mulvihill Capital Management ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.10 percent of the net assets of the Fund at each month end. From August 2004 to October 2005 the Investment Manager voluntarily agreed to defer payment of a portion of its investment management fees. These deferrals in the investment management fees represented decreases in direct proportion to the decline in targeted distribution rates, to a minimum annual investment management fee rate of 0.40 percent of the Fund's net asset value. Commencing November 2005 investment management fees were reduced from a monthly rate of 1⁄12 of 1.10 percent to a monthly rate of 1⁄12 of 0.40 percent, plus applicable taxes, as required by the prospectus when the Fund has not paid distributions for six or more consecutive months. During the year the investment manager collected fees at an annual rate of 0.35 percent of the Fund's net asset value. The Investment Manager may choose at any time to require payment of all or any portion of these investment management fees voluntarily deferred.

Services received under the Investment Management Agreement include the making of all investment decisions in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes decisions as to the purchase and sale of securities in the Fund's portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net assets of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

The primary investment objective is to maintain the redemption value of $25.00 per unit at the termination of the Fund on December 30, 2016. To provide greater certainty to the principal protection objective, the Fund has eliminated its exposure to equity securities with the managed portfolio now comprised entirely of cash and cash equivalents.

The fixed portfolio has retained forward agreements with the Royal Bank of Canada sufficient to fund payment of $25.00 per unit on the termination date for each unit currently outstanding.

Interest rates generally rose during the first half of 2006; short-term rates leveled at this time and remained flat for the duration of the year. At the same time, long-term rates began to fall somewhat, which created an inverted yield curve in Canada, which persisted for most the second half of 2006. This inversion was a modest benefit to the value of the Fund.

The strong Canadian dollar provided some support to bond prices in Canada during this first half of the year, however, this strength was retraced during the second half of the year. The Fund remains sensitive to changes in interest rates and the shape the yield curve.

Past Performance

The chart below sets out the Fund's year-by-year past performance. It is important to note that:

(a) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,

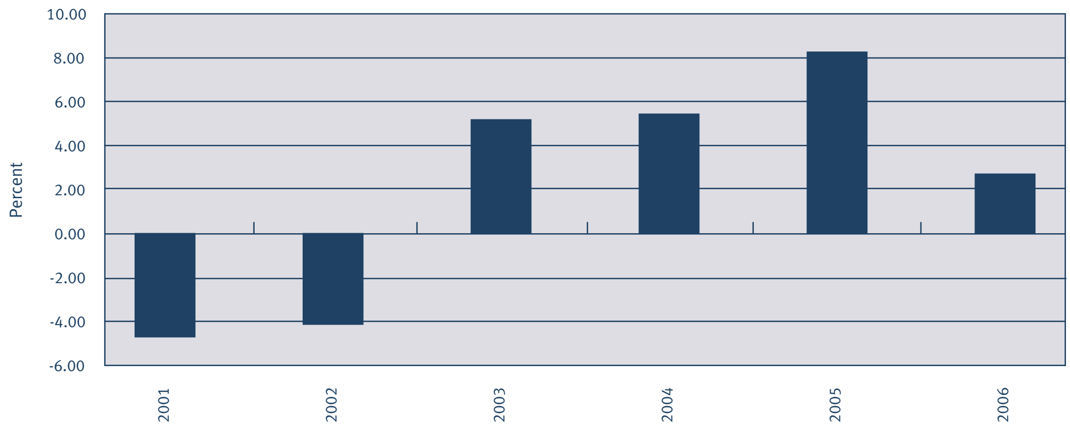
(b) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(c) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The bar chart below illustrates how the Fund's total annual return in each of the past six years has varied from year to year. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2001 would have increased or decreased by the end of that fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the periods ended December 31 as compared to the performance of the S&P/TSX Composite Index, S&P 500 Index and Scotia Capital Universal Bond Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception*
Mulvihill Pro-AMS 100 Plus (CDN $) Fund	**2.78%**	5.40%	2.00%

In order to meet regulatory requirements, the performance of three broader based market indices have been included below.

S&P/TSX Composite Index**	**17.26%**	18.55%	12.61%
S&P 500 Index***	**15.74%**	6.70%	0.79%
Scotia Capital Universal Bond Index****	**4.06%**	5.88%	5.25%

* From date of inception on November 1, 2001.
** The S&P/TSX Composite Index is a capitalization-weighted index designed to measure the market activity of stocks listed on the TSX.
*** The S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
**** The Scotia Capital Universal Bond Index is designed to measure the performance of the Canadian fixed income market.

At inception of the Fund the proceeds of the issue were invested in both the fixed and managed portfolios. The managed portfolio was invested in a diversified portfolio consisting principally of equity securities (including common shares and ADRs) that are listed on a major North American stock exchange or market with an emphasis on the top 100 in each category by market capitalization of ADRs, U.S. equities and Canadian equities. In addition, the issuers of such securities were required to have a market capitalization in excess of U.S. $5.0 billion if listed solely in the United States or a market capitalization in excess of CDN $1.0 billion if listed in Canada. In May of 2005 the managed portfolio converted its equity holdings to cash and cash equivalents to provide greater certainty to the principle protection feature. As a result, the Fund's equity exposure was eliminated whereas its sensitivity to interest rate levels increased.

The equity performance benchmarks shown here provides an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed these indices; rather, its objectives are to pay out quarterly dividends and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to generate the distributions.

These investment strategies result in a rate of return for the Fund that differs from that of a conventional, fully-invested portfolio. During periods of strongly rising markets, the Fund's approach will tend to underperform a comparable fully-invested portfolio of the same stocks as the Fund is not fully invested and writing covered call options generally limits portfolio performance to the option premium received. In periods of declining markets, however, the Fund's defensive cash balances help to protect net asset value, and covered option writing income generally provides returns exceeding those of a conventional portfolio.

Related Party Transactions

Mulvihill Capital Management Inc. ("MCM") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated October 18, 2001.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated October 18, 2001, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. 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", "intends", "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 Fund action, is also forward-looking. 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 Fund 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 by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Mulvihill Pro-AMS 100 Plus (Cdn $) Trust (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager") and have been reviewed by the Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. Deloitte & Touche LLP has full and unrestricted access to the Board.

John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 22, 2007

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Unitholders of Mulvihill Pro-AMS 100 Plus (Cdn $) Fund

We have audited the accompanying statement of investments of Mulvihill Pro-AMS 100 Plus (Cdn $) Trust (the "Fund") as at December 31, 2006, the statements of net assets as at December 31, 2006 and 2005, and the statements of financial operations, of changes in net assets, and of net gain on sale of investments for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, and the net gain on sale of investments for the years indicated above in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
February 22, 2007

Statements of Net Assets

December 31, 2006 and 2005

	2006	2005
ASSETS		
Investments - Fixed portfolio at market value (cost - $16,248,953; 2005 - $22,172,484) (Note 4)	**$ 18,341,959**	$ 26,554,838
Short-term investments - Managed portfolio (cost - $5,931,733; 2005 - $12,655,858)	**5,931,733**	12,654,938
Cash	**3,398**	10,703
Interest receivable	**22,787**	28,110
Due from brokers - derivatives	**6,835,322**	28,833,139
TOTAL ASSETS	**31,135,199**	**68,081,728**
LIABILITIES		
Redemptions payable	**8,206,868**	35,020,896
Accrued management fees (Note 6)	**817,731**	801,834
Accrued forward agreement fees	**79,192**	67,301
Accrued liabilities	**6,429**	64,798
TOTAL LIABILITIES	**9,110,220**	**35,954,829**
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 22,024,979**	**$ 32,126,899**
Number of Units Outstanding (Note 5)	**1,151,677**	**1,726,639**
Net Asset Value per Unit	**$ 19.1243**	**$ 18.6066**

On Behalf of the Manager,
Mulvihill Fund Services Inc.

John P. Mulvihill, Director

Sheila S. Szela, Director

Statements of Financial Operations

Years ended December 31, 2006 and 2005

	2006	2005
REVENUE		
Dividends	$ —	$ 78,411
Interest, net of foreign exchange	**261,484**	357,314
Withholding taxes	—	(10,917)
TOTAL REVENUE	**261,484**	**424,808**
EXPENSES (Note 6)		
Management fees	**151,052**	837,227
Forward agreement fee (Note 4)	**212,233**	474,580
Service fees	—	31,156
Administrative and other expenses	**47,948**	50,172
Custodian fees	**21,994**	34,641
Audit fees	**22,740**	19,799
Advisory board fees	**20,427**	20,127
Legal fees	**6,110**	922
Unitholder reporting costs	**10,796**	20,382
Goods and services tax	**18,410**	67,819
TOTAL EXPENSES	**511,710**	**1,556,825**
Net Investment Loss	**(250,226)**	**(1,132,017)**
Net gain (loss) on sale of investments	**1,055**	(1,141,467)
Net gain on sale of derivatives	**3,120,400**	9,589,359
Net change in unrealized appreciation/depreciation of investments	**(2,288,024)**	(2,229,839)
Net Gain on Investments	**833,431**	**6,218,053**
TOTAL RESULTS OF FINANCIAL OPERATIONS	**$ 583,205**	**$ 5,086,036**
TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 1,637,898; 2005 - 3,898,755)	**$ 0.3561**	**$ 1.3045**

Statements of Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
NET ASSETS, BEGINNING OF YEAR	$ 32,126,899	$ 72,346,681
Total Results of Financial Operations	583,205	5,086,036
Unit Transactions		
Amount paid for units redeemed	(10,685,125)	(44,017,765)
Distributions to Unitholders (Note 7)		
Non-taxable distributions	–	(1,288,053)
Changes in Net Assets during the Year	(10,101,920)	(40,219,782)
NET ASSETS, END OF YEAR	$ 22,024,979	$ 32,126,899

Statements of Net Gain on Sale of Investments

Years ended December 31, 2006 and 2005

	2006	2005
Proceeds from Sale of Investments	$ 14,647,614	$ 68,328,300
Cost of Investments Sold		
Cost of investments, beginning of year	22,172,484	64,267,593
Cost of investments purchased	5,602,628	17,785,299
	27,775,112	82,052,892
Cost of Investments, End of Year	(16,248,953)	(22,172,484)
	11,526,159	59,880,408
NET GAIN ON SALE OF INVESTMENTS	$ 3,121,455	$ 8,447,892

Statement of Investments

December 31, 2006

	Number of Shares	Average Cost	Market Value	% of Portfolio
SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO				
Treasury Bills				
Government of Canada, 4.16% - February 22, 2007	5,890,000	$ 5,832,824	**$ 5,832,824**	
Government of Canada, 4.15% - March 22, 2007	100,000	98,909	**98,909**	
Total Treasury Bills		**5,931,733**	**5,931,733**	**99.6%**
Accrued Interest			**22,787**	**0.4%**
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO		**$ 5,931,733**	**$ 5,954,520**	**100.0%**
INVESTMENTS - FIXED PORTFOLIO				
Canadian Common Shares				
Consumer Discretionary				
Rona Inc.	56,492	**$ 1,241,129**	**$ 1,186,332**	6.5%
Energy				
Western Oil Sands Inc.	39,020	**1,080,073**	**1,276,344**	7.0%
Health Care				
Angiotech Pharmaceuticals Inc.	116,976	**1,241,115**	**1,121,800**	6.1%
Industrials				
Bombardier Inc. "B"	521,631	1,382,322	**2,060,443**	
Westjet Airlines LTD.	79,745	799,739	**1,190,592**	
Total Industrials		**2,182,061**	**3,251,035**	17.7%
Information Technology				
Celestica Inc.	81,402	1,904,623	**739,130**	
Cognos Inc.	78,486	2,126,186	**3,888,981**	
Nortel Networks Corporation	30,771	1,080,080	**962,517**	
Total Information Technology		**5,110,889**	**5,590,628**	30.5%
Materials				
Kinross Gold Corporation	221,913	2,334,525	**3,066,838**	
Meridian Gold Inc.	117,385	1,979,111	**3,806,796**	
Total Materials		**4,313,636**	**6,873,634**	37.5%
Telecommunication Services				
Research in Motion	13,911	**1,080,050**	**2,072,739**	11.2%
Total Canadian Common Shares		**$16,248,953**	**$21,372,512**	**116.5%**
Forward Agreement (Note 5)			**(3,030,553)**	**(16.5)%**
TOTAL INVESTMENTS - FIXED PORTFOLIO		**$16,248,953**	**$18,341,959**	**100.0%**
Short-Term Investments - Managed Portfolio			**5,931,733**	
Other Assets Less Liabilities			**(2,248,713)**	
NET ASSETS			**$22,024,979**	
TOTAL MANAGED PORTFOLIO		**$ 5,931,733**	**$ 5,931,733**	
TOTAL FIXED PORTFOLIO		**16,248,953**	**18,341,959**	
TOTAL INVESTMENT PORTFOLIO		**$22,180,686**	**$24,273,692**	

1. Establishment of the Fund

Mulvihill Pro-AMS 100 Plus (Cdn $) Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on October 18, 2001. The Fund began operations on November 1, 2001 and will terminate on December 30, 2016 and its assets will be distributed to unitholders unless unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose.

The manager of the Fund is Mulvihill Fund Services Inc. (the "Manager") and the Fund's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). RBC Dexia Investor Services (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund's original investment objectives are to pay monthly distributions and to return the original issue price of $25.00 to unitholders on the termination date of December 30, 2016. To provide greater certainty to the principal repayment objective, the Fund has suspended the payment of monthly distributions in May 2005. At this time, the equity positions held in the managed portfolio were liquidated which resulted in no equity exposure for the rest of the year. To provide the Fund with the means to return the original issue price on termination, the Fund entered into a "Forward Agreement" with the Royal Bank of Canada ("RBC") whereby RBC will pay the Fund $25.00 for each unit outstanding on the termination date in exchange for the delivery of the equity securities in the Fund's fixed portfolio. The balance of the Fund's net assets will be held within its managed portfolio and will be used to finance the operating expenses of the Fund.

To generate additional returns, the Fund may, from time to time, write covered call options in respect of all or part of the securities in the Managed Portfolio. In addition, the Fund may write cash covered put options in respect of 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. The managed portfolio was liquidated during 2005, therefore, there were no options outstanding at year end.

From time to time, the Fund may hold a portion of its assets in cash equivalents.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair market value at the end of the period which is determined as follows:

Securities are valued at fair market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the average of the bid and the asked price.

Short-term investments are valued at cost plus accrued interest, which approximates market value.

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

The value of a forward contract (including the Forward Agreement) shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract were to be closed out. The valuation of the Forward Agreement may be postponed for up to five business days if trading in the shares of an issuer in the Fixed Portfolio is suspended from trading at such time.

Futures contracts are valued at the gain or loss that would be realized if the positions was closed on the valuation date.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in gain (loss) of sale of derivatives.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in change in unrealized appreciation (depreciation) of investments. Premiums received on written put options that are exercised are included in the cost of the security purchased.

Unrealized gains or losses on open futures contracts are included in change in unrealized appreciation (depreciation) of investments. Gains or losses realized upon closure of futures contracts are included in gain (loss) on sale of derivatives.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) on short-term investments are reflected as interest income (loss). Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

New Accounting Standards

The Canadian Institute of Chartered Accountants issued new accounting standards relating to Financial Instruments which will be effective for the Fund from January 1, 2007. These new standards will impact certain financial statement accounting and disclosure including the valuation of securities at bid price and accounting for transaction costs.

However, as a result of regulatory relief received from the Canadian Securities Administrators, on implementation of the new standards, the above changes will not impact the net asset value per unit used to transact units of the Fund which will continue to be based upon securities valued at the last sale price.

4. Forward Agreement

The Fund has entered into a Forward Agreement with Royal Bank of Canada ("RBC") pursuant to which RBC will pay the Fund an amount equal to $25.00 for each unit outstanding on the termination date in exchange for the Fund delivering to RBC the equity securities included in the Fixed Portfolio.

Securities in the Fixed Portfolio have been pledged to RBC as security for the obligations of the Fund under the Forward Agreement. The Forward Agreement is a direct obligation of RBC, a company with a credit rating of Moody's-Aa2 and DBRS-AA (low). The Forward Agreement may be physically or cash settled at the option of the Fund. In order to permit the Fund to fund periodic redemptions of units, the Forward Agreement may be settled in whole or in part in respect of any valuation date by the Fund tendering to RBC securities of the Fixed Portfolio at a price equal to the current market value of the tendered securities and the value of the portion of the Forward Agreement attributable to such securities.

In entering into the Forward Agreement, the Fund will be exposed to the credit risk associated with the counterparty (RBC) and as well as the risk that the counterparty (RBC) will not satisfy its obligations under the Forward Agreement on a timely basis or at all. Since, depending upon the performance of the Fixed Portfolio, the mark-to-market value of the Forward Agreement may represent a significant portion of the value of the assets of the Fund, the Fund's exposure to the credit risk associated with the counterparty (RBC) is significant.

The Fund's net asset value ("NAV") may be highly sensitive to interest rate fluctuations because the value of the Forward Agreement will fluctuate based on interest rates. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the units. Unitholders who wish to redeem or sell their units prior to the termination date will therefore be exposed to the risk that NAV per unit or the market price of the units will be negatively affected by interest rate fluctuations. The remaining term to maturity of the Forward Agreement is 10 years.

A yearly fee of 0.3892 percent on the guaranteed value of the Forward Agreement and 0.2425 percent on the market value of the Fixed Portfolio is payable by the Fund. Fees are accrued and payable every quarter.

5. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of units are proportionately entitled to all of these rights except voting rights.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly valuation date. Unitholders whose units are redeemed on a December valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4 percent of such net asset value per unit and (ii) $1.00. Under the terms of a Recirculation Agreement, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any units tendered for redemption.

Following are the unit transactions for the year:

	2006	2005
Units outstanding, beginning of year	**1,726,639**	4,131,018
Units redeemed	**(574,962)**	(2,404,379)
Units outstanding, end of year	**1,151,677**	**1,726,639**

6. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Fees are payable to the Manager under the terms of the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fee payable to the Manager is payable at an annual rate of 0.10 percent of the Fund's net asset value calculated and payable monthly, plus applicable taxes. The fee payable to the Investment Manager is payable at an annual rate of 1.10 percent of the Fund's net asset value calculated and payable monthly, plus applicable taxes. In the event that no distributions are made for six or more consecutive months, the monthly investment management fee will be reduced to 1/12 of 0.40 percent of the Fund's net asset value and the full amount of such fees will not be payable until such time as regular distributions resume. The unpaid portion of such fees will be accrued but will not be paid until such time as the distribution shortfall has been paid to the unitholders. No unpaid portion of such fees will be paid out of the proceeds of the Forward Agreement.

From August 2004 to October 2005, the Investment Manager voluntarily agreed to defer payment of a portion of its investment management fees owing to it by the Fund. The voluntary deferral of a portion of the fee is in proportion to the reduction in the targeted distribution rates, subject to a minimum annual rate per the prospectus of 0.40 percent of the Fund's net asset value. Commencing November 2005 investment management fees were reduced from a monthly rate of 1⁄12 of 1.10 percent to a monthly rate of 1⁄12 of 0.40 percent of the Fund's net asset value, plus applicable taxes, as required by the prospectus when the Fund has not paid distributions for six or more consecutive months. During the year, the investment management fees were paid at an annual rate of 0.35 percent of the Fund's net asset value. The Investment Manager may choose at any time to require payment in full of the investment management fees voluntarily deferred.

The management fee expense for 2006 is lower than it would otherwise be due to the reversal of deferred fees in the amount of $46,893, which were previously accrued but are now considered unlikely to be paid due to the performance of the Fund.

The Manager also collects from the Fund a service fee equal to 0.30 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly. If regular targeted distributions are not paid in full to unitholders in any month of a calendar quarter, the service fee for that calendar quarter will be reduced on a pro rata basis to the extent of the distribution shortfall. No service fees were paid for 2006 or 2005.

7. Distributions

The Fund endeavours to make monthly cash distributions to unitholders of net income and net realized capital gains and option premiums on the last day of each month in each year. Distributions were suspended May of 2005.

The non-taxable distributions received by the unitholder reduce the adjusted cost base of the unit for tax purposes.

8. Income Taxes

The Fund is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2006 or 2005.

Accumulated non-capital losses of approximately $9.8 million (2005 - $9.8 million) and capital losses of approximately $5.4 million (2005 - $8.6 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses have expiration dates extending to 2014 and the capital losses can be carried forward indefinitely.

Issue costs of nil (2005 - $1.7 million) remain undeducted for tax purposes at year end.

9. Commission Charges

Total commissions paid in 2006 in connection with portfolio transactions were nil (2005 - $23,727). Of this amount nil (2005 - $5,086) was directed for payment of trading related goods and services.

10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (forward agreement).

Risks of these contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement, stock values and interest rates. The maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed on the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

Investments and derivative contracts are carried at fair market values. Other financial instruments are carried at cost, which approximates fair value.

Refer to Note 4 for the interest rate and credit risks related to the Forward Agreement.

11. Comparative Figures

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

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than $2.8 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

- Mulvihill Institutional Asset Management ⇢ provides asset growth management of pension funds, corporations, management companies, endowment foundations and mutual funds with a wide variety of investment mandates. Our reputation has been built on the ability to provide customized portfolios that meet the stated needs of our clients.
- Mulvihill Wealth Management ⇢ offers a comprehensive specialized approach tailored to a client’s personal investment strategies. Personalized service and customized reporting ensure that our clients are fully aware of the progress they are making.
- Mulvihill Structured Products ⇢ is responsible for the development and management of Mulvihill Hybrid Income Funds tailored to meet very specific investment objectives. Assets are generally managed to meet absolute rather than relative returns.

Mulvihill’s Hybrid Income Funds are exchange-traded, equity-based funds that are enhanced by virtue of their broad distribution, special structure and performance characteristics. The Hybrid Income Funds are prime examples of our customized approach to asset management.

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the period January 1, 2006 to December 31, 2006	
MULVIHILL PLATINUM			
Mulvihill *Government Strip Bond Fund*	GSB.UN	$ 21.44	$ 19.20
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 22.44	$ 20.44
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*	PRC.UN	$ 19.20	$ 16.05
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*	PRU.U	$ 15.57	$ 13.35
Mulvihill Pro-AMS *RSP Split Share Fund*	SPL.A/SPL.B	$ 10.10/$ 15.60	$ 8.80/$ 13.07
MULVIHILL PREMIUM			
Mulvihill *Core Canadian Dividend Fund*	CDD.UN	$ 10.90	$ 9.70
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 19.99	$ 16.60
Mulvihill Premium *Oil & Gas Fund*	FPG.UN	$ 14.21	$ 10.95
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 18.75	$ 16.15
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 11.80	$ 10.48
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 11.70/$ 16.94	$ 9.82/$ 15.51
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 8.65/$ 16.00	$ 6.87/$ 15.14
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.28/$ 12.70	$ 0.08/$ 10.75
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 17.08	$ 14.28
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 12.74/$ 13.75	$ 8.45/$ 12.42
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.25/$ 11.30	$ 10.40/$ 10.41

Board of Advisors

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Mulvihill Capital Management Inc.

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Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

Michael M. Koerner
Corporate Director

Robert W. Korthals
Corporate Director

C. Edward Medland
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Visit our website at www.mulvihill.com for additional information on all Mulvihill Hybrid Income Funds.

Hybrid Income Funds Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill *Government Strip Bond Fund*
Mulvihill Pro-AM *U.S. 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 *Core Canadian Dividend Fund*
Mulvihill Premium *Canadian Fund*
Mulvihill Premium *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill Global *Equity Fund*
Premium Global *Income Fund*

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