

Mulvihill Structured Products



Hybrid Income Funds

Annual Report 2001



Mulvihill Summit Digital World Fund

Digital World Trust

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 objective is to provide unitholders with superior returns delivered in the form of (a) quarterly distributions and (b) appreciation in the value of the Fund's portfolio. The quarterly distributions will be paid as a result of realized income. This income will be comprised of dividends received on the Fund's portfolio, from the writing of covered call options on securities held in the Fund's portfolio, and from writing cash covered put options on securities in which the Fund is permitted to invest.

Investment Strategy

The Fund will invest its net assets in a diversified portfolio of Common Shares issued by leading digitally based companies. These companies are either listed on a major North America stock exchange or quoted on NASDAQ with a market capitalization in excess of US \$5.0 billion. They must operate within the sectors of Telecommunication Services, Telecommunication Equipment Suppliers, Enabling Hardware and Software, and Related Digital Commerce, Services and Products - hereafter referred to as the Digital World Universe. The Fund will, from time to time, write covered call options in respect of all or part of the securities in its portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest. Accordingly, the Fund will hold a portion of its assets in cash equivalents which will be used to provide cover in respect of the writing of cash covered put positions.

Distribution History

INCEPTION DATE: FEBRUARY 2000	REGULAR DISTRIBUTION	
Total for 2000	\$	2.35
March 2001		0.40
June 2001		0.25
September 2001		0.15
December 2001		0.15
Total for 2001		0.95
Total Distributions to Date	\$	3.30

Top 10 Holdings

- Microsoft Corp.
- Intel Corp.
- Celestica Inc.
- Telefonos de Mexico SA de CV, ADR
- Texas Instruments Inc.
- VERITAS Software Corp.
- eBay Inc.
- BCE Emergis Inc.
- Telefonica SA, ADR
- Nokia Corp.

Trading History



Commentary

As of December 31, 2001, the net assets of the Fund were \$53.6 million, or \$6.47 per unit. This represents a decline of 28.4 percent from the net asset value of \$9.06 per unit at the end of 2000. The Fund's units, listed on the TSE as DWT.UN, closed on December 31, 2001 at \$6.77.

Unitholders received distributions of \$0.95 per unit, of which \$0.82 was non-taxable. Based on the initial unit price of \$15.00, these distributions represent 6 percent yield for the year. The fund repositioned a number of holdings to realize capital losses in the fourth quarter. This had the effect of sheltering a substantial portion of distributions in 2001 as non-taxable. Non-taxable distributions reduce the adjusted cost base of each investor's units. The Fund also has further losses which will permit it to shelter future income and capital gains in the amount of \$2.62 per unit.

The Fund's overall rate of return was down 18.1 percent while the telecommunications and technology sectors continued to decline through the year, with the NASDAQ exchange down 21 percent for the year. However, the bottom of the downturn seems to have been reached in late September, and the NASDAQ index had rebounded 37 percent from that point by year end. Weak business capital spending and a large inventory overhang continue to plague these sectors, but some signs of improvement have appeared. The semiconductor and software sub-sectors, which tend to lead the way out of troughs, are now showing indications of recovery.

Investors are likely to remain wary of telecommunications and technology stocks until there are firm indications of improved earnings, which may take some time. Meanwhile, market volatility will allow the Fund to continue to generate and distribute income through its option-writing programs. 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 statement of investments of Digital World Trust (operating as Mulvihill Summit Digital World Fund) (the "Fund") as at December 31, 2001, the statements of net assets as at December 31, 2001 and 2000, and the statements of financial operations, of changes in net assets, of gain (loss) on sale of investments and options and of financial highlights for the periods (since inception) 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 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 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 the dates indicated above, and the results of its operations, the changes in its net assets, the gain (loss) on sale of investments and options and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario

February 15, 2002

Statements of Net Assets

December 31, 2001 and 2000

	2001	2000
Assets		
Investments at market value (average cost - \$77,910,692; 2000 - \$95,493,706)	\$ 43,168,112	\$ 54,060,904
Short-term investments (average cost - \$9,918,825; 2000 - \$20,433,758)	9,927,179	20,105,658
Cash	20,013	27,131
Subscriptions receivable	70,698	311,323
Interest receivable	8,299	73,940
Dividends receivable	5,292	84,809
Due from broker	518,568	-
Total Assets	53,718,161	74,663,765
Liabilities		
Accrued liabilities	93,944	137,294
Net Assets, Represented by Unitholders' Equity	\$ 53,624,217	\$ 74,526,471
Number of Units Outstanding (Note 5)	8,284,245	8,229,225
Net Asset Value per Unit	\$ 6.4730	\$ 9.0563

On behalf of the Manager,
Mulvihill Fund Services Inc.



John P. Mulvihill, Manager



David N. Middleton, Manager

Financial Statements

Statements of Financial Operations

Periods ended December 31, 2001 and 2000

	2001	2000
Revenue		(Note 1)
Dividends	\$ 2,823,937	\$ 652,033
Interest	577,618	3,502,124
Withholding taxes	(44,190)	(62,181)
	<u>3,357,365</u>	<u>4,091,976</u>
Expenses (Note 6)		
Management fees	727,077	1,033,358
Custodian and other fees	185,352	174,638
Goods and services tax	63,870	84,560
	<u>976,299</u>	<u>1,292,556</u>
Net Investment Income	2,381,066	2,799,420
Gain (Loss) on Sale of Investments and Options	(22,920,601)	16,604,868
Change in Unrealized Depreciation of Investments	7,026,645	(41,760,902)
Net Loss on Investments	(15,893,956)	(25,156,034)
Total Results of Financial Operations	\$ (13,512,890)	\$ (22,356,614)

Statements of Changes in Net Assets

Periods ended December 31, 2001 and 2000

	2001	2000
Net Assets, Beginning of Period	\$ 74,526,471	\$ -
Unit Transactions		
Proceeds from units issued, net of issue costs	-	115,426,500
Proceeds from reinvestment of distributions	443,950	705,663
	443,950	116,132,163
Total Results of Financial Operations	(13,512,890)	(22,356,614)
Distributions to Unitholders (Note 7)		
From net investment income	(1,050,074)	(1,470,563)
From net realized gain on sale of investments and options	-	(17,692,003)
Non-taxable distribution	(6,783,240)	(86,512)
	(7,833,314)	(19,249,078)
Changes in Net Assets During the Period	(20,902,254)	74,526,471
Net Assets, End of Period	\$ 53,624,217	\$ 74,526,471

Statements of Gain (Loss) on Sale of Investments and Options

Periods ended December 31, 2001 and 2000

	2001	2000
Proceeds from Sale of Investments	\$ 16,559,619	\$ 39,042,057
Cost of Investments Sold		
Cost of investments, beginning of period	95,493,706	-
Cost of investments purchased	21,897,206	117,930,895
	117,390,912	117,930,895
Cost of Investments, End of Period	(77,910,692)	(95,493,706)
	39,480,220	22,437,189
Gain (Loss) on Sale of Investments and Options	\$ (22,920,601)	\$ 16,604,868

Financial Statements

Statement of Investments

December 31, 2001

	Par Value/ No. of Shares	Average Cost	Market Value	% of Portfolio
Short-term Investments				
Treasury Bills				
Government of Canada - March 14, 2002	5,585,000	\$ 5,555,806	\$ 5,555,806	
Government of the United States, USD - March 28, 2002	910,000	1,436,097	1,446,252	
Total Treasury Bills		6,991,903	7,002,058	70.5 %
Discount Commercial Paper				
Canadian Wheat Board, USD - January 25, 2002	1,700,000	2,711,827	2,710,095	
Export Development Corp., USD - February 14, 2002	135,000	215,095	215,026	
Total Discount Commercial Paper		2,926,922	2,925,121	29.4 %
Accrued Interest		-	8,299	0.1 %
Total Short-term Investments		\$ 9,918,825	\$ 9,935,478	100.0 %

Investments

Canadian Common Shares

Industrial Products				
BCE Emergis Inc.	45,000	\$ 4,349,580	\$ 2,052,000	
Celestica Inc.	40,000	3,672,100	2,560,000	
Total Industrial Products		8,021,680	4,612,000	10.7 %
Total Canadian Common Shares		\$ 8,021,680	\$ 4,612,000	10.7 %

Foreign Common Shares (excluding U.S.A.)

Britain				
BT Group PLC, ADR	15,000	\$ 1,004,180	\$ 879,958	
mmO2 PLC, ADR	15,000	4,000,849	301,700	
Total Britain		5,005,029	1,181,658	2.7 %
Finland				
Nokia Corp., ADR	50,000	1,845,114	1,957,857	4.5 %
France				
STMicroelectronics N.V.	30,000	2,809,959	1,516,641	3.5 %
Germany				
Deutsche Telekom AG, ADR	40,000	4,854,013	1,079,097	2.5 %
Italy				
Telecom Italia SPA, ADR	10,000	2,379,675	1,364,834	3.2 %
Mexico				
Telefonos de Mexico SA de CV, ADR	40,000	4,143,622	2,236,092	5.2 %
Spain				
Telefonica SA, ADR	31,212	3,097,534	1,996,930	4.6 %
Total Foreign Common Shares (excluding U.S.A.)		\$ 24,134,946	\$ 11,333,109	26.2 %

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments (continued)				
United States Common Shares				
Data Processing and Reproduction				
Cisco Systems Inc.	50,000	\$ 2,652,445	\$ 1,445,447	
Hewlett-Packard Co.	30,000	2,615,045	983,638	
Microsoft Corp.	40,000	4,962,724	4,231,463	
Oracle Corp.	50,000	2,750,947	1,102,243	
Total Data Processing and Reproduction		12,981,161	7,762,791	18.0 %
Electrical and Electronics				
VERITAS Software Corp.	30,000	4,068,033	2,146,859	
VeriSign Inc.	25,000	1,622,792	1,518,078	
Total Electrical and Electronics		5,690,825	3,664,937	8.5 %
Electrical Components and Instruments				
Intel Corp.	60,000	2,966,050	3,012,212	
Texas Instruments Inc.	50,000	5,162,811	2,234,815	
Total Electrical Components and Instruments		8,128,861	5,247,027	12.2 %
Machinery and Engineering				
Applied Materials Inc.	25,000	1,959,117	1,600,287	3.7 %
Broadcasting and Publishing				
AOL Time Warner Inc.	30,000	1,604,128	1,537,234	3.6 %
Business and Public Services				
eBay Inc.	20,000	1,840,883	2,135,845	4.9 %
Telecommunications				
AT&T Corp.	40,000	1,776,340	1,158,273	
Nextel Communications, Inc.	45,000	2,508,061	787,293	
Qwest Communications International Inc.	50,000	3,044,636	1,127,784	
Sprint Corp.	50,000	4,123,429	1,602,682	
Total Telecommunications		11,452,466	4,676,032	10.8 %
Multi-Industry				
Corning Inc.	100,000	1,440,183	1,423,897	3.3 %
Internet Software				
Agilent Technologies Inc.	25,000	2,960,229	1,137,760	2.6 %
Total United States Common Shares		\$ 48,057,853	\$ 29,185,810	67.6 %
	Number of Contracts	Proceeds	Market Value	% of Portfolio
Options				
Written Cash Covered Put Options (100 Shares per Contract)				
Nortel Networks Corp. - March 2002 @ \$8	1,250	\$ (260,133)	\$ (179,583)	
Charles Schwab Corp. - March 2002 @ \$15	500	(96,170)	(91,787)	
Total Written Cash Covered Put Options		(356,303)	(271,370)	(0.6)%

Financial Statements

Statement of Investments (continued)

December 31, 2001

	Number of Contracts	Proceeds	Market Value	% of Portfolio
Investments (continued)				
Options (continued)				
Written Covered Call Options (100 Shares per Contract)				
AOL Time Warner Inc. - April 2002 @ \$35	300	(162,265)	(107,750)	
Applied Materials Inc. - April 2002 @ \$45	250	(187,683)	(139,676)	
BCE Emergis Inc. - January 2002 @ \$45	450	(71,100)	(90,000)	
Celestica Inc. - March 2002 @ \$75	400	(255,200)	(152,000)	
Corning Inc. - February 2002 @ \$10	1,000	(108,565)	(87,796)	
eBAY Inc. - April 2002 @ \$60	200	(315,159)	(410,248)	
Intel Corp. - January 2002 @ \$30	600	(135,846)	(210,711)	
Nokia Corp. - January 2002 @ \$25	500	(138,101)	(83,806)	
VeriSign Inc. - March 2002 @ \$45	250	(253,914)	(119,722)	
VERITAS Software Corp. - May 2002 @ \$50	300	(319,651)	(289,728)	
Total Written Covered Call Options		(1,947,484)	(1,691,437)	(3.9)%
Total Options		\$ (2,303,787)	\$ (1,962,807)	(4.5)%
Total Investments		\$ 77,910,692	\$ 43,168,112	100.0%

Statements of Financial Highlights

Years ended December 31, 2001 and 2000

	2001	2000 *
Data Per Unit		
Net Asset Value, Beginning of Year	\$ 9.06	\$ 14.18 **
Income from Investment Operations		
Net investment income	0.29	0.34
Net loss on investments and options	(1.93)	(3.11)
Total from Investment Operations	(1.64)	(2.77)
Distributions to Unitholders		
From net investment income	(0.13)	(0.18)
From net realized gain on sale of investments and options	-	(2.16)
Non-taxable distribution (Note 7)	(0.82)	(0.01)
Total Distributions	(0.95)	(2.35)
Net Asset Value, End of Period	\$ 6.47	\$ 9.06
Ratios/Supplemental Data		
Total net assets, end of year (\$millions)	\$ 53.62	\$ 74.53
Average net assets (\$millions)	\$ 61.80	\$ 100.42
Management expense ratio	1.61%	1.50%
Portfolio turnover rate	26.8%	38.9%
Annual rate of return	(18.1)%	N/A

* For the period from inception on February 23, 2000 to December 31, 2000.

** Net of agent fees.

1. Establishment of the Fund

Digital World Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on February 15, 2000. The Fund began operations on February 23, 2000 and will terminate on December 31, 2009 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 intends to achieve its investment objectives by investing in a diversified portfolio consisting principally of common shares issued by leading "digitally based" companies listed on a major North American stock exchange or quoted on NASDAQ with a market capitalization in excess of U.S. \$5.0 billion and which operate within the sectors of telecommunication services, telecommunication equipment suppliers, enabling hardware and software and related digital commerce services and products.

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.

To generate additional returns, the Fund will, from time to time, write covered call options in respect of all or part of

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.

and unrealized appreciation or depreciation of investments are determined on an average cost basis.

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.

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.

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

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

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

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.

Investment transactions and income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments

Notes to Financial Statements

4. Statements of Financial Highlights

The following explanatory notes pertain to the Statements Of Financial Highlights:

- (a) Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.
- (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 year.
- (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. 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, except that units issued to a trust managed by the Manager or an affiliate of the Manager all or part of whose investment strategy is to track performance of the units of the Fund (a "Related Trust"), a counterparty to a forward agreement entered into with a Related Trust (a "Counterparty") or an entity designated by a Counterparty (a "Designated Party") may be redeemed at the net asset value on any valuation date. No units have been issued to either a Related Trust, Counterparty or Designated Party. 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. Fractional units are not entitled to voting privileges.

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) \$0.60, except units held by a Related Trust, Counterparty or a Designated Party, which may be redeemed at the net asset value per unit on any valuation date. 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.

On February 23, 2000, the Fund issued 7,500,000 units at \$15.00 per unit for total gross cash proceeds of \$112,500,000. On March 6 and March 16, 2000, the Fund issued 600,000 and 80,000 units, respectively, at \$15 per unit for total gross cash proceeds of \$10,200,000. Costs of \$7,273,500 were incurred in connection with these offerings and the establishment of the Fund.

Following are the unit transactions for the period:

	2001	2000
Units outstanding, beginning of period	8,229,225	-
Units issued for cash	-	8,180,000
Units issued on reinvestment of distributions	55,020	49,225
Units outstanding, end of period	8,284,245	8,229,225

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 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 fees are payable at annual rates of 0.10% and 1.10%, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes. The fee of 0.10% is not payable on the value of units held by Related Trusts.

The Investment Manager is also entitled to an annual performance fee per unit equal to 10% of the amount by which cash distributions paid in a financial year plus the change in the net asset value per unit of the Fund since the December valuation date of the previous financial year exceeds 20% of the net asset value per unit at the December valuation date of the previous financial year. No performance fee will be paid in a financial year if cumulative total returns have not exceeded a 15% cumulative return since inception on the original investment of \$15.00 and unless the total return for the Fund for such year exceeds the simple average of the annual total return for such year of the Scotia Capital 91-day T-Bill Index and the NASDAQ-100 Index. No incentive fee was payable in respect of 2001 or 2000.

7. Distributions

The Fund endeavours to make quarterly cash distributions to unitholders of net income and net realized capital gains and options on the last day of March, June, September and December in each year. Unitholders may elect to reinvest

distributions received from the Fund in additional units.

The non-taxable distributions received by the unitholders 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 2001 or 2000.

Capital losses of approximately \$21.7 million are available for utilization against realized gains on sales of investments in future years. Capital losses can be carried forward indefinitely.

Issue costs of approximately \$4.5 million (2000 - \$6.0 million) remain undeducted for tax purposes at year end.

In the period ended December 31, 2001, the Fund incurred income taxes as a result of a foreign spin-off by Telefonos de Mexico SA de CV, ADR which consistent with current rulings of the Canada Customs and Revenue Agency, the Fund is required to treat as a taxable foreign dividend rather than as a capital gain.

9. Commission Charges

Total commissions paid in 2001 in connection with portfolio transactions were \$154,258 (2000 - \$240,786).

10. 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 Pro-AMS U.S. Fund, Mulvihill Pro-AMS RSP Fund, Mulvihill Pro-AMS 100 Plus (Cdn \$) 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

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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Toronto Stock Exchange
trading under DWT.UN

Trustee:
Royal Trust
Royal Trust Tower
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Toronto, Ontario M5W 1P9

Other Hybrid Income Funds Managed by Mulvihill Structured Products

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

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*

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



Mulvihill

Mulvihill Structured Products

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