

Mulvihill Structured Products



Hybrid Income Funds

Annual Report 2001



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



Message to  
Unitholders →

March 2002

With all the major economies of the world experiencing a slowdown or an outright recession, 2001 was a difficult year for equity markets. In North America, the United States economy went into a mild recession in March. In the European Union, Germany slowed to near-zero growth, and in the Far East, Japan remained mired in a continuing slump. These key economies set the pace for their regions, and their weakness quickly spread to their neighbours and trading partners. Canada, for example, did not follow the United States into recession, but the Canadian economy lost much of the growth momentum it had built up in the previous year.

In an effort to pull their economies out of the slump, central banks around the world made repeated moves to lower interest rates. The U.S. Federal Reserve led the way with 11 successive cuts, slashing rates from 6.5 percent at the beginning of the year to 1.75 percent at year end. The Bank of Canada made similar but less drastic moves, taking rates from 5.75 percent to 2.25 percent. The European Central Bank was inhibited by inflationary concerns, and made only four downward moves to cut rates by 150 basis points to 3.25 percent. The combination of these rate cuts and further stimulus in the form of tax cuts is beginning to have the desired effect, with leading economic indicators now turning upwards in both North America and Europe.

The Toronto Stock Exchange 300 Index declined 12.5 percent for the year, hitting a low of 6,513 on September 21 before rallying to end the year at 7,688. In the United States, the S&P 500 Index was down nearly 12 percent, and the technology-laden NASDAQ Index declined by 21 percent. In Europe, the markets outside of North America were also down as shown by the 21 percent decline in the EAFE index. All exchanges saw their sharpest corrections in the wake of the terrorist attacks of September 11, and have been trending upwards since then.

There were radical differences between the performances of stocks in different economic sectors. Consumer discretionary stocks benefited from lower interest rates, tax cuts and declining energy costs. Transportation and resource-based industries also tended to outperform the broad markets. However, positive performance in these areas was more than offset by sharp declines in other sectors. The Information Technology sector also performed poorly as valuations adjusted to reduced growth and earnings expectations. Manufacturers of telecommunications equipment were especially hard hit by excess inventories, slumping demand and debt-burdened balance sheets.

As the economic recovery cycle advances, the outlook for equities is positive. However, investors are likely to remain wary about weak earnings—a concern that has been aggravated by the Enron scandal. Markets are likely to be periodically volatile during 2002, as investor sentiment rides the ups and downs of positive and negative earnings reports.



**John P. Mulvihill**  
President  
Mulvihill Capital Management Inc.



**Donald Biggs**  
Vice President, Structured Finance  
Mulvihill Capital Management Inc.



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Investment Highlights

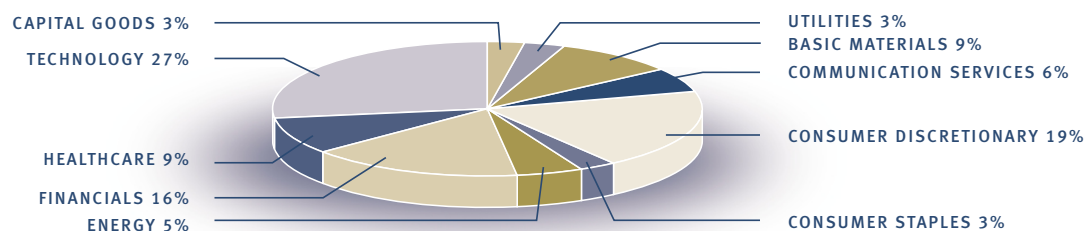
Investment Objectives

The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of monthly distributions of at least \$0.17708 (\$2.1250 annually) per unit, to return at a minimum the original issue price of the units to unitholders upon termination of the Fund on December 30, 2016, and to preserve the value of the Fund's managed portfolio which will provide Unitholders with capital appreciation above the original issue price.

Investment Strategy

To provide the Fund with the means to return the original issue price on termination, the Fund has 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 delivery of the Fund's fixed portfolio. The Fund intends to achieve its investment objectives by investing the balance of the net assets in a diversified internationally focused 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 must 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. To generate additional returns above the dividend income generated by the portfolio, the Fund will write covered call options in respect of all or part of the securities in the managed portfolio. From time to time, the Fund may hold a portion of its assets in cash equivalents, which may be utilized to provide cover in respect of the writing of cash covered put positions.

Asset Mix



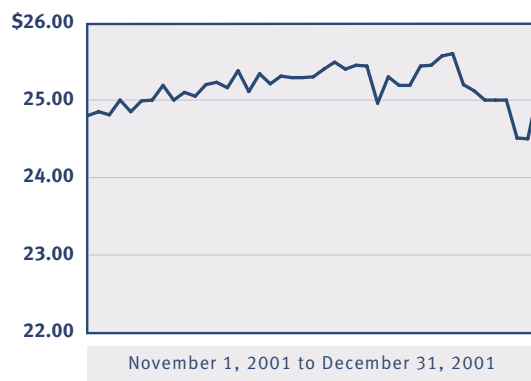
Distribution History

INCEPTION DATE: NOVEMBER 2001	DISTRIBUTION
December 2001	\$ 0.35416
<b>Total for 2001</b>	<b>0.35416</b>
<b>Total Distributions to Date</b>	<b>\$ 0.35416</b>

**Top 10 Holdings**

- Diageo PLC
- Home Depot Inc.
- Biovail Corp.
- Pharmacia Corp.
- Citigroup Inc.
- Microsoft Corp.
- STMicroelectronics N.V.
- Celestica Inc.
- Nextel Communications, Inc.
- Apache Corp.

**Trading History**



**Commentary**

Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund was launched on November 2, 2001, with assets at inception of \$168.3 million, or \$23.62 per unit. As of December 31, 2001, net assets had declined to \$160.3 million, or \$22.50 per unit. The Fund's units, listed on the Toronto Stock Exchange as PRC.UN, traded mostly above the issue price of \$25.00, and closed the year at \$25.15.

Unitholders received a distribution of \$0.35416 per unit, covering the two months ending December 31, 2001. This meets the Fund's target of paying an annual return of 8.5 percent.

The reduction in the aggregate value of the Fund was largely due to an increase in long term interest rates during November and December, which reduced the value of the Forward Agreement pertaining to the Fund's fixed portfolio.

Despite difficult market conditions, the managed portion of the Fund outperformed the overall S&P 500 Index, and exceeded the performance of more than half the major sectors, including technology, basic materials, health care and telecommunications. The managed portion of the Fund is invested in a diversified portfolio of stocks consisting of 60 percent United States equities, 20 percent Canadian equities and 20 percent International equities, in ADR's. A summary of the Fund's investments as well as its financial statements are included in this annual report.

We would like to take this opportunity to thank each of the Fund's unitholders for their continuing support.

Auditors' Report

To the Unitholders

We have audited the accompanying statements of net assets and of investments of Mulvihill Pro-AMS 100 Plus (Cdn \$) Trust (the "Fund") as at December 31, 2001 and the statements of financial operations, changes in net assets, gain on sale of investments and options and financial highlights for the period then ended. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 the Manager, 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 December 31, 2001, and the results of its operations, the changes in its net assets, the gain on sale of investments and options and the financial highlights for the period then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte + Touche LLP*

Chartered Accountants

Toronto, Ontario

February 15, 2002



**Statement of Net Assets**

December 31, 2001

	2001
<b>Assets</b>	
Investments at market value (average cost - \$144,458,810)	\$136,627,897
Short-term investments (average cost - \$24,013,350)	24,056,209
Cash	21,218
Dividends receivable	10,079
Interest receivable	32,672
<b>Total Assets</b>	<b>160,748,075</b>
<b>Liabilities</b>	
Accrued liabilities	452,897
<b>Net Assets, Represented by Unitholders' Equity</b>	<b>\$160,295,178</b>
<b>Number of Units Outstanding (Note 6)</b>	<b>7,125,000</b>
<b>Net Asset Value per Unit</b>	<b>\$ 22.4976</b>

On behalf of the Manager,  
Mulvihill Fund Services Inc.

  
\_\_\_\_\_  
John P. Mulvihill, Manager

  
\_\_\_\_\_  
David N. Middleton, Manager

Financial Statements

Statement of Financial Operations

Period ended December 31, 2001

	2001
<b>Revenue</b>	
Dividends	\$ 65,513
Interest	233,549
Withholding tax	(5,924)
	<b>293,138</b>
<b>Expenses (Note 7)</b>	
Management fees	326,206
Forward Agreement fee (Note 5)	144,580
Service fees	80,497
Custodian and other fees	30,148
Goods and services tax	30,580
	<b>612,011</b>
<b>Net Investment Loss</b>	<b>(318,873)</b>
<b>Gain on Sale of Investments and Options</b>	<b>2,667,064</b>
<b>Unrealized Depreciation of Investments and Foreign Currency</b>	<b>(7,788,061)</b>
<b>Net Loss on Investments</b>	<b>(5,120,997)</b>
<b>Total Results of Financial Operations</b>	<b>\$ (5,439,870)</b>

### Statement of Changes in Net Assets

Period ended December 31, 2001

	2001
<b>Net Assets, Beginning of Period</b>	\$ —
<b>Unit Transactions</b>	
Proceeds from units issued, net of issue costs (Note 6)	168,258,438
<b>Total Results of Financial Operations</b>	(5,439,870)
<b>Distributions to Unitholders (Note 8)</b>	
From net investment income	(15,940)
From net realized gain on sale of investments and options	(2,354,230)
Non-taxable distribution	(153,220)
	(2,523,390)
<b>Changes in Net Assets During the Period and Net Assets, End of Period</b>	<b>\$ 160,295,178</b>

### Statement of Gain on Sale of Investments and Options

Period ended December 31, 2001

	2001
<b>Proceeds from Sale of Investments</b>	<b>\$ 21,631,992</b>
<b>Cost of Investments Sold</b>	
Cost of investments purchased	163,423,738
Cost of investments, beginning of period	(144,458,810)
	18,964,928
<b>Gain on Sale of Investments and Options</b>	<b>\$ 2,667,064</b>

Financial Statements

Statement of Investments

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
<b>Investments - Managed Portfolio</b>				
<b>Canadian Common Shares</b>				
<b>Metals and Minerals</b>				
Alcan Inc.	30,000	\$ 1,647,180	\$ 1,714,501	
Inco Ltd.	80,000	1,788,440	2,164,000	
<b>Total Metals and Minerals</b>		<b>3,435,620</b>	<b>3,878,501</b>	<b>2.4%</b>
<b>Industrial Products</b>				
Biovail Corp.	27,000	2,073,562	2,400,840	
Celestica Inc.	35,000	2,132,224	2,240,000	
<b>Total Industrial Products</b>		<b>4,205,786</b>	<b>4,640,840</b>	<b>2.9%</b>
<b>Technology-Hardware</b>				
Nortel Networks Corp.	162,000	2,016,868	1,927,800	1.2%
<b>Financial Services</b>				
Sun Life Financial Services of Canada	35,000	1,191,691	1,188,250	
The Toronto-Dominion Bank	36,000	1,378,750	1,478,880	
<b>Total Financial Services</b>		<b>2,570,441</b>	<b>2,667,130</b>	<b>1.7%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 12,228,715</b>	<b>\$ 13,114,271</b>	<b>8.2%</b>
<b>Foreign Common Shares (excluding U.S.A.)</b>				
<b>Australia</b>				
News Corporation Ltd., ADR	26,000	\$ 1,150,073	\$ 1,320,233	0.9%
<b>Netherlands</b>				
ING Groep N.V., ADR	50,000	2,103,103	2,031,287	
Koninklijke (Royal) Philips Electronics N.V.	47,000	2,262,769	2,184,005	
<b>Total Netherlands</b>		<b>4,365,872</b>	<b>4,215,292</b>	<b>2.6%</b>
<b>Finland</b>				
Nokia Corp., ADR	26,000	1,986,834	1,957,858	1.2%
<b>France</b>				
Aventis S.A., ADR	17,000	1,986,788	1,926,730	
STMicroelectronics N.V.	45,000	2,212,323	2,274,962	
<b>Total France</b>		<b>4,199,111</b>	<b>4,201,692</b>	<b>2.6%</b>
<b>Total Foreign Common Shares (excluding U.S.A.)</b>		<b>\$ 11,701,890</b>	<b>\$ 11,695,075</b>	<b>7.3%</b>

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
<b>Investments-Managed Portfolio (continued)</b>				
<b>United States Common Shares</b>				
<b>Energy Sources</b>				
Apache Corp.	30,800	\$ 2,218,732	\$ 2,452,397	
Dynegy Inc.	47,000	2,512,253	1,913,161	
<b>Total Energy Sources</b>		<b>4,730,985</b>	<b>4,365,558</b>	<b>2.7%</b>
<b>Forest Products and Paper</b>				
International Paper Co.	30,000	1,830,144	1,932,317	1.2%
<b>Data Processing and Reproduction</b>				
Honeywell International Inc.	41,000	2,121,792	2,213,457	
IBM Corp.	11,000	2,037,206	2,123,968	
Microsoft Corp.	22,000	2,318,014	2,327,305	
Oracle Corp.	89,000	2,087,596	1,961,992	
<b>Total Data Processing and Reproduction</b>		<b>8,564,608</b>	<b>8,626,722</b>	<b>5.4%</b>
<b>Electrical and Electronics</b>				
VERITAS Software Corp.	19,000	1,359,941	1,359,678	0.8%
<b>Electrical Components and Instruments</b>				
Intel Corp.	41,000	2,094,308	2,058,345	1.3%
<b>Energy Equipment and Services</b>				
Halliburton Co.	62,000	2,135,671	1,296,512	0.8%
<b>Food and Household Products</b>				
Diageo PLC ADR	34,000	2,346,907	2,511,262	
Procter & Gamble Co.	16,000	1,959,844	2,021,039	
<b>Total Food and Household Products</b>		<b>4,306,751</b>	<b>4,532,301</b>	<b>2.8%</b>
<b>Health and Personal Care</b>				
MedImmune Inc.	28,000	2,062,219	2,071,674	
Pharmacia Corp.	35,000	2,369,068	2,382,872	
<b>Total Health and Personal Care</b>		<b>4,431,287</b>	<b>4,454,546</b>	<b>2.8%</b>
<b>Broadcasting and Publishing</b>				
AOL Time Warner, Inc.	33,000	2,047,718	1,690,957	1.1%
<b>Merchandising</b>				
Home Depot Inc.	30,000	2,346,605	2,442,813	1.5%
<b>Telecommunications</b>				
Nextel Communications, Inc.	128,000	2,194,750	2,239,413	
Verizon Communications Inc.	25,000	1,994,507	1,894,006	
<b>Total Telecommunications</b>		<b>4,189,257</b>	<b>4,133,419</b>	<b>2.6%</b>

Financial Statements

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
<b>Investments-Managed Portfolio (continued)</b>				
<b>United States Common Shares (continued)</b>				
<b>Financial Services</b>				
Citigroup Inc.	29,000	2,254,479	2,336,851	
J.P. Morgan Chase & Co.	33,000	2,090,977	1,914,838	
Merrill Lynch & Co. Inc.	24,000	2,010,087	1,996,775	
<b>Total Financial Services</b>		<b>6,355,543</b>	<b>6,248,464</b>	<b>3.9%</b>
<b>Total United States Common Shares</b>		<b>\$ 44,392,818</b>	<b>\$ 43,141,632</b>	<b>26.9%</b>
	Number of Contracts	Proceeds	Market Value	% of Portfolio
<b>Options</b>				
<b>Written Covered Call Options (100 Shares per Contract)</b>				
Biovail Corp. - January 2002 @ \$87	130	\$ (43,810)	\$ (48,884)	
Celestica Inc. - January 2002 @ \$73	130	(72,150)	(5,810)	
Citigroup Inc. - January 2002 @ \$49	150	(39,402)	(42,733)	
Diageo PLC, - January 2002 @ \$44	110	(10,511)	(48,837)	
Dynegy Inc. - January 2002 @ \$30	230	(94,000)	(89)	
Halliburton Co. - January 2002 @ \$15	460	(36,029)	(2,027)	
Home Depot Inc. - January 2002 @ \$50	110	(33,523)	(26,749)	
Honeywell International Inc. - January 2002 @ \$32	340	(69,732)	(131,266)	
IBM Corp. - January 2002 @ \$120	50	(41,252)	(29,531)	
Intel Corp. - January 2002 @ \$34	300	(45,175)	(21,253)	
Koninklijke (Royal) Philips Electronics N.V. - January 2002 @ \$31	200	(45,068)	(2,877)	
MedImmune Inc. - January 2002 @ \$46	210	(104,828)	(96,382)	
Microsoft Corp. - January 2002 @ \$67	90	(28,338)	(8,480)	
Nextel Communications, Inc. - January 2002 @ \$11	240	(23,054)	(26,382)	
Oracle Corp. - January 2002 @ \$15	670	(82,294)	(23,011)	
Pharmacia Corp. - January 2002 @ \$42	140	(32,878)	(37,718)	
STMicroelectronics N.V. - January 2002 @ \$32	160	(39,817)	(43,437)	
<b>Total Written Covered Call Options</b>		<b>\$ (841,861)</b>	<b>\$ (595,466)</b>	<b>(0.4)%</b>
<b>Total Investments - Managed Portfolio</b>		<b>\$ 67,481,562</b>	<b>\$ 67,355,512</b>	<b>42.0%</b>

## Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
<b>Investments - Fixed Portfolio</b>				
<b>Canadian Common Shares</b>				
<b>Metals and Minerals</b>				
Inco Inc.	456,926	\$ 10,213,667	\$ 12,359,848	7.7%
<b>Gold and Precious Metals</b>				
Meridian Gold Inc.	593,244	10,002,094	9,699,539	6.1%
<b>Pharmaceuticals</b>				
Biovail Corp.	132,654	10,183,848	11,795,594	
QLT Inc.	278,455	10,002,104	11,277,428	
<b>Total Pharmaceuticals</b>		<b>20,185,952</b>	<b>23,073,022</b>	<b>14.4%</b>
<b>Industrial Products</b>				
ATI Technologies Inc.	769,392	10,002,096	15,464,779	
Celestica Inc.	169,671	10,339,750	10,858,944	
Cognos Inc.	369,217	10,002,089	14,609,917	
Royal Group Technologies Ltd.	241,161	6,231,600	7,085,310	
<b>Total Industrial Products</b>		<b>36,575,535</b>	<b>48,018,950</b>	<b>30.0%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 76,977,248</b>	<b>\$ 93,151,359</b>	<b>58.2%</b>
<b>Total Investments - Fixed Portfolio</b>		<b>\$ 76,977,248</b>	<b>\$ 93,151,359</b>	<b>58.2%</b>
Forward Agreements (Note 5)		–	(23,878,974)	(15.0%)
<b>Total Investments</b>		<b>\$ 144,458,810</b>	<b>\$ 136,627,897</b>	<b>85.2%</b>
Short-term Investments			24,056,209	15.0%
Other Assets Less Liabilities			(388,928)	(0.2)%
<b>Net Assets</b>			<b>\$ 160,295,178</b>	<b>100.0%</b>

Financial Statements

Statement of Financial Highlights

Period ended December 31, 2001

	2001 *
<b>Data Per Unit</b>	
Net Asset Value, Beginning of Period	\$ 23.62 **
<b>Income from Investment Operations</b>	
Net investment loss	(0.01)
Net loss on investments and options	(0.76)
<b>Total from Investment Operations</b>	<b>(0.77)</b>
<b>Distributions to Unitholders</b>	
From net realized gain on sale of investments and options	(0.33)
Non-taxable distribution (Note 8)	(0.02)
<b>Total Distributions</b>	<b>(0.35)</b>
<b>Net Asset Value, End of Period</b>	<b>\$ 22.50</b>
<b>Ratios/Supplemental Data</b>	
Total net assets, end of period (\$millions)	\$ 160.30
Average net assets (\$millions)	\$ 158.89
Management expense ratio	2.25%
Portfolio turnover rate	13.6%
Annual rate of return	N/A

\* For the period from inception on November 2, 2001 to December 31, 2001.

\*\* Net of agent fees.



### 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 2, 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"). The Royal Trust Company (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

### 2. Investment Objectives of the Fund

The Fund's investment objectives are (i) to return at least the original issue price of \$25.00 per unit to the unitholders upon termination of the Fund and (ii) to provide unitholders with a stable stream of monthly distributions. To achieve the first objective, the Fund has entered into a forward purchase and sale agreement (the "Forward Agreement") pursuant to which the counterparty will pay to the Fund an amount equal to the original issue price for each unit outstanding on the termination date in exchange for the Fund delivering to the counterparty certain equity securities which it purchased with approximately 39% of the gross proceeds from the initial offering of units (the "Fixed Portfolio"). The balance of the net proceeds of the initial offering has been invested in a diversified portfolio (the "Managed 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

must 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. 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, the Fund will, 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.

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. The following is a summary of significant accounting policies:

#### Valuation of investments

Securities are valued at 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 Forward Agreement is stated at estimated fair value which equals the difference between the consideration receivable under the contract and the change in fair value of the securities in the Fixed Portfolio since the date the contract was entered into.

#### Investment transactions and income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and unrealized appreciation or depreciation of investments are determined on an average cost basis.

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 unrealized appreciation or depreciation in investments.

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

Notes to Financial Statements

3. Summary of Significant Accounting Policies (continued)

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.

4. Statements of Financial Highlights

The following explanatory notes pertain to the Statement of Financial Highlights:

- (a) Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the period.
- (b) Net gain (loss) on investments and options per unit includes the impact of timing of unitholder transactions.
- (c) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

- (d) Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.
- (e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by average net assets during the period.
- (f) Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of distributions. Returns are not reported in the year that the Fund was established.

5. 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 Moodys-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.

A yearly fee of 0.3909 % on the guaranteed value of the Forward Agreement and 0.2425% on the market value of the Fixed Portfolio is payable by the Fund. Fees are accrued and payable every quarter.

6. 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% 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.

## 6. Unitholders' Equity (continued)

On November 1, 2001, the Fund issued 6,500,000 units at \$25.00 per unit for total gross cash proceeds of \$162,500,000. On November 20, 2001, the Fund issued an additional 625,000 units at \$25.00 per unit for total gross

cash proceeds of \$15,625,000. Costs of \$9,866,562 were incurred in connection with these offerings and the establishment of the Fund.

## 7. 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 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% 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% 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% 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.

The Manager also collects from the Fund a service fee equal to 0.30% 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.

## 8. 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.

## 9. 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 2001.

Issue costs of approximately \$9.9 million remain undeducted for tax purposes at year end.

## 10. Commissions

Total commissions paid in 2001 in connection with portfolio transactions were \$153,044.

## 11. Statement of Portfolio Transactions

The Fund will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any unitholder to the Fund at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

Mulvihill Capital Management

Mulvihill Capital Management Inc. is a leading Canadian investment counselor responsible for the care of institutional and personal assets. The Company manages corporate, pension, insurance, endowment, trust and mutual funds under a wide variety of investment mandates. Founded in 1985 as CT Investment Counsel Inc., the investment arm of Canada Trust, the company emerged in 1995 as an independent company operated by a cohesive team of senior managers and owners who have been together for more than a decade. The Company's scale and independent structure allow it to provide clients with a uniquely customized approach to asset management.

The Mulvihill Hybrid Income Funds are managed by Mulvihill Capital's Structured Products Group. This area of the Company concentrates exclusively on creating and managing products tailored to meet very specific investment objectives. Assets are generally managed to meet specific absolute return levels rather than taking on the additional risk of targeting relative returns. This methodology allows the Company to make investment decisions that meet the client's needs rather than to make investments to rival the competition.

Mulvihill's personal asset management division, Mulvihill Wealth Management, offers a comprehensive specialized approach tailored to clients' personal strategies. This not only relieves the client's burden of day-to-day investment decisions but also provides financial peace of mind for today and the future. The Company's personalized service and customized reporting assure that its powerful team of professionals is always working toward your current objectives and that you are fully aware of the progress you are making.

Mulvihill's reputation has been built on its ability to provide customized portfolios that meet the stated needs of its clients. The Hybrid Income Funds are prime examples of that customized approach to asset management.

Other Hybrid Income Funds within the Mulvihill Group include Mulvihill Premium Canadian Fund, Mulvihill Premium U.S. 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 Summit Digital World Fund, Mulvihill Pro-AMS U.S. Fund, Mulvihill Pro-AMS RSP Fund, and Mulvihill Pro-AMS Plus (U.S. \$) Fund.

These funds are Mutual Fund Corporations or Trusts and traded on the Toronto Stock Exchange over the past year as follows:

	SYMBOL	HIGH	LOW
MULVIHILL PREMIUM CANADIAN FUND	FPI.UN	\$ 28.00	\$ 21.75
MULVIHILL PREMIUM U.S. FUND	FPU.UN	\$ 26.00	\$ 17.40
MULVIHILL PREMIUM OIL & GAS FUND	FPG.UN	\$ 10.67	\$ 7.91
MULVIHILL PREMIUM 60 PLUS FUND	SIX.UN	\$ 27.75	\$ 21.30
MULVIHILL PREMIUM GLOBAL PLUS FUND	GIP.UN	\$ 25.40	\$ 16.50
MULVIHILL PREMIUM CANADIAN BANK FUND	PIC.A/PIC.PR.A	\$ 13.50/15.80	\$ 11.45/14.85
MULVIHILL PREMIUM SPLIT SHARE FUND	MUH.A/MUH.PR.A	\$ 16.00/16.05	\$ 11.50/13.70
MULVIHILL PREMIUM GLOBAL TELECOM FUND	GT.A/GT.PR.A	\$ 15.50/14.80	\$ 6.62/11.25
MULVIHILL SUMMIT DIGITAL WORLD FUND	DWT.UN	\$ 14.95	\$ 5.06
MULVIHILL PRO-AMS U.S. FUND	PAM.UN	\$ 26.20	\$ 20.20
MULVIHILL PRO-AMS RSP FUND	PR.UN	\$ 25.60	\$ 20.90
MULVIHILL PRO-AMS 100 PLUS (CDN \$) FUND	PRC.UN	\$ 25.60	\$ 24.50
MULVIHILL PRO-AMS 100 PLUS (U.S. \$) FUND	PRU.U	\$ 21.50	\$ 19.90

## Board of Advisors

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**John P. Mulvihill**  
Chairman & President,  
Mulvihill Capital Management Inc.

**David N. Middleton**  
Vice President, Finance & CFO,  
Mulvihill Capital Management Inc.

**Michael M. Koerner**  
Corporate Director

**Robert W. Korthals**  
Corporate Director

**C. Edward Medland**  
President, Beauwood Investments Inc.

## Information

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**Auditors:**  
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BCE Place  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

**Transfer Agent:**  
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100 University Avenue, 8th Floor  
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**Shares Listed:**  
Toronto Stock Exchange  
trading under PRC.UN

**Trustee:**  
Royal Trust  
Royal Trust Tower  
77 King Street West, 11th Floor  
Toronto, Ontario M5W 1P9

## Other Hybrid Income Funds Managed by Mulvihill Structured Products

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### Mulvihill Premium Funds

Mulvihill Premium *Canadian Fund*  
Mulvihill Premium *U.S. Fund*  
Mulvihill Premium *Oil & Gas Fund*  
Mulvihill Premium *60 Plus Fund*  
Mulvihill Premium *Global Plus Fund*  
Mulvihill Premium *Split Share Fund*  
Mulvihill Premium *Global Telecom Fund*

### Mulvihill Summit Fund

Mulvihill Summit *Digital World Fund*

### Mulvihill Platinum Funds

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*

## Mutual Funds Managed by Mulvihill Capital Management

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Mulvihill Canadian *Money Market Fund*  
Mulvihill Canadian *Equity Fund*  
Mulvihill Canadian *Bond Fund*  
Mulvihill Global *Equity Fund*  
Mulvihill U.S. *Equity Fund*

Premium Canadian *Income Fund*  
Premium Global *Income Fund*

## Head Office:

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Visit our website at [www.mulvihill.com](http://www.mulvihill.com)  
for additional information on all  
Mulvihill Hybrid Income Funds.

Notes





**Mulvihill**

**Mulvihill Structured Products**

Investor Relations

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