



Hybrid Income Funds

Annual Report 2001



Mulvihill Premium Global Plus Fund

Global Plus Income 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

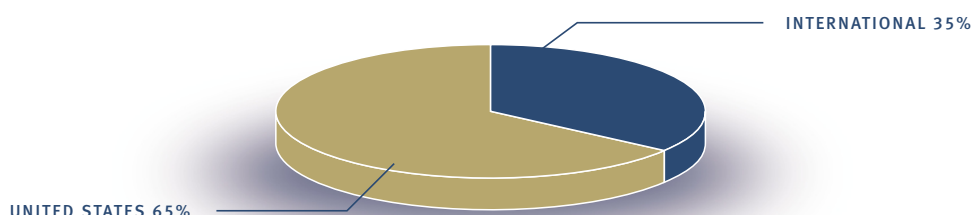
Investment Objectives

The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning at a minimum the original issue price of the units to unitholders upon termination of the Fund on December 31, 2009.

Investment Strategy

The Fund intends to achieve its investment objectives by investing its net assets in a diversified portfolio consisting primarily of common shares issued by corporations selected from the Standard and Poor's 100 Index and ADR's of the top 100 corporations trading on the New York Stock Exchange or NASDAQ, selected on the basis of market capitalization. The Fund may also, from time to time, invest up to 25 percent of its net asset value in World Equity Benchmark Shares (WEBS) compiled by Morgan Stanley Capital International Inc. 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 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: JUNE 1996	REGULAR DISTRIBUTION	SPECIAL DISTRIBUTION	TOTAL DISTRIBUTION
Total for 1999	\$ 0.60	\$ 0.15	\$ 0.75
Total for 2000	2.00	0.75	2.75
March 2001	0.50	0.00	0.50
June 2001	0.50	0.00	0.50
September 2001	0.50	0.00	0.50
December 2001	0.50	0.00	0.50
Total for 2001	2.00	0.00	2.00
Total Distributions to Date	\$ 4.60	\$ 0.90	\$ 5.50

Top 10 Holdings

- Procter & Gamble Co.
- Intel Corp.
- United Technologies Corp.
- Exxon Mobil Corp.
- Vodafone Group PLC, ADR
- Sony Corp., ADR
- IBM Corp.
- Hitachi Ltd., ADR
- American Express Co.
- Bank of America Corp.

Trading History



Commentary

As of December 31, 2001, the net assets of the Fund were \$89.7 million, or \$18.50 per unit, compared with net assets of \$105.1 million, or \$21.71 per unit, at the end of 2000. The Fund's units, listed on the TSE as GIP.UN, began the year trading at \$25.25, and touched a low of \$16.50 before rebounding to end the year at \$19.00.

Unitholders received distributions during the year totaling \$2.00 per unit, of which \$1.72 was non-taxable. This amount met the Fund's minimum objective of paying an 8 percent return, based on the initial unit price of \$25.00.

The Fund repositioned a number of holdings to realize capital losses in the fourth quarter. This has the effect of sheltering a substantial portion of distributions in 2001 as non-taxable. Non-taxable distributions reduce the adjusted cost base of each investors' units. The Fund also has further losses which will permit it to shelter future income and capital gains in the amount of \$1.69.

Global equity markets had another difficult year in 2001, with sluggish economic growth and shrinking corporate earnings pushing share values down on all markets. The Funds overall rate of return was down 5.6 percent while the S&P 500 Index declined nearly 12 percent, and both the technology-heavy NASDAQ Index and the EAFE Index were even weaker, falling by 21 percent. Central banks around the world slashed interest rates in an effort to revive their economies. The U.S. Federal Reserve made the largest cuts, lowering rates in 11 steps from 6.5 percent to 1.75 percent over the course of the year.

In order to maintain a conservative position, the Fund is well diversified across many different sectors. Investments are mainly in the United States, and in such European countries as Britain, France and the Netherlands, with very little exposure to riskier emerging markets. 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 Global Plus Income Trust (operating as Mulvihill Premium Global Plus 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 and of gain (loss) on sale of investments and options for the years then ended, and the statements of financial highlights for each of the periods or years (since inception) in the three-year period ended December 31, 2001. 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 - \$77,592,572; 2000 - \$70,783,739)	\$ 66,658,820	\$ 61,596,496
Short-term investments (average cost - \$24,621,638; 2000 - \$43,838,428)	24,956,229	43,201,908
Cash	266,016	142,986
Subscriptions receivable	38,340	15,317
Interest receivable	30,102	221,098
Dividends receivable	23,441	36,433
Due from broker	—	64,471
Total Assets	91,972,948	105,278,709
Liabilities		
Accrued liabilities	118,358	156,913
Due to broker	2,192,338	—
	2,310,696	156,913
Net Assets, Represented by Unitholders' Equity	\$ 89,662,252	\$105,121,796
Number of Units Outstanding (Note 5)	4,846,208	4,841,300
Net Asset Value per Unit	\$ 18.5015	\$ 21.7135

On behalf of the Manager,
Mulvihill Fund Services Inc


John P. Mulvihill, Manager


David N. Middleton, Manager

Financial Statements

Statements of Financial Operations

Years ended December 31, 2001 and 2000

	2001	2000
Revenue		
Dividends	\$ 2,542,913	\$ 994,472
Interest	1,953,629	3,345,943
Withholding tax	(141,490)	(135,115)
	4,355,052	4,205,300
Expenses (Note 6)		
Management fees	1,179,153	1,461,064
Custodian and other fees	175,738	255,022
Goods and services tax	94,842	120,126
	1,449,733	1,836,212
Net Investment Income	2,905,319	2,369,088
Gain (Loss) on Sale of Investments and Options	(7,996,354)	11,215,006
Change in Unrealized Depreciation of Investments and Foreign Currency	(780,818)	(16,066,302)
Net Loss on Investments	(8,777,172)	(4,851,296)
Total Results of Financial Operations	\$ (5,871,853)	\$ (2,482,208)

Statements of Changes in Net Assets

Years ended December 31, 2001 and 2000

	2001	2000
Net Assets, Beginning of Year	\$105,121,796	\$120,889,513
Unit Transactions		
Proceeds from reinvestment of distributions	97,546	25,776
Total Results of Financial Operations	(5,871,853)	(2,482,208)
Distributions to Unitholders (Note 7)		
From net investment income	(1,340,800)	(1,028,259)
From net realized gain on sale of investments and options	—	(11,880,468)
Non-taxable distribution	(8,344,437)	(402,558)
	(9,685,237)	(13,311,285)
Changes in Net Assets During the Year	(15,459,544)	(15,767,717)
Net Assets, End of Year	\$ 89,662,252	\$105,121,796

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

Years ended December 31, 2001 and 2000

	2001	2000
Proceeds from Sale of Investments	\$ 43,834,563	\$ 72,800,995
Cost of Investments Sold		
Cost of investments, beginning of year	70,783,739	80,545,752
Cost of investments purchased	58,639,750	51,823,976
	129,423,489	132,369,728
Cost of Investments, End of Year	(77,592,572)	(70,783,739)
	51,830,917	61,585,989
Gain (Loss) of Sale of Investments and Options	\$ (7,996,354)	\$ 11,215,006

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, USD - February 22, 2002	645,000	\$ 1,016,552	\$ 1,024,591	
Government of Canada, USD - March 1, 2002	750,000	1,177,940	1,192,362	
Government of Canada - March 4, 2002	11,290,000	17,691,006	17,946,725	
Total Treasury Bills		19,885,498	20,163,678	80.7%
Discount Commercial Paper				
Canadian Wheat Board, USD - January 25, 2002	210,000	335,165	334,726	
Export Development Corp., USD - February 14, 2002	2,800,000	4,400,975	4,457,825	
Total Discount Commercial Paper		4,736,140	4,792,551	19.2%
		24,621,638	24,956,229	99.9%
Accrued Interest		–	30,102	0.1%
Total Short-term Investments		\$ 24,621,638	\$ 24,986,331	100.0%
Investments				
Canadian Common Shares				
Industrial Products				
Nortel Networks Corp.	82,000	\$ 3,017,802	\$ 981,722	1.5%
Total Canadian Common Shares		\$ 3,017,802	\$ 981,722	1.5%
Foreign Common Shares (excluding U.S.A.)				
Australia				
News Corporation Ltd., ADR	30,000	\$ 1,689,208	\$ 1,523,346	2.3%
Britain				
BP PLC, ADR	20,000	1,574,784	1,484,875	
COLT Telecom Group PLC, ADR	28,800	2,487,091	315,377	
Vodafone Group PLC, ADR	47,700	3,501,227	1,955,361	
Total Britain		7,563,102	3,755,613	5.6%
Netherlands				
ING Groep N.V., ADR	40,000	2,040,240	1,625,030	
Koninklijke (Royal) Philips Electronics N.V.	30,000	1,545,009	1,394,046	
Koninklijke Ahold N.V., ADR	23,850	1,082,803	1,118,926	
Total Netherlands		4,668,052	4,138,002	6.2%
Finland				
Nokia Corp., ADR	25,000	1,503,218	978,929	1.5%
France				
Aventis S.A., ADR	15,000	1,739,361	1,700,056	
Total Fina Elf S.A., ADR	14,000	1,560,136	1,569,734	
Total France		3,299,497	3,269,790	4.9%

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments (continued)				
Foreign Common Shares (excluding U.S.A.) (continued)				
Japan				
Hitachi Ltd., ADR	16,000	1,863,084	1,869,327	
Sony Corp., ADR	27,000	1,956,109	1,943,810	
Total Japan		3,819,193	3,813,137	5.7%
Mexico				
America Movil SA de CV, ADR	30,000	923,875	932,876	
Telefonos de Mexico SA de CV, ADR	30,000	2,399,148	1,677,069	
Total Mexico		3,323,023	2,609,945	3.9%
Total Foreign Common Shares (excluding U.S.A.)		\$ 25,865,293	\$ 20,088,762	30.1%
United States Common Shares				
Energy Sources				
Exxon Mobil Corp.	32,000	\$ 2,188,106	\$ 2,007,503	3.0%
Metals				
Alcoa Inc.	30,000	1,800,429	1,702,450	2.6%
Data Processing and Reproduction				
Cisco Systems Inc.	44,000	1,927,116	1,271,993	
Honeywell International Inc.	20,000	1,448,124	1,079,735	
IBM Corp.	10,000	1,765,652	1,930,880	
Oracle Corp.	65,000	2,315,944	1,432,916	
Total Data Processing and Reproduction		7,456,836	5,715,524	8.6%
Electrical and Electronics				
General Electric Co.	22,000	1,801,473	1,407,550	2.1%
Electrical Components and Instruments				
Intel Corp.	44,000	2,076,346	2,208,955	3.3%
Automobiles				
General Motors Corp.	18,000	1,379,833	1,396,440	2.1%
Beverages				
Coca-Cola Co.	20,000	1,499,467	1,505,308	2.3%
Food and Household Products				
Diageo PLC, ADR	23,000	1,521,954	1,698,795	
Procter & Gamble Co.	25,000	3,152,811	3,157,874	
Total Food and Household Products		4,674,765	4,856,669	7.3%

Financial Statements

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments (continued)				
United States Common Shares (continued)				
Health and Personal Care				
Amgen Inc.	15,000	1,412,191	1,351,425	
Gillette Co.	30,000	1,514,771	1,599,489	
MedImmune Inc.	20,000	1,436,871	1,479,767	
Merck & Co., Inc.	18,000	2,073,515	1,689,520	
Pharmacia Corp.	20,000	1,485,357	1,361,641	
Total Health and Personal Care		7,922,705	7,481,842	11.0%
Broadcasting and Publishing				
AOL Time Warner Inc.	32,000	1,654,644	1,639,716	2.5%
Merchandising				
Home Depot Inc.	20,000	1,545,021	1,628,542	
Wal-Mart Stores Inc.	19,000	1,521,401	1,745,471	
Total Merchandising		3,066,422	3,374,013	5.1%
Telecommunications				
Nextel Communications, Inc.	60,000	2,186,896	1,049,725	
Verizon Communications Inc.	20,000	1,699,831	1,515,205	
Total Telecommunications		3,886,727	2,564,930	3.9%
Banking				
Bank of America Corp.	18,000	1,755,175	1,808,764	2.7%
Financial Services				
American Express Co.	32,000	1,759,610	1,823,098	
Citigroup Inc.	19,000	1,429,118	1,531,040	
Merrill Lynch & Co. Inc.	20,000	1,648,167	1,663,980	
Total Financial Services		4,836,895	5,018,118	7.5%
Multi-Industry				
Tyco International Ltd.	12,000	1,067,973	1,128,262	
United Technologies Corp.	20,000	2,130,378	2,063,373	
Total Multi-Industry		3,198,351	3,191,635	4.8%
Total United States Common Shares		\$ 49,198,174	\$ 45,879,417	68.8%

Statement of Investments (continued)

December 31, 2001

	Number of Contracts	Proceeds	Market Value	% of Portfolio
Investments (continued)				
Options				
Written Cash Covered Put Options (100 Shares per Contract)				
Halliburton Co. - February 2002 @ \$22	400	\$ (115,618)	\$ (117,487)	(0.1)%
Written Covered Call Options (100 Shares per Contract)				
Alcoa Inc. - February 2002 @ \$40	150	(34,831)	(7,308)	
American Express Co. - February 2002 @ \$38	320	(53,353)	(54,146)	
Amgen Inc. - January 2002 @ \$65	100	(54,849)	(3,193)	
Bank of America Corp. - January 2002 @ \$65	90	(28,077)	(12,212)	
Coca-Cola Co. - February 2002 @ \$50	100	(12,838)	(11,174)	
General Motors Corp. - March 2002 @ \$50	90	(39,313)	(32,325)	
Intel Corp. - January 2002 @ \$33	220	(68,704)	(29,851)	
Pharmacia Corp. - January 2002 @ \$50	100	(14,674)	(1,596)	
Sony Corp., ADR - January 2002 @ \$50	180	(52,909)	(9,338)	
Tyco International Ltd. - January 2002 @ \$60	60	(13,531)	(12,451)	
Total Written Covered Call Options		(373,079)	(173,594)	(0.3)%
Total Options		\$ (488,697)	\$ (291,081)	(0.4)%
Total Investments		\$ 77,592,572	\$ 66,658,820	100.0%

Financial Statements

Statements of Financial Highlights

Years ended December 31

	2001	2000	1999 *
Data Per Unit			
Net Asset Value, Beginning of Year	\$ 21.71	\$ 24.98	\$ 23.75 **
Income from Investment Operations			
Net investment income	0.60	0.49	0.09
Net gain (loss) on investments and options	(1.81)	(1.01)	1.89
Total from Investment Operations	(1.21)	(0.52)	1.98
Distributions to Unitholders			
From net investment income	(0.28)	(0.22)	—
From net realized gain on sale of investments and options	—	(2.45)	(0.71)
Non-taxable distribution (Note 7)	(1.72)	(0.08)	(0.04)
Total Distributions	(2.00)	(2.75)	(0.75)
Net Asset Value, End of Year	\$ 18.50	\$ 21.71	\$ 24.98
Ratios/Supplemental Data			
Total net assets, end of year (\$millions)	\$ 89.66	\$ 105.12	\$ 120.89
Average net assets (\$millions)	\$ 94.33	\$ 116.89	\$ 116.44
Management expense ratio	1.54%	1.57%	1.51%
Portfolio turnover rate	46.5%	44.3%	28.5%
Annual rate of return	(5.6)%	(2.1)%	N/A

* For the period from inception on September 13, 1999 to December 31, 1999.

** Net of agent fees.

1. Establishment of the Fund

Global Plus Income Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on August 30, 1999. The Fund began operations on September 13, 1999 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. ("Mulvihill") 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 Premium Global Plus 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 corporations selected from the Standard & Poor's 100 Index and American Depository Receipts ("ADRs") of the top 100 corporations selected on the basis of market capitalization whose ADRs are trading on the New York Stock Exchange or NASDAQ. 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. In addition, in order to provide further global investment opportunities, the Fund may, from time to time, invest up to a maximum of 25% of its net asset value in World Equity Benchmark Shares ("WEBS") that seek to provide investment results that track the performance of a specific country index compiled by Morgan Stanley Capital International Inc.

To generate additional returns above the dividend income earned on the portfolio, the Fund will, from time to time, write covered call options in respect of all or part of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of 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 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.

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.

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.

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. 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.

Following are the unit transactions for the year:

	2001	2000
Units outstanding, beginning of year	4,841,300	4,840,235
Units issued on reinvestment of distributions	4,908	1,065
Units outstanding, end of year	4,846,208	4,841,300

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 1.15%, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

7. Distributions

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

vest 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 and 2000.

Capital losses of approximately \$8.2 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 \$3.5 million (2000 - \$4.8 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 \$211,809 (2000 - \$183,621).

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 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, 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.

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trading under GIP.UN

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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 Structured Products

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