



## Hybrid Income Funds



Annual Report 2004

*Mulvihill Summit Digital World Fund*

Digital World Trust



## TABLE OF CONTENTS

Message to Unitholders	1
Investment Highlights	
• Investment Objectives	2
• Investment Strategy	2
• Asset Mix	2
• Distribution History	2
• Top 10 Holdings	3
• Trading History	3
• Commentary	3
• Financial Highlights	4
Management's Responsibility for Financial Reporting	5
Auditors' Report	6
Financial Statements	7
Notes to Financial Statements	13
Mulvihill Capital Management Inc.	17
Board of Advisors	18

## Message to Unitholders

Equity markets continued the positive performance they established in 2003, outperforming both bonds and cash instruments through 2004. In U.S. dollars, the S&P 500 Index recorded a 10.9 percent return for the year, while the NASDAQ advanced by 9.2 percent. However, the declining value of the U.S. dollar during the year reduced these gains to 2.8 and 1.2 percent respectively in Canadian currency. The S&P/TSX Composite Index rose by 14.5 percent.

Rising commodity prices and the prospect of higher interest rates depressed markets somewhat during the first half of the year, causing them to hit lows in August. However, conditions improved in the second half as interest rates remained low and oil prices eased down from their peak of US\$56 a barrel, allowing markets in both Canada and the U.S. to rebound strongly. The Canadian economy has performed well despite the rising U.S. dollar, though it is now showing some signs of deceleration.

Huge federal budget and current account deficits are continuing to undermine the foreign exchange value of U.S. currency, making commodities priced in U.S. dollars progressively cheaper in other world markets, such as Japan and Europe. China and India are now major influences on global commodity demand, and pressure is growing for China to revalue its currency, which is now pegged to the declining U.S. dollar.

Energy stocks were the strongest performers in both Canadian and U.S. equity markets, but there were major differences between the two countries in other sectors. In the U.S., utilities, telecommunications and industrial stocks were the next best performers, while in Canada, the leading sectors after energy were financial services, telecommunications and information technology. Health care was the weakest sector in both countries. Volatility declined to an eight year low throughout the year, but remained sufficient to maintain option-writing programs.

Looking ahead, moderate economic growth and continuing low inflation should maintain a positive environment for equities through 2005. Corporate profits will continue to improve, but not by as large a margin as they did in 2004. The Canadian economy will benefit from the strong U.S. recovery, but the relative strength of the Canadian dollar will have a dampening effect in some sectors. Since the positive expectations of investors are already reflected in many stock prices, equity markets are unlikely to make gains in 2005 as large as those of last year. Bond yields will likely head higher in the U.S., where the Federal Reserve is expected to continue gradually raising interest rates. By contrast, the Bank of Canada may have to cut rates here to help moderate the strength of the Canadian dollar.

Financial statements and a summary of the Fund's investments 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.



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

## Investment Objectives

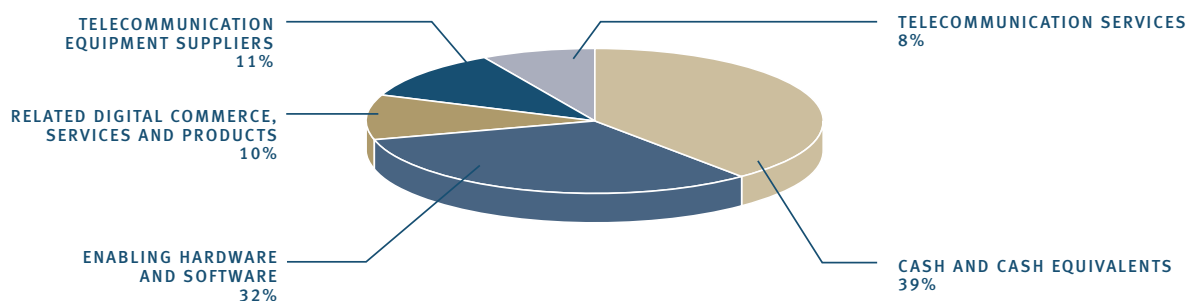
The Fund's investment objective is to provide unitholders with superior returns delivered in the form of (a) quarterly distributions and (b) appreciation in the value of the Fund's portfolio. The quarterly distributions will be comprised of dividends received on the Fund's portfolio and net realized capital gains including option premiums from writing 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 invests 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, as the Digital World Universe. The Fund may, 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.

## Asset Mix

December 31, 2004



## Distribution History

INCEPTION DATE: FEBRUARY 2000

REGULAR DISTRIBUTION

Total for 2000	\$ 2.35
Total for 2001	0.95
Total for 2002	0.50
Total for 2003	0.40
March 2004	0.10
June 2004	0.10
September 2004	0.10
December 2004	0.10
Total for 2004	0.40
<b>Total Distributions to Date</b>	<b>\$ 4.60</b>

For complete distribution history and income tax information, please see our website [www.mulvihill.com](http://www.mulvihill.com).

**Top 10 Holdings**

- General Electric Company
- The Charles Schwab Corporation
- Microsoft Corporation
- IBM Corporation
- ATI Technologies Inc.
- Nextel Communications, Inc., Class A
- Adobe Systems Incorporated
- Alcatel ADR
- Dell Computer Corporation
- SAP AG ADR

**Trading History**

February 23, 2000 to December 31, 2004



**Commentary**

As of December 31, 2004, the net assets of the Fund were \$17.7 million, or \$3.48 per unit, down from net assets of \$24.2 million, or \$4.06 per unit, at the end of 2003. Unit redemptions accounted for a large part of the decline in total asset value. Listed on the Toronto Stock Exchange as DWT.UN, the Fund’s units closed on December 31 at \$3.24, compared to the closing price of \$3.90 at the end of the previous year.

Unitholders received distributions of \$0.40 per unit during the year, consisting of four quarterly payments of \$0.10 each. These distributions are non-taxable, which has the effect of reducing the adjusted cost base of the Fund’s units. Capital losses from previous years are still being carried forward, and are sufficient to shelter 2004 distributions from current taxation, as well as some future gains. These non-taxable distributions effectively reduce the investment cost base for all unitholders.

The performance of the Fund was slightly better than that of the S&P 500 Information Technology Index which recorded a decline of 4.9 percent during the year. Gains were made on investments in the telecommunications, software and computer segments, but losses were incurred on exposures to the weaker equipment and semiconductor segments. Option volatility peaked in March and has declined slowly but steadily since that time. However, it remains sufficient for the fund to generate some premium income from option writing.

The Canadian dollar has risen almost 25 percent from its 2002 low to a 12 year high against its U.S. counterpart. This has hindered the Fund’s performance, since it is invested primarily in U.S. securities. The Fund hedged varying amounts of its U.S. dollar exposure throughout the year and as a result was able to reduce the full impact of the U.S. dollar decline on the Fund’s net asset value.

The Fund is maintaining its diversified position across a range of hardware and software companies, as well as e-commerce enterprises, mostly based in the U.S. A prudent level of cash is also being retained for defensive purposes.

The following table presents the financial highlights of the Fund for the most recent five-year period.

### Financial Highlights

Years ended December 31

Unaudited

	2004	2003	2002	2001	2000 *
DATA PER UNIT					
Net Asset Value, Beginning of Year	\$ 4.06	\$ 3.75	\$ 6.47	\$ 9.06	\$ 14.18 **
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss)	(0.11)	(0.10)	(0.05)	0.29	0.34
Net gain (loss) on sale of investments	(0.07)	0.81	(2.17)	(1.93)	(3.11)
<b>Total from Investment Operations</b>	<b>(0.18)</b>	<b>0.71</b>	<b>(2.22)</b>	<b>(1.64)</b>	<b>(2.77)</b>
DISTRIBUTIONS TO UNITHOLDERS					
From net investment income	-	-	-	(0.13)	(0.18)
From net realized gain on sale investments	-	-	-	-	(2.16)
Non-taxable distributions	(0.40)	(0.40)	(0.50)	(0.82)	(0.01)
<b>Total Distributions</b>	<b>(0.40)</b>	<b>(0.40)</b>	<b>(0.50)</b>	<b>(0.95)</b>	<b>(2.35)</b>
Net Asset Value, End of Year	\$ 3.48	\$ 4.06	\$ 3.75	\$ 6.47	\$ 9.06
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 17.72	\$ 24.19	\$ 27.21	\$ 53.62	\$ 74.53
Average net assets (\$millions)	\$ 22.39	\$ 27.12	\$ 38.99	\$ 61.80	\$ 100.42
Management expense ratio	1.85%	1.76 %	1.65%	1.61%	1.50% ***
Portfolio turnover rate	57.2%	61.1 %	39.5%	26.8%	38.9%
Annual rate of return	(4.4)%	18.9 %	(34.3)%	(18.1)%	N/A

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

\*\* Net of agent fees.

\*\*\*Annualized

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.

Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.

Net gain (loss) on investments per unit includes the impact of timing of unitholder transactions.

Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.

Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, divided by the average value of portfolio securities, excluding short-term investments. 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.

Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of current year distributions. Returns are not reported in the year that the Fund was established.

## Management's Responsibility for Financial Reporting

The accompanying financial statements of Digital World Trust (operating as Mulvihill Summit Digital World Fund) (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.



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.

February 25, 2005

**To the Unitholders of Mulvihill Summit Digital World Fund**

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, 2004, the statements of net assets as at December 31, 2004 and 2003, and the statements of financial operations, of changes in net assets and of loss on sale of investments for the years 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, and the loss on sale of investments for years indicated above in accordance with Canadian generally accepted accounting principles.

The logo for Deloitte & Touche LLP is written in a stylized, cursive script. The letters are dark and have a slightly irregular, hand-drawn appearance. The 'D' is large and prominent, followed by 'eloitte & Touche' and 'LLP' at the end.

Chartered Accountants  
Toronto, Ontario  
February 25, 2005



**Statements of Net Assets**

December 31, 2004 and 2003

	2004	2003
<b>ASSETS</b>		
Investments at market value (cost - \$11,825,265; 2003 - \$32,673,539)	\$ 10,976,009	\$ 19,174,781
Short-term investments (cost - \$ 7,176,025; 2003 - \$8,083,549)	7,055,811	7,995,406
Cash	89,394	20,162
Dividends receivable	11,052	7,248
Interest receivable	14,540	9,798
Due from brokers	3,540,177	21,906
<b>TOTAL ASSETS</b>	<b>21,686,983</b>	<b>27,229,301</b>
<b>LIABILITIES</b>		
Redemptions payable	2,580,059	2,931,652
Due to brokers	1,355,490	68,344
Accrued liabilities	31,921	40,578
<b>TOTAL LIABILITIES</b>	<b>3,967,470</b>	<b>3,040,574</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 17,719,513</b>	<b>\$ 24,188,727</b>
<b>Number of Units Outstanding</b> (Note 4)	<b>5,098,619</b>	<b>5,962,815</b>
<b>Net Asset Value per Unit</b>	<b>\$ 3.4754</b>	<b>\$ 4.0566</b>

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, 2004 and 2003

	2004	2003
<b>REVENUE</b>		
Dividends	\$ 262,266	\$ 183,089
Interest, net of foreign exchange	(459,682)	(364,995)
Withholding taxes	(31,681)	(28,816)
<b>TOTAL REVENUE</b>	<b>(229,097)</b>	<b>(210,722)</b>
<b>EXPENSES (Note 5)</b>		
Management fees	264,390	321,643
Custodian and other expenses	124,526	124,693
Goods and services tax	26,308	30,315
<b>TOTAL EXPENSES</b>	<b>415,224</b>	<b>476,651</b>
<b>Net Investment Loss</b>	<b>(644,321)</b>	<b>(687,373)</b>
Loss on sale of investments	(13,045,308)	(10,715,552)
Change in unrealized appreciation/depreciation of investments	12,615,723	16,205,277
<b>Net Gain (Loss) on Investments</b>	<b>(429,585)</b>	<b>5,489,725</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS</b>	<b>\$ (1,073,906)</b>	<b>\$ 4,802,352</b>
<b>Net Investment Loss per Unit</b>	<b>\$ (0.1090)</b>	<b>\$ (0.0984)</b>
<b>Net Gain (Loss) on Investments per Unit</b>	<b>(0.0727)</b>	<b>0.7855</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT</b> (based on weighted average number of units outstanding during the year 5,909,417; 2003 - 6,988,489)	<b>\$ (0.1817)</b>	<b>\$ 0.6871</b>

### Statements of Changes in Net Assets

Years ended December 31, 2004 and 2003

	2004	2003
NET ASSETS, BEGINNING OF YEAR	\$ 24,188,727	\$ 27,206,210
<b>Total Results of Financial Operations</b>	<b>(1,073,906)</b>	<b>4,802,352</b>
<b>Unit Transactions</b>		
Amount paid for units redeemed	(3,049,331)	(5,067,843)
<b>Distributions to Unitholders (Note 6)</b>		
Non-taxable distributions	(2,345,977)	(2,751,992)
<b>Changes in Net Assets during the Year</b>	<b>(6,469,214)</b>	<b>(3,017,483)</b>
NET ASSETS, END OF YEAR	\$ 17,719,513	\$ 24,188,727

### Statements of Loss on Sale of Investments

Years ended December 31, 2004 and 2003

	2004	2003
<b>Proceeds from Sale of Investments</b>	<b>\$ 16,547,012</b>	<b>\$ 20,556,324</b>
<b>Cost of Investments</b>		
Cost of investments, beginning of year	32,673,539	51,444,360
Cost of investments, purchased	8,744,046	12,501,055
	41,417,585	63,945,415
<b>Cost of Investments, End of Year</b>	<b>(11,825,265)</b>	<b>(32,673,539)</b>
	29,592,320	31,271,876
<b>LOSS ON SALE OF INVESTMENTS</b>	<b>\$ (13,045,308)</b>	<b>\$ (10,715,552)</b>

## Statement of Investments

December 31, 2004

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
<b>SHORT-TERM INVESTMENTS</b>				
<b>Treasury Bills</b>				
Government of Canada - January 27, 2005		510,000	\$ 506,742	\$ 506,742
Government of Canada - February 24, 2005		310,000	307,848	307,848
Government of Canada - March 10, 2005		165,000	163,910	163,910
Government of Canada - April 7, 2005		870,000	863,745	863,745
<b>Total Treasury Bills</b>	<b>26.1 %</b>		<b>1,842,245</b>	<b>1,842,245</b>
<b>Discount Commercial Paper</b>				
Canadian Wheat Board, USD - January 25, 2005		500,000	611,744	597,553
Canadian Wheat Board, USD - April 18, 2005		1,150,000	1,406,696	1,366,582
Export Development Corporation, USD - January 21, 2005		1,800,000	2,185,714	2,147,008
Province of British Columbia, USD - April 12, 2005		625,000	761,315	742,978
<b>Total Discount Commercial Paper</b>	<b>68.6 %</b>		<b>4,965,469</b>	<b>4,854,121</b>
<b>Term Deposit</b>				
Royal Bank of Canada Term Deposit 2.25%, USD - January 5, 2005	5.1 %		368,311	359,445
	<b>99.8 %</b>		<b>7,176,025</b>	<b>7,055,811</b>
<b>Accrued Interest</b>	<b>0.2 %</b>			<b>14,540</b>
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>100.0 %</b>		<b>\$ 7,176,025</b>	<b>\$ 7,070,351</b>

## INVESTMENTS

## Canadian Common Shares

## Enabling Hardware and Software

ATI Technologies Inc.		25,000	\$ 590,532	\$ 581,500
<b>Total Canadian Common Shares</b>	<b>5.3 %</b>		<b>\$ 590,532</b>	<b>\$ 581,500</b>

## United States Common Shares

## Enabling Hardware and Software

Adobe Systems Incorporated		7,500	\$ 573,391	\$ 563,789
Dell Inc.		11,000	566,111	555,390
EMC Corporation		20,000	354,213	356,330
IBM Corporation		5,000	623,405	590,568
Lexmark International, Inc.		5,000	531,987	509,214
Microsoft Corporation		25,000	988,306	800,065
Network Appliance, Inc.		13,000	539,373	517,433
Oracle Corporation		25,000	376,070	410,965
<b>Total Enabling Hardware and Software</b>	<b>39.2 %</b>		<b>4,552,856</b>	<b>4,303,754</b>

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
<b>United States Common Shares (continued)</b>				
<b>Related Digital Commerce, Services and Products</b>				
General Electric Company		20,000	1,097,495	874,650
The Charles Schwab Corporation		60,000	1,210,833	859,792
<b>Total Related Digital Commerce, Services and Products</b>	<b>15.8 %</b>		<b>2,308,328</b>	<b>1,734,442</b>
<b>Telecommunication Equipment Suppliers</b>				
Avaya Inc.		25,000	556,409	515,205
Motorola Inc.		20,000	429,033	412,164
QUALCOMM Inc.		10,000	507,475	508,016
<b>Total Telecommunication Equipment Suppliers</b>	<b>13.1 %</b>		<b>1,492,917</b>	<b>1,435,385</b>
<b>Telecommunication Services</b>				
Nextel Communications, Inc., Class A	5.2 %	16,000	587,928	575,112
<b>Total United States Common Shares</b>	<b>73.3 %</b>		<b>\$ 8,942,029</b>	<b>\$ 8,048,693</b>
<b>Non-North American Common Shares</b>				
<b>Enabling Hardware and Software</b>				
SAP AG ADR	4.8 %	10,000	\$ 504,864	\$ 529,702
<b>Telecommunication Equipment Suppliers</b>				
Alcatel ADR		30,000	622,009	561,813
Telefonaktiebolaget LM Ericsson ADR		11,000	432,996	415,027
<b>Total Telecommunication Equipment Suppliers</b>	<b>8.9 %</b>		<b>1,055,005</b>	<b>976,840</b>
<b>Telecommunication Services</b>				
China Mobile (Hong Kong) Limited ADR		20,000	460,512	411,205
Vodafone Group PLC ADR		15,000	515,389	492,080
<b>Total Telecommunication Services</b>	<b>8.3 %</b>		<b>975,901</b>	<b>903,285</b>
<b>Total Non-North American Common Shares</b>	<b>22.0 %</b>		<b>\$ 2,535,770</b>	<b>\$ 2,409,827</b>
<b>Forward Exchange Contracts</b>				
Sold USD \$820,000, Bought CAD \$1,040,002 @ 0.788460 - January 5, 2005				\$ 57,484
Sold USD \$467,000, Bought CAD \$570,326 @ 0.818830- January 12, 2005				10,743
Sold USD \$596,000, Bought CAD \$744,702 @ 0.800320 - January 19, 2005				30,510
Sold USD \$1,475,000, Bought CAD \$1,790,049 @ 0.824000 - January 26, 2005				22,459
Sold USD \$611,000, Bought CAD \$730,896 @ 0.835960 - February 2, 2005				(1,331)
Sold USD \$458,000, Bought CAD \$550,468 @ 0.832020 - February 9, 2005				1,590
Sold USD \$1,754,000, Bought CAD \$2,073,482 @ 0.845920 - February 16, 2005				(28,577)
Sold USD \$839,000, Bought CAD \$998,691 @ 0.840100 - February 23, 2005				(6,822)
Sold USD \$1,381,000, Bought CAD \$1,640,922 @ 0.841600 - March 2, 2005				(14,179)
Sold USD \$599,000, Bought CAD \$736,750 @ 0.813030 - March 9, 2005				18,860
Sold USD \$662,000, Bought CAD \$813,918 @ 0.813350 - March 9, 2005				20,524
<b>Total Forward Exchange Contracts</b>	<b>1.0 %</b>			<b>\$ 111,261</b>

## Statement of Investments

December 31, 2004

	% of Portfolio	Number of Contracts	Proceeds	Market Value
INVESTMENTS (continued)				
OPTIONS				
<b>Written Cash Covered Put Options</b> (100 shares per contract)				
Cisco Systems Inc. - February 2005 @ \$19		(320)	\$ (22,767)	\$ (17,915)
Intel Corporation - January 2005 @ \$23		(270)	(26,943)	(31,289)
Symantec Corp. - January 2005 @ \$27		(100)	(17,113)	(27,175)
Texas Instruments Inc. - January 2005 @ \$24		(185)	(18,676)	(7,905)
<b>Total Written Cash Covered Put Options</b>	(0.5)%		(85,499)	(84,284)
<b>Written Covered Call Options</b> (100 shares per contract)				
Adobe Systems Incorporated - January 2005 @ \$65		(50)	(7,959)	(4,592)
Alcatel ADR - January 2005 @ \$15		(180)	(10,839)	(6,159)
ATI Technologies Inc. - January 2005 @ \$24		(125)	(10,125)	(6,215)
Avaya Inc. - January 2005 @ \$17		(150)	(7,806)	(6,319)
China Mobile (Hong Kong) Limited ADR - January 2005 @ \$17		(100)	(4,899)	(6,539)
Dell Inc. - January 2005 @ \$43		(110)	(5,355)	(1,784)
EMC Corporation - January 2005 @ \$15		(120)	(6,944)	(6,987)
General Electric Company - January 2005 @ \$37		(100)	(5,909)	(4,139)
Lexmark International, Inc. - February 2005 @ \$88		(50)	(15,074)	(3,733)
Microsoft Corporation - January 2005 @ \$27		(125)	(4,343)	(2,505)
Motorola Inc. - January 2005 @ \$17		(100)	(6,802)	(5,871)
Network Appliance, Inc. - January 2005 @ \$34		(130)	(24,144)	(13,442)
Nextel Communications, Inc., Class A - January 2005 @ \$29		(80)	(5,961)	(10,414)
QUALCOMM Inc. - January 2005 @ \$44		(100)	(12,584)	(3,505)
SAP AG ADR - January 2005 @ \$46		(60)	(7,211)	(97)
The Charles Schwab Corporation - January 2005 @ \$12		(450)	(10,953)	(6,707)
Telefonaktiebolaget LM Ericsson ADR - January 2005 @ \$33		(78)	(10,659)	(1,980)
<b>Total Written Covered Call Options</b>	(1.1)%		(157,567)	(90,988)
<b>TOTAL OPTIONS</b>	(1.6)%		\$ (243,066)	\$ (175,272)
<b>TOTAL INVESTMENTS</b>	100.0 %		\$ 11,825,265	\$ 10,976,009

## 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.

The Fund operates under the registered name Mulvihill Summit Digital World Fund.

## 2. Investment Objectives of the Fund

The Fund achieves 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.

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 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, 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, 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 last published sale price if this is between the last recorded bid price (the price someone is willing to pay) and the last recorded asked price (the price at which someone is willing to sell).

If the last published sale price is not between the bid and the asked price, the bid or the asked price is used, whichever is nearer the last published sale 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 shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract was to be closed out.

### 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) on sale of investments.

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.

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.

### Generally Accepted Accounting Principles

The Canadian Institute of Chartered Accountants ("CICA") issued Section 1100, "Generally Accepted Accounting Principles ("GAAP")", which describes what constitutes GAAP and its sources. Since Section 1100 applies for fiscal years beginning on or after October 1, 2003, certain disclosures previously considered GAAP by virtue of general use in the investment funds industry, are no longer considered GAAP. This section primarily impacts the presentation of financial highlights and net income per unit. These disclosures have no impact on the valuation of the Fund or in the calculation of the net asset value per unit of the Fund.

### 4. 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 percent 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.

Following are the unit transactions for the year:

	2004	2003
Units outstanding, beginning of year	5,962,815	7,261,933
Units redeemed	(864,196)	(1,299,118)
Units outstanding, end of year	5,098,619	5,962,815

Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 588,701 units, 10 percent of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of April 27, 2005 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2004, no units have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: Mulvihill Summit Digital World Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

### Net Asset Value

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. The following are the net asset values of a unit at December 31 for the most recent five-year period:

	2004	2003	2002	2001	2000
	\$ 3.48	\$ 4.06	\$ 3.75	\$ 6.47	\$ 9.06

On December 31, 2004 units on the TSX closed at \$3.24 (2003 - \$3.90).

### 5. Management Fees, Expenses and Management Expense Ratios

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 percent and 1.10 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes. The fee of 0.10 percent 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 percent 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 percent 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 percent 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 2004 or 2003.

### Management Expense Ratio

The management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets. The following are the management expense ratios for the years ended December 31 for the most recent five years:

	2004	2003	2002	2001	2000
	1.85%	1.76%	1.65%	1.61%	1.50%*

\* Annualized

### 6. Distributions

Distributions per unit paid during the year were allocated as follows:

	2004		2003	
Non-taxable distributions	\$	0.40	\$	0.40

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.

### 7. 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 2004 or 2003.

Accumulated non-capital losses of approximately \$6.1 million (2003 - \$4.0 million) and capital losses of approximately \$65.8 million (2003 - \$57.6 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 2015 and capital losses can be carried forward indefinitely.

Issue costs of approximately \$0.2 million (2003 - \$1.7 million) remain undeducted for tax purposes at year end.

### 8. Commission Charges

Total commissions paid in 2004 in connection with portfolio transactions were \$45,702 (2003 - \$66,998).

### 9. Financial Instruments and Risk Management

The Fund's financial statements consist of cash, investments, and certain derivative contracts (options and forward exchange contracts).

Risks of these contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement in currency, 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 instruments are carried at cost, which approximates fair value.

### 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 Summit Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.3 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 year ended December 31, 2004	
<b>MULVIHILL PLATINUM</b>			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 21.52	\$ 19.65
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 20.03	\$ 18.36
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.93	\$ 15.56
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 18.25 USD	\$ 13.60 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 10.03/\$ 17.49	\$ 8.98/\$ 12.00
<b>MULVIHILL PREMIUM</b>			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 22.25	\$ 18.55
Mulvihill Premium U.S. Fund	FPU.UN	\$ 16.00	\$ 10.10
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.85	\$ 9.18
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 23.00	\$ 18.35
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 14.24	\$ 11.50
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.75/\$ 17.12	\$ 11.23/\$ 15.65
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 12.30/\$ 16.75	\$ 9.15/\$ 15.43
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 1.90/\$ 12.60	\$ 0.32/\$ 11.00
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 15.00/\$ 11.09	\$ 10.83/\$ 10.00
<b>MULVIHILL SUMMIT</b>			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.20	\$ 3.08

#### Board of Advisors

---

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

Sheila S. Szela  
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

---

##### Auditors:

Deloitte & Touche LLP  
BCE Place  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

##### Transfer Agent:

Computershare Investor Services Inc.  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

##### Shares Listed:

Toronto Stock Exchange  
trading under DWT.UN

##### Trustee:

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

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

#### Hybrid Income Funds

##### Managed by Mulvihill Structured Products

---

#### Mulvihill Platinum

Mulvihill Pro-AMS *U.S. Fund*  
Mulvihill Pro-AMS *RSP Fund*  
Mulvihill Pro-AMS *100 Plus (Cdn \$) Fund*  
Mulvihill Pro-AMS *100 Plus (U.S. \$) Fund*  
Mulvihill Pro-AMS *RSP Split Share Fund*

#### Mulvihill Premium

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

#### Mulvihill Summit

Mulvihill Summit *Digital World 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*

#### Head Office:

---

Mulvihill Capital Management Inc.  
121 King St. W., Suite 2600  
Toronto ON  
M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: [hybrid@mulvihill.com](mailto:hybrid@mulvihill.com)

Contact your broker directly for address changes.









[www.mulvihill.com](http://www.mulvihill.com)

**Mulvihill Structured Products**

Investor Relations

121 King St. W., Suite 2600

Toronto ON

M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: [hybrid@mulvihill.com](mailto:hybrid@mulvihill.com)

Mulvihill Capital Management Inc.

*Please contact your broker directly for address changes.*