



Hybrid Income Funds



Semi-Annual Report 2008

*Mulvihill Government Strip Bond Fund*

## Mulvihill Government Strip Bond Fund

### Message to Unitholders

We are pleased to present the semi-annual financial results of Mulvihill Government Strip Bond Fund, formerly Mulvihill Pro-AMS Fund (the "Fund").

The following is intended to provide you with the financial highlights of the Fund and we hope you will read the more detailed information contained within the report.

The Fund was launched in 2000 with the original objectives to:

- (1) Pay monthly distributions and to return the original issue price of \$25.00 to unitholders on the termination date of December 31, 2012.

As of May 2006, the new Fund objective is to:

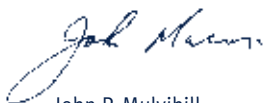
- (1) Return at least \$25.75 per unit to unitholders on the termination date of December 31, 2012.

In May 2006, unitholders approved a proposal to provide further certainty to the net asset value at Termination. The forward agreement was settled and the proceeds were used to purchase a portfolio of zero coupon debt securities issued by the Government of Canada or Canadian provincial governments. Accordingly, the investment strategy has been changed to invest in zero coupon bonds, as well as, sufficient cash and cash equivalents to cover all costs and expenses of the Fund until the Termination Date (December 31, 2012). During the six-month period ended June 30, 2008, the Fund earned a total return of 3.28 percent, contributing to the overall increase in the net asset value from \$21.97 per unit as at December 31, 2007 to \$22.69 per unit as at June 30, 2008.

The longer-term financial highlights of the Fund are as follows:

	Years ended December 31					
	June 30, 2008	2007	2006	2005	2004	2003
Total Fund Return	3.28%	3.02%	2.88%	4.13%	5.89%	4.86%
Distribution Paid	\$ 0.00000	\$ 0.00000	\$ 0.00000	\$ 0.24000	\$ 0.88331	\$ 0.99996
Ending Net Asset Value per Unit (initial issue price was \$25.00 per unit)	\$ 22.69	\$ 21.97	\$ 21.33	\$ 20.73	\$ 20.14	\$ 19.88

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the semi-annual report.



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

**Management Report on Fund Performance**

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the six months ended June 30, 2008 of Mulvihill Government Strip Bond Fund (formerly Pro-AMS Trust) (the “Fund”). The June 30, 2008 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.mulvihill.com](http://www.mulvihill.com). You can also get a copy of the annual financial statements at your request and at no cost by using one of these methods.

# Mulvihill Government Strip Bond Fund

## Management Report on Fund Performance

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at [www.mulvihill.com](http://www.mulvihill.com).

### Asset Mix and Portfolio Holdings

June 30, 2008

	% of Net Asset Value
Provincial Bonds	100%
	100%

## **Mulvihill Government Strip Bond Fund**

### **Management Report on Fund Performance**

#### **Results of Operations**

For the six-month period ended June 30, 2008, the net asset value of the Fund for pricing purposes based on closing prices was \$22.69 per unit (see Note 3 to the financial statements) compared to \$21.97 per unit at December 31, 2007. The Fund's units listed on the Toronto Stock Exchange as GSB.UN, closed on June 30, 2008 at \$21.76 representing a 4.1 percent discount to the actual net asset value.

No distributions were paid to unitholders during this period. The total return, including reinvestment of distributions, of 3.28 percent during this period was primarily due to changes in interest rates, which positively affected the value of the portfolio of Government Strip Bonds. This is comparable to the return on the Bloomberg/EFFAS Bond Indices Canada 3-5 Year at 3.12 percent during the same period.

For more detailed information on the investment returns, please see the Annual Total Return bar graph on page 7.

# Mulvihill Government Strip Bond Fund

## Management Report on Fund Performance

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

The information for the years ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2008 is derived from the

Six months ended  
June 2008

#### NET ASSETS PER UNIT

<b>Net Assets, beginning of period (based on bid prices)<sup>(1)</sup></b>	<b>\$ 21.97</b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.53
Total expenses	(0.10)
Realized gains (losses) for the period	0.10
Unrealized gains (losses) for the period	0.18
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>0.71</b>
DISTRIBUTIONS	
Non-taxable distributions	—
<b>Total Distributions<sup>(3)</sup></b>	<b>—</b>
<b>Net Assets, end of period (based on bid prices)<sup>(1)</sup></b>	<b>\$ 22.68</b>

(1) Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding. For years prior to 2007, securities were valued at closing prices. The change to the use of bid prices is due to new accounting standards set out by the Canadian Institute of Chartered Accountants relating to Financial Instruments. Refer to Note 4 to the annual financial statements for further discussion.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), net of withholding taxes and foreign exchange gains (losses),

Six months ended  
June 2008

#### RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)	\$ 85.41
Number of units outstanding	3,764,270
Management expense ratio <sup>(1)</sup>	0.85% <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>	2.27%
Trading expense ratio <sup>(3)</sup>	0.00% <sup>(4)</sup>
Net Asset Value per unit <sup>(5)</sup>	\$ 22.69
Closing market price	\$ 21.76

(1) Management expense ratio is the ratio of all fees and expenses, including goods and services taxes, but excluding transaction fees charged to the Fund to the average net asset value. The management expense ratio for 2006 includes the special resolution expense. The management expense ratio for 2006 excluding the special resolution expense is 1.29%.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

## Mulvihill Government Strip Bond Fund

### Management Report on Fund Performance

Fund's unaudited semi-annual financial statements.

For June 30, 2008 and December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's unaudited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended December 31					
	2007	2006	2005	2004	2003
\$	21.32 <sup>(4)</sup>	\$ 20.73	\$ 20.14	\$ 19.88	\$ 19.94
	1.04	0.62	0.07	(0.03)	(0.01)
	(0.18)	(0.28)	(0.40)	(0.39)	(0.39)
	–	1.72	3.08	2.03	1.26
	(0.23)	(1.62)	(1.99)	(0.56)	(0.01)
	<b>0.63</b>	<b>0.44</b>	<b>0.76</b>	<b>1.05</b>	<b>0.85</b>
	–	–	(0.24)	(0.88)	(1.00)
	–	–	<b>(0.24)</b>	<b>(0.88)</b>	<b>(1.00)</b>
\$	<b>21.97</b>	\$ <b>21.33</b>	\$ <b>20.73</b>	\$ <b>20.14</b>	\$ <b>19.88</b>

less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

(4) Net Assets per unit has been adjusted for the Transition Adjustment - New Accounting Standards (see Note 4 to the annual financial statements).

Years ended December 31					
	2007	2006	2005	2004	2003
\$	83.85	\$ 105.62	\$ 149.06	\$ 306.12	\$ 586.07
	3,816,987	4,952,796	7,190,778	15,196,591	29,473,662
	0.83%	1.36%	1.92%	1.95%	1.94%
	0.00%	103.86%	69.59%	12.13%	43.07%
	0.00%	0.00%	0.02%	0.04%	0.03%
\$	21.97	\$ 21.33	\$ 20.73	\$ 20.14	\$ 19.88
\$	21.60	\$ 20.70	\$ 20.20	\$ 19.34	\$ 19.15

(3) Trading expense ratio represents total commissions expressed as an annualized percentage of the daily average net asset value during the period.

(4) Annualized.

(5) 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 and including the valuation of securities at closing prices divided by the number of units then outstanding.

## **Mulvihill Government Strip Bond Fund**

### **Management Report on Fund Performance**

#### **Management Fees**

Mulvihill Capital Management Inc. (“MCM”) is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.50 percent of the net asset value of the Fund at each month end.

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

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

#### **Recent Developments**

The investment objective of the Fund is to return at least \$25.75 per unit to unitholders upon termination of the Fund on the termination date of December 31, 2012. The investment strategy is to invest in zero coupon bonds, as well as, sufficient cash and cash equivalents to cover all costs and expenses of the Fund until the termination date.

The Bank of Canada held rates steady at 4.25 percent for the second half of 2006 and first half of 2007, then after six months at 4.5 percent, the Bank began lowering its key lending rate. There were three rate reductions in the first half of 2008. The Bank Rate currently stands at 3.0 percent. These reductions impacted the yield curve as far as the seven year maturity, at which point, the curve has modestly steepened. The net effect has been positive for the value of our portfolio.

The Fund remains sensitive to changes in interest rates and the shape of the yield curve.



# Mulvihill Government Strip Bond Fund

## Management Report on Fund Performance

### Past Performance

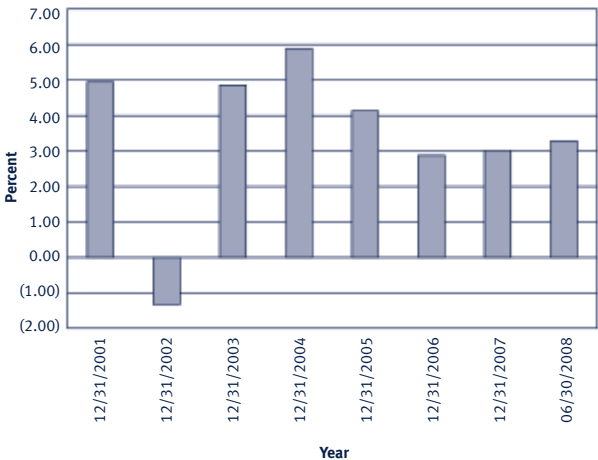
The chart below sets out the Fund's year-by-year past performance. It is important to note that:

- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

### Year-By-Year Returns

The bar chart below illustrates how the Fund's total return for each of the past seven years including the six month period ended June 30, 2008 has varied from period to period. The chart also shows, in percentage terms how much an investment made on January 1 in each year or the date of inception in 2001 would have increased or decreased by the end of that fiscal year, or June 30, 2008 for the six months then ended.

### Annual Total Return



# Mulvihill Government Strip Bond Fund

## Management Report on Fund Performance

### Related Party Transactions

Mulvihill Capital Management Inc. (“MCM”) manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated February 15, 2001 amended as of May 23, 2006.

Mulvihill Fund Services Inc. (“Mulvihill”) is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated February 15, 2001, and, as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

### Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”). NI 81-107 requires all publicly offered investment funds to establish an independent review committee (“IRC”) to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, C. Edward Medland, and Michael M. Koerner.

### Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

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

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Mulvihill Government Strip Bond Fund (formerly Pro-AMS Trust) (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager") and have been approved 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 semi-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 annual financial statements for the year ended December 31, 2007.

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, the Fund's independent auditors, has full and unrestricted access to the Board.

The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.



John P. Mulvihill  
Director  
Mulvihill Fund Services Inc.



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.

August 2008

## Mulvihill Government Strip Bond Fund

### Financial Statements

#### Statements of Net Assets

June 30, 2008 (Unaudited) and December 31, 2007 (Audited)

	2008	2007
<b>ASSETS</b>		
Investments at fair value (cost - \$84,335,952; 2007 - \$104,578,622)	<b>\$ 85,084,325</b>	\$ 104,654,854
Short-term investments at fair value (cost - \$327,746; 2007 - \$2,419,613)	<b>327,746</b>	2,419,613
Cash	<b>8,326</b>	3,916
Interest receivable	<b>365</b>	3,807
<b>TOTAL ASSETS</b>	<b>85,420,762</b>	<b>107,082,190</b>
<b>LIABILITIES</b>		
Accrued management fees	<b>42,026</b>	54,557
Accrued liabilities	<b>6,710</b>	24,926
Redemptions payable	—	23,149,087
<b>TOTAL LIABILITIES</b>	<b>48,736</b>	<b>23,228,570</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 85,372,026</b>	<b>\$ 83,853,620</b>
<b>Number of Units Outstanding</b>	<b>3,764,270</b>	<b>3,816,987</b>
<b>Net Assets per Unit</b>	<b>\$ 22.6796</b>	<b>\$ 21.9685</b>

# Mulvihill Government Strip Bond Fund

## Financial Statements

### Statements of Financial Operations

For the six months ended June 30 (Unaudited)

	2008	2007
<b>REVENUE</b>		
Interest	<b>\$ 1,997,873</b>	\$ 2,575,430
<b>TOTAL REVENUE</b>	<b>1,997,873</b>	<b>2,575,430</b>
<b>EXPENSES</b>		
Management fees	<b>237,700</b>	311,850
Administrative and other expenses	<b>46,976</b>	52,565
Custodian fees	<b>13,154</b>	14,734
Audit fees	–	23,477
Advisory board fees	<b>9,734</b>	10,363
Independent review committee fees	<b>2,002</b>	–
Legal fees	<b>2,005</b>	4,699
Unitholder reporting costs	<b>18,907</b>	18,817
Goods and services tax	<b>36,822</b>	23,615
<b>TOTAL EXPENSES</b>	<b>367,300</b>	<b>460,120</b>
<b>Net Investment Income</b>	<b>1,630,573</b>	<b>2,115,310</b>
Net gain on sale of investments	<b>372,063</b>	–
Net change in unrealized appreciation/ depreciation of investments	<b>672,141</b>	(3,277,801)
<b>Net Gain (Loss) on Investments</b>	<b>1,044,204</b>	<b>(3,277,801)</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 2,674,777</b>	<b>\$ (1,162,491)</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the period of 3,787,331; 2007 - 4,920,015)	<b>\$ 0.7062</b>	<b>\$ (0.2363)</b>

## Mulvihill Government Strip Bond Fund

### Financial Statements

#### Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2008	2007
NET ASSETS, BEGINNING OF YEAR	\$ 83,853,620	\$ 105,620,452
Transition Adjustment - New Accounting Standards	-	(29,164)
Net Increase (Decrease) in Net Assets from Operations	2,674,777	(1,162,491)
Unit Transactions Amount paid for units redeemed	(1,156,371)	(1,656,884)
Changes in Net Assets during the Period	1,518,406	(2,848,539)
NET ASSETS, END OF PERIOD	\$ 85,372,026	\$ 102,771,913
Net Assets per Unit	\$ 22.6796	\$ 21.0926

#### Statements of Net Gain on Sale of Investments

For the six months ended June 30 (Unaudited)

	2008	2007
Proceeds from Sale of Investments	\$ 22,606,384	\$ -
Cost of Investments Sold		
Cost of investments, beginning of period	104,578,622	99,645,546
Cost of investments purchased	1,991,651	2,450,420
	106,570,273	102,095,966
Cost of Investments, End of Period	(84,335,952)	(102,095,966)
	22,234,321	-
NET GAIN ON SALE OF INVESTMENTS	\$ 372,063	\$ -

# Mulvihill Government Strip Bond Fund

## Financial Statements

### Statement of Investments

June 30, 2008 (Unaudited)

	Par Value	Average Cost	Fair Value	% of Portfolio
<b>SHORT-TERM INVESTMENTS</b>				
<b>Treasury Bills</b>				
Government of Canada, 2.66% - September 18, 2008	330,000	\$ 327,746	\$ 327,746	99.9%
<b>Accrued Interest</b>			365	0.1%
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>\$ 327,746</b>	<b>\$ 328,111</b>	<b>100.0%</b>
<b>INVESTMENTS</b>				
<b>Bonds</b>				
Province of Ontario Residual Stripped from Ontario - December 2, 2012	30,000,000	\$ 24,942,303	\$ 25,128,000	
Province of Ontario Coupon Stripped from Ontario - December 2, 2012	71,500,000	59,393,649	59,956,325	
<b>Total Bonds</b>		<b>\$ 84,335,952</b>	<b>\$ 85,084,325</b>	100.0%
<b>TOTAL INVESTMENTS</b>		<b>\$ 84,335,952</b>	<b>\$ 85,084,325</b>	<b>100.0%</b>

# Mulvihill Government Strip Bond Fund

## Notes to Financial Statements

June 30, 2008

### 1. Basis of Presentation

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The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting standards (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2007.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2007, with the exception of Note 2 below.

### 2. Summary of Significant Accounting Policies

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Commencing January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862 “Financial Instruments - Disclosures” and Section 3863, “Financial Instruments - Presentation”. The new standards replace Section 3861 “Financial Instruments - Disclosure and Presentation”. The new disclosure standards increase the emphasis on the disclosure on the nature and extent of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward relatively unchanged. Adoption of the new standards does not impact the net asset value for pricing purposes, nor the calculation of net assets.

### 3. Net Asset Value and Net Assets

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For financial statement reporting purposes, the Fund applies Canadian generally accepted accounting principles requiring the Fund to value its securities using bid price. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund can calculate its net asset value using last sale price.

The difference between the net asset value for pricing purposes and the net assets reflected in the financial statements is as follows:

	2008	2007
Net Asset Value (for pricing purposes)	<b>\$ 22.69</b>	\$ 21.10
Difference	<b>(0.01)</b>	(0.01)
Net Assets (for financial statement purposes)	<b>\$ 22.68</b>	\$ 21.09



### 4. Financial Instruments and Risk Management

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The Fund's financial instruments consist of zero coupon bonds, cash and cash equivalents. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include interest rate risk, liquidity risk and short-term investments credit rating.

These risks and related risk management practices employed by the Fund are discussed below:

#### Interest Rate Risk

The primary risk associated with holding the Fund's units relates to the sensitivity of the Fund's net asset value to changes in the level of interest rates prevailing in the market. Changes to interest rates will inversely impact the Fund's net asset value. The Fund holds zero coupon bonds that have a duration equal to the bond's time to maturity, which makes them sensitive to any changes in interest rates.

Approximately 100 percent of the Fund's net assets held at June 30, 2008 were invested in zero coupon bonds. If interest rates increased or decreased by 100 basis points as at June 30, 2008, the net assets of the Fund would have decreased or increased by approximately \$3.8M respectively or 4.5 percent of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

However, since zero coupon bonds carry little or no reinvestment risk and also constitute the primary investment holdings of the Fund, changes to current interest rates will not impact the final redemption value of the zero coupon bonds.

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the net asset value of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Units. To mitigate this risk, excess cash and cash equivalents are invested at short-term market interest rates.

#### Liquidity Risk

The Fund holdings consist primarily of zero coupon bonds with a maturity date of December 2012. The Bonds are to be held for the life of the Fund to return a value to unitholders of at least \$25.75 per unit, are not actively managed and therefore represent minimal liquidity risk if units are held to maturity of the Fund.

## Mulvihill Government Strip Bond Fund

### Notes to Financial Statements

June 30, 2008

#### Short-Term Investments Credit Rating

The following are credit ratings for short-term investments held by the Fund as at June 30, 2008:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Treasury Bills	AAA	100.0%
<b>Total</b>		<b>100.0%</b>

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short term.

#### 5. Normal Course Issuer Bid

Under the terms of the normal course issuer bid renewed in July 2008, the Fund proposes to purchase, if considered advisable, up to a maximum of 376,427 units (2007 - 487,243 units), 10 percent of its public float as determined in accordance with the rules of the Exchange. The purchases would be made in the open market through facilities of the Exchange. The normal course issuer bid will remain in effect until the earlier of July 22, 2009 or until the Fund has purchased the maximum number of units permitted under the bid. As at June 30, 2008, no units (2007 - nil) have been repurchased 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: 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

#### 6. Future Accounting Policy Changes

At June 30, 2008 the Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS"). The key elements of the plan include disclosures of the qualitative impact in the 2008 annual financial statements, the disclosures of the quantitative impact, if any, in the 2009 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional notes disclosures in the financial statements of the Fund.

## Mulvihill Government Strip Bond Fund

### Hybrid Income Funds

#### Managed by Mulvihill Structured Products

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#### Mulvihill Platinum

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

#### Mulvihill Premium

Mulvihill *Core Canadian Dividend Fund*  
Mulvihill *Premium Canadian Fund*  
Mulvihill *Premium 60 Plus Fund*  
Mulvihill *Premium Canadian Bank Fund*  
Mulvihill *Premium Global Plus Fund*  
Mulvihill *Premium Split Share Fund*  
Mulvihill *S Split Fund*  
Mulvihill *Top 10 Canadian Financial Fund*  
Mulvihill *Top 10 Split Fund*  
Mulvihill *World Financial Split Fund*

#### Mutual Funds Managed by Mulvihill Capital Management

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Mulvihill *Canadian Money Market Fund*  
Mulvihill *Canadian Bond Fund*  
Mulvihill *Global Equity Fund*  
Mulvihill *Total Return Fund*

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*Please contact your broker directly  
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