



Mulvihill Structured Products

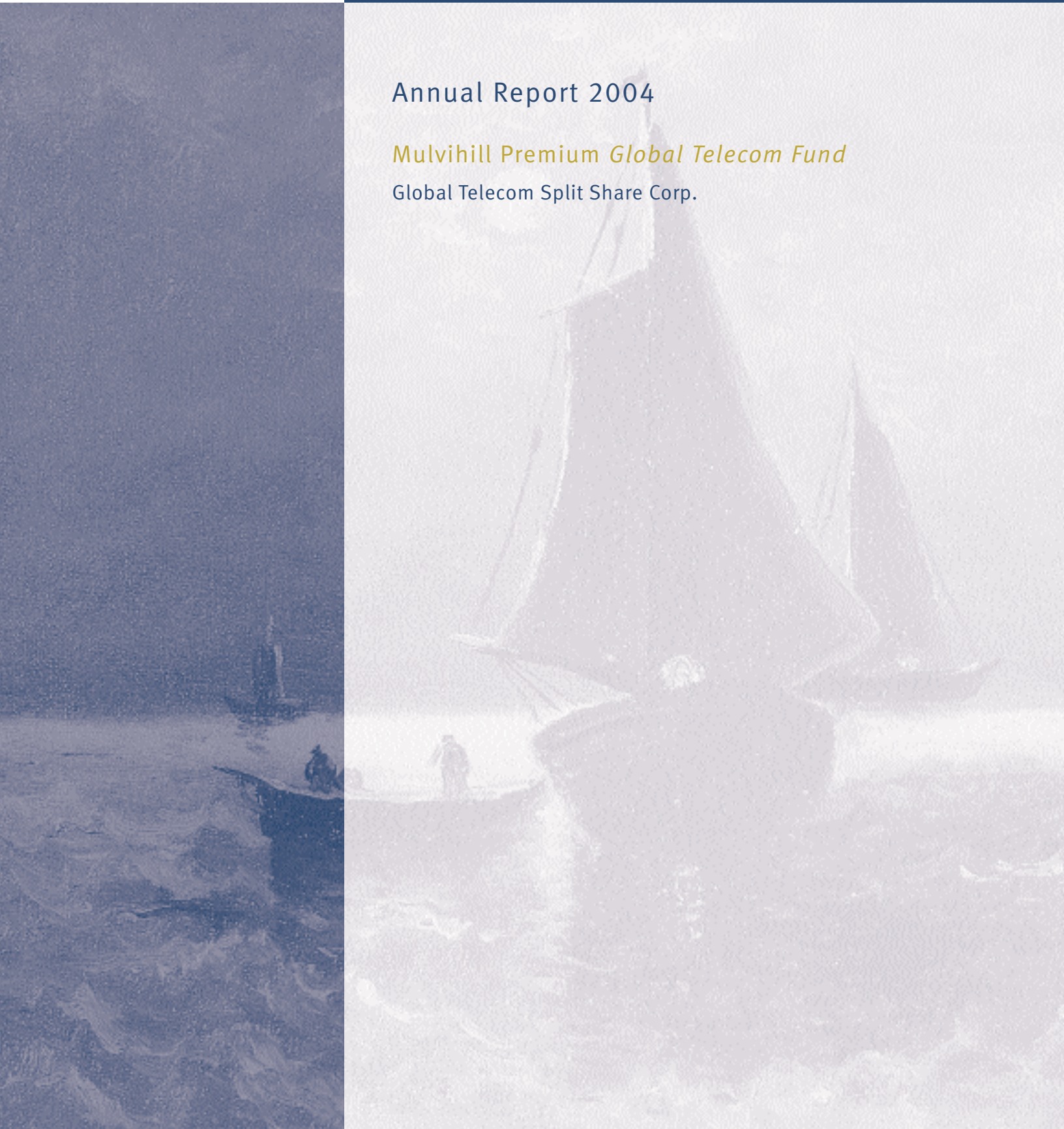
## Hybrid Income Funds



Annual Report 2004

*Mulvihill Premium Global Telecom Fund*

Global Telecom Split Share Corp.







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## Message to Shareholders

During the fiscal year ended June 29, 2004, the net asset value of the Fund totaled to \$36.0 million, or \$12.28 per unit, up from its value of \$12.19 per unit as at June 29, 2003. The Fund's Preferred shares, listed on the Toronto Stock Exchange as GT.PR.A, closed on June 29, 2004, trading at \$12.00, an increase of \$1.00 over the trading price at the end of June 2003. Class A shares, listed as GT.A, closed on June 29, 2004, trading at \$0.75.

Distributions totaling \$0.83 per unit were made to Preferred shareholders during the fiscal year, maintaining a 5.5 percent yield on the initial price of these shares. No distributions were made to class A shareholders, and these will not resume until returns improve, and arrears of \$0.21 per Preferred share have been paid.

The improved performance of many companies in the telecommunications sector has been reflected in rising equity prices during the twelve months ending June 29, 2004. The S&P 500 Telecom Service Index rose 5.9 percent during this period, while the MSCI World Telecom Index recorded a 10.4 percent gain.

A summary of the Fund's investments is included with the financial statements in this annual report. We would like to take this opportunity to thank each of the Fund's shareholders for their continued support.



John P. Mulvihill  
President  
Mulvihill Capital Management Inc.



## Investment Objectives

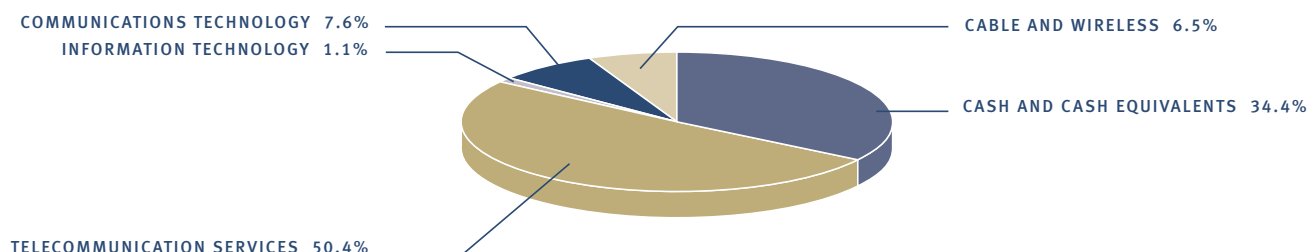
The Fund's investment objectives are to provide Preferred shareholders with quarterly cash dividends to yield 5.50% per annum based on the preferred share's par value (\$15.00) and to provide Class A shareholders with all excess realized income of the Fund at each fiscal year end. The Fund has had a dividend policy on the Class A shares of \$0.30 per quarter or 8% per annum based on the shares' issue price. However, in respect of the Class A shares, the Fund's Telecom Universe has experienced a sharp decline resulting in a reduction in the Fund's net asset value per Unit and as a result, the dividends on the Class A shares continue to be suspended until such time as the value of the underlying portfolio and coverage on the Preferred Shares improves.

## Investment Strategy

The Fund achieves its investment objectives by investing its net assets in a diversified portfolio consisting principally of common shares issued by corporations within the Fund's Global Telecom Universe. To generate additional returns above the dividend income earned on the portfolio, the Fund may from time to time, write covered call options in respect of all or part of the common shares 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

June 29, 2004



## Distribution History

INCEPTION DATE: JUNE 1998	CLASS A REGULAR DISTRIBUTION	CLASS A SPECIAL DISTRIBUTION	TOTAL CLASS A DISTRIBUTION	REGULAR PREFERRED DISTRIBUTION
Total for 1998*	\$ —	\$ —	\$ —	\$ 0.441600
Total for 1999	1.80	6.40	8.20	0.874903
Total for 2000	1.20	1.50	2.70	0.876778
Total for 2001	1.05	0.10	1.15	0.873839
Total for 2002	—	—	—	0.643526
Total for 2003	—	—	—	0.825000
March 2004	—	—	—	0.206250
June 2004	—	—	—	0.206250
Total for 2004	—	—	—	0.412500
<b>Total Distributions to Date</b>	<b>\$ 4.05</b>	<b>\$ 8.00</b>	<b>\$ 12.05</b>	<b>\$ 4.948146</b>

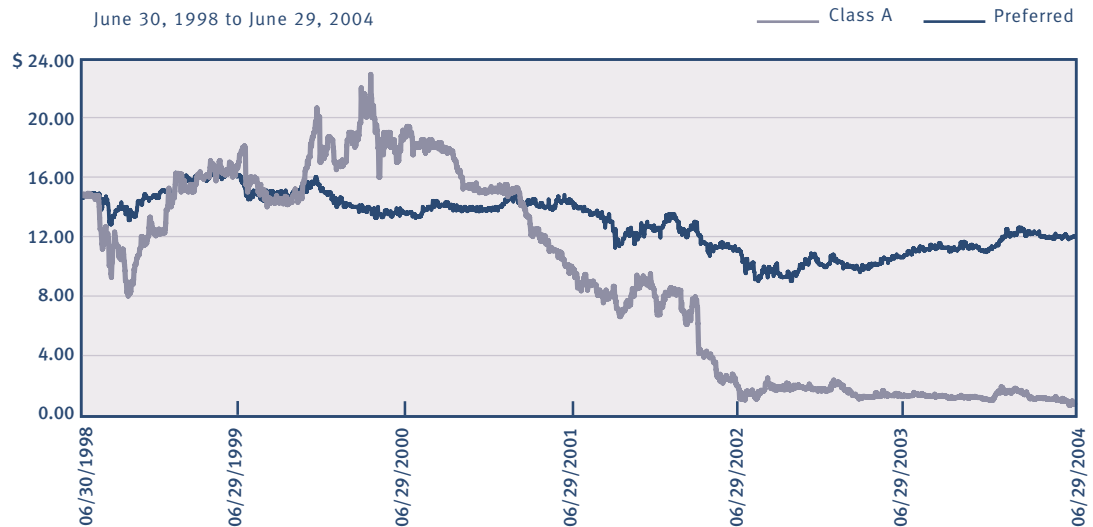
\*Distributions are shown above on a calendar year basis to reflect amounts subject to tax in the year in which they are paid.

## Top 10 Holdings

(equity securities)

- Telefonica De Espana ADR
- Cisco System Inc.
- BCE Inc.
- SBC Communications Inc.
- SK Telecom Co. Ltd. ADR
- Telefonos de Mexico ADR
- Nippon Telegraph & Telephone Corp.
- France Telecom SA ADR
- BellSouth Corp.
- CenturyTel Inc.

## Trading History



## Commentary

Performance has been strong in the wireless segment of the telecommunications sector, where growing revenues and improved cost efficiencies have led to higher margins at many companies. The prime focus is now on bundling wireless services together with video, data and wireline services in order to retain customers with evolving needs in multiple categories.

In the wireline segment, conditions are more difficult. Intense competitive pressures and regulatory uncertainties continue to depress prices, particularly in the United States. New competitors and alternative suppliers such as cable companies continue to enter the market, eroding the market shares of long-established companies. Revenue growth in many wireline companies remains weak, and recovery will be a slower process in this segment than it is elsewhere.

The Fund's investments continue to be diversified across the range of cable and wireless companies, service providers and equipment suppliers. A portion of the Fund's U.S. dollar exposure is being hedged in foreign currency markets to guard against possible further deterioration in the Fund's U.S. dollar value versus the Canadian dollar.

## Management's Responsibility for Financial Reporting

This report has been prepared in accordance with the Accounting Standards Board guidelines.

The accompanying financial statements of Global Telecom Split Corp. (operating as Mulvihill Premium Global Telecom Fund) (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Capital Management Inc., (the "Manager"), and have been approved by the Board of Directors (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 2 of the annual 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 Audit Committee 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 Audit Committee and the Board.



John P. Mulvihill  
President  
Mulvihill Capital Management Inc.



David N. Middleton  
CFO  
Mulvihill Capital Management Inc.

August 4, 2004

## To the Shareholders

We have audited the accompanying statement of investments of Global Telecom Split Share Corp. (operating as Mulvihill Premium Global Telecom Fund) (the "Fund") as at June 29, 2004, the statements of financial position as at June 29, 2004 and 2003, the statements of operations and deficit, of changes in net assets and of changes in investments and options for the years then ended, and the statements of financial highlights for each of the years in the five-year period ended June 29, 2004. These financial statements are the responsibility of the Fund's management. 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 management, 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 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

August 4, 2004

## Statements of Financial Position

June 29, 2004 and 2003

	2004	2003 (Restated-Note 2)
<b>ASSETS</b>		
Investments at market value (average cost - \$30,907,739; 2003 - \$35,972,083)	\$ 24,325,058	\$ 29,292,842
Short-term Investments (average cost - \$12,626,255; 2003 - \$11,623,828)	12,622,767	11,620,160
Cash	261,011	23,613
Due from brokers	31,653	863,713
Interest and dividends receivable	116,393	127,896
<b>TOTAL ASSETS</b>	<b>\$ 37,356,882</b>	<b>\$ 41,928,224</b>
<b>LIABILITIES</b>		
Accrued preferred share distributions (Note 7)	\$ 1,210,628	\$ 1,211,866
Due to brokers	56,630	4,839,907
Accounts payable and accrued liabilities	51,321	51,155
Redeemable preferred shares (Note 4)	36,038,303	35,825,296
	<b>37,356,882</b>	<b>41,928,224</b>
<b>EQUITY</b>		
Class A and Class B shares (Note 4)	41,390,619	41,390,619
Deficit	(41,390,619)	(41,390,619)
	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 37,356,882</b>	<b>\$ 41,928,224</b>
Number of Units Outstanding (Note 4)	<b>2,934,858</b>	<b>2,937,858</b>
<b>Net Asset Value per Unit</b>		
Preferred share	\$ 12.2794	\$ 12.1944
Class A share	-	-
	<b>\$ 12.2794</b>	<b>\$ 12.1944</b>

On Behalf of the Board of Directors



John P. Mulvihill, Director



Robert W. Korthals, Director



## Statements of Operations and Deficit

Years ended June 29, 2004 and 2003

	2004	2003 (Restated-Note 2)
<b>REVENUE</b>		
Interest, net of foreign exchange	\$ (3,401)	\$ 739,710
Dividends	616,426	561,419
Withholding taxes	(65,037)	(76,081)
	<b>547,988</b>	<b>1,225,048</b>
Net realized gains on investments and options	<b>2,715,993</b>	1,859,341
<b>TOTAL REVENUE</b>	<b>3,263,981</b>	<b>3,084,389</b>
<b>EXPENSES</b>		
Management fees	463,733	422,053
Administrative and other expenses	114,943	198,707
Custodian fees	38,637	28,849
GST and capital taxes	72,465	73,477
<b>TOTAL EXPENSES</b>	<b>689,778</b>	<b>723,086</b>
<b>Net Realized Income before Income Taxes and Distributions</b>	<b>2,574,203</b>	<b>2,361,303</b>
Income tax expense (Note 6)	–	(51,537)
<b>Net Realized Income before Distributions</b>	<b>2,574,203</b>	<b>2,309,766</b>
Preferred share distributions	(2,421,257)	(2,475,646)
<b>Net Realized Income (Loss)</b>	<b>152,946</b>	<b>(165,880)</b>
Change in unrealized depreciation of investments, options and foreign currency	96,621	(801,307)
<b>Net Income (Loss) before (Recovery)/Reduction in Value of Preferred shares</b>	<b>249,567</b>	<b>(967,187)</b>
(Recovery)/reduction in value of preferred shares	(249,567)	967,187
<b>NET INCOME FOR THE YEAR</b>	<b>\$ –</b>	<b>\$ –</b>
<b>NET INCOME PER CLASS A SHARE</b>		
(based on average number of Class A shares outstanding during the period of 2,934,858; 2003 - 3,042,594)	<b>\$ –</b>	<b>\$ –</b>
<b>DEFICIT</b>		
Balance, beginning of year	\$ (41,390,619)	\$ (41,390,619)
Net income for the year	–	–
Distributions on Class A shares	–	–
<b>BALANCE, END OF YEAR</b>	<b>\$ (41,390,619)</b>	<b>\$ (41,390,619)</b>

## Statements of Changes in Net Assets

Years ended June 29, 2004 and 2003

	2004	2003 (Restated-Note 2)
NET ASSETS, BEGINNING OF YEAR	\$ -	\$ -
Net Realized Income before Distributions	2,574,203	2,309,766
Distributions		
Preferred shares	(2,421,257)	(2,475,646)
Class A shares	-	-
	(2,421,257)	(2,475,646)
Change in Unrealized Depreciation of Investments, Options and Foreign Currency	96,621	(801,307)
(Recovery)/Reduction in Value of Preferred Shares	(249,567)	967,187
Changes in Net Assets during the Year	-	-
NET ASSETS, END OF YEAR	\$ -	\$ -

## Statements of Changes in Investments and Options

Years ended June 29, 2004 and 2003

	2004	2003
INVESTMENTS AT MARKET VALUE, BEGINNING OF YEAR	\$ 29,292,842	\$ 14,263,507
Unrealized depreciation of investments, beginning of year	6,679,241	5,874,614
Investments at Cost, Beginning of Year	35,972,083	20,138,121
Cost of Investments Purchased during the Year	15,070,006	33,783,927
Cost of Investments Sold during the Year		
Proceeds from sales	22,850,343	19,809,306
Net realized gains on sales	2,715,993	1,859,341
	20,134,350	17,949,965
Investments at Cost, End of Year	30,907,739	35,972,083
Unrealized Depreciation of Investments, End of Year	(6,582,681)	(6,679,241)
INVESTMENTS AT MARKET VALUE, END OF YEAR	\$ 24,325,058	\$ 29,292,842

## Statement of Investments

June 29, 2004

	Par Value/ Number of Shares		Average Cost	Market Value	% of Portfolio
<b>SHORT-TERM INVESTMENTS</b>					
<b>Treasury Bills</b>					
Government of Canada - October 7, 2004	75,000	\$	74,476	\$ 74,476	0.6%
<b>Discount Commercial Paper</b>					
Province of Ontario, USD - July 13, 2004	50,000		68,077	67,283	0.5%
<b>Bonds</b>					
Canada Mortgage & Housing Corporation - December 1, 2004	12,300,000		12,483,702	12,481,008	98.5%
			12,626,255	12,622,767	99.6%
Accrued Interest				54,405	0.4%
<b>TOTAL SHORT-TERM INVESTMENTS</b>		\$	12,626,255	\$ 12,677,172	100.0%

## INVESTMENTS

### Canadian Common Shares

#### Information Technology

Nortel Networks Corporation	60,000	\$	622,800	\$ 400,800	1.7%
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#### Telecommunication Services

Aliant Inc.	30,000		1,150,775	831,000	
BCE Inc.	50,000		1,926,755	1,341,500	
Rogers Communications Inc., Class B	25,000		641,819	605,000	
TELUS Corporation	30,000		786,300	655,500	
<b>Total Telecommunication Services</b>			4,505,649	3,433,000	14.1%

<b>Total Canadian Common Shares</b>		\$	5,128,449	\$ 3,833,800	15.8%
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### United States Common Shares

#### Cable and Wireless

Alltel Corp.	10,000	\$	1,006,349	\$ 684,922	
Nextel Communications, Inc., Class A	25,000		918,431	904,138	
<b>Total Cable and Wireless</b>			1,924,780	1,589,060	6.5%

#### Communication Technology

Cisco Systems Inc.	50,000		1,606,937	1,596,805	6.6%
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#### Telecommunication Services

AT&T Corp.	20,000		885,746	395,194	
BellSouth Corp.	30,000		1,541,075	1,044,557	
CenturyTel Inc.	25,000		1,131,383	1,008,863	
Cox Communications Inc.	20,000		905,283	753,751	
SBC Communications Inc.	35,000		1,744,168	1,143,692	
Verizon Communications Inc.	20,000		1,291,312	970,879	
<b>Total Telecommunication Services</b>			7,498,967	5,316,936	21.9%

<b>Total United States Common Shares</b>		\$	11,030,684	\$ 8,502,801	35.0%
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## Statement of Investments

June 29, 2004

	Number of Shares		Average Cost		Market Value	% of Portfolio
INVESTMENTS (continued)						
<b>Non-North American Common Shares</b>						
<b>Cable and Wireless</b>						
Vodafone Group ADR	15,000	\$	522,327	\$	448,129	1.8%
<b>Communications Technology</b>						
Alcatel ADR	20,000		436,423		417,015	
Nokia Corp. ADR	45,000		1,756,994		855,244	
<b>Total Communications Technology</b>			<b>2,193,417</b>		<b>1,272,259</b>	<b>5.2%</b>
<b>Telecommunication Services</b>						
BT Group ADR	20,000		1,219,879		973,034	
Cable & Wireless ADR	80,000		800,322		748,902	
Deutsche Telekom AG ADR	25,000		660,929		597,034	
France Telecom ADR	30,000		1,176,269		1,059,104	
KT Corp. ADR	25,000		848,561		604,442	
Nippon Telegraph & Telephone ADR	30,000		1,210,767		1,078,096	
SK Telecom Co. Ltd. ADR	40,000		1,269,723		1,133,051	
Tele Danmark TDC ADR	45,000		1,258,892		987,379	
China Mobile HK Ltd. SP ADR	30,000		690,768		605,318	
Telefonica De Espana ADR	28,153		1,860,245		1,673,056	
Telefonos de Mexico ADR	25,000		1,274,078		1,107,864	
<b>Total Telecommunication Services</b>			<b>12,270,433</b>		<b>10,567,280</b>	<b>43.4%</b>
<b>Total Non-North American Common Shares</b>		<b>\$</b>	<b>14,986,177</b>	<b>\$</b>	<b>12,287,668</b>	<b>50.4%</b>
<b>Forward Exchange Contracts</b>						
Sold USD \$1,157,000, Bought CAD \$1,517,258 @ 0.762560 - July 7, 2004				\$	(41,390)	
Sold USD \$1,264,000, Bought CAD \$1,701,601 @ 0.742830 - July 14, 2004					(1,444)	
Sold USD \$1,550,000, Bought CAD \$2,106,655 @ 0.735760 - July 21, 2004					17,998	
Sold USD \$972,000, Bought CAD \$1,340,098 @ 0.725320 - July 21, 2004					30,302	
Sold USD \$48,300, Bought CAD \$66,634 @ 0.724850 - August 4, 2004					1,534	
Sold USD \$696,000, Bought CAD \$955,676 @ 0.728280 - August 4, 2004					17,582	
Sold USD \$722,600, Bought CAD \$997,873 @ 0.724140 - August 18, 2004					23,730	
Sold USD \$1,801,000, Bought CAD \$2,456,958 @ 0.733020 - September 2, 2004					28,524	
<b>Total Forward Exchange Contracts</b>				<b>\$</b>	<b>76,836</b>	<b>0.3%</b>

# Statement of Investments

June 29, 2004

	Number of Contracts	Proceeds	Market Value	% of Portfolio
INVESTMENTS (continued)				
OPTIONS				
<b>Written Covered Call Options</b> (100 shares per contract)				
Alcatel ADR - July 2004 @ \$14	(200)	\$ (9,090)	\$ (35,593)	
AT&T Corp. - July 2004 @ \$16	(200)	(9,027)	(900)	
BT Group ADR - July 2004 @ \$36	(200)	(18,318)	(20,060)	
China Mobile H.K. Ltd. SP ADR - July 2004 @ \$15	(300)	(19,897)	(18,236)	
Cisco Systems Inc. - July 2004 @ \$24	(500)	(31,653)	(40,687)	
Nextel Communications, Inc., Class A - July 2004 @ \$24	(250)	(23,106)	(102,119)	
Nokia Corp. ADR - July 2004 @ \$15	(450)	(33,301)	(2,274)	
Nortel Networks Corporation - July 2004 @ \$7	(600)	(19,200)	(58,436)	
Nippon Telegraph & Telephone ADR - July 2004 @ \$25	(300)	(31,801)	(82,864)	
Telefonica De Espana ADR - July 2004 @ \$45	(200)	(22,281)	(13,988)	
Telefonos de Mexico ADR - July 2004 @ \$35	(250)	(16,490)	(656)	
Vodafone Group ADR - July 2004 @ \$24	(75)	(3,407)	(234)	
<b>Total Written Covered Call Options</b>		\$ (237,571)	\$ (376,047)	(1.5)%
<b>TOTAL INVESTMENTS</b>		\$ 30,907,739	\$ 24,325,058	100.0 %

## Statements of Financial Highlights

Years ended June 29

	2004	2003	2002	2001	2000
DATA PER UNIT					
Net Asset Value, as at June 30	\$ 12.19	\$ 12.49	\$ 20.34	\$ 30.46	\$ 31.86
INCOME (LOSS) FROM OPERATIONS					
Net investment income (loss)	(0.05)	0.15	0.50	0.75	0.29
Net gain (loss) on investments and options	0.97	0.38	(7.03)	(8.39)	6.69
Total Income (loss) from Operations	0.92	0.53	(6.53)	(7.64)	6.98
DISTRIBUTIONS TO SHAREHOLDERS					
Preferred shares					
From taxable income	(0.83)	(0.62)	(0.30)	(0.09)	(0.08)
Accrued preferred share distributions (Note 7)	—	(0.21)	—	—	—
From net realized gains on sale of investments and options	—	—	(0.57)	(0.79)	(0.80)
Class A shares					
From net realized gains on sale of investments and options	—	—	(0.45)	(1.60)	(7.50)
Total Distributions	(0.83)	(0.83)	(1.32)	(2.48)	(8.38)
Net Asset Value, as at June 29	\$ 12.28	\$ 12.19	\$ 12.49	\$ 20.34	\$ 30.46
Preferred shares	\$ 12.28	\$ 12.19	\$ 12.49	\$ 15.00	\$ 15.00
Class A shares	\$ —	\$ —	\$ —	\$ 5.34	\$ 15.46
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 36.04	\$ 35.83	\$ 41.39	\$ 71.16	\$ 109.36
Average net assets (\$millions)	\$ 37.09	\$ 37.26	\$ 58.88	\$ 88.91	\$ 121.52
Management expense ratio	1.86%	1.94%	1.88%	1.58%	1.60%
Portfolio turnover rate	54.8%	86.6%	38.3%	28.0%	67.4%
Annual rate of return per unit	7.5%	4.2%	(32.1)%	(25.1)%	21.9%



## 1. Corporate Information

Global Telecom Split Share Corp. (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on May 7, 1998. The Fund was inactive prior to the initial public offering of Preferred shares and Class A shares on June 30, 1998. All shares outstanding on July 2, 2008 will be redeemed by the Fund on that date.

The Fund operates under the registered name Mulvihill Premium Global Telecom Fund.

The Fund invests in a diversified portfolio consisting principally of common shares and American Depositary Receipts ("ADRs") issued by selected corporations operating in the global telecommunications industry. ADRs are issued by a depository as evidence of a beneficial interest in foreign securities of an issuer that are held on deposit by the depository.

To generate additional returns 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 all of the 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 portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States of America or short-term commercial paper with a rating of at least R-1 (mid).

## 2. 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 the significant accounting policies.

### Investment valuation policies

Investments and short-term bonds are recorded in the financial statements at their market value at the end of the period, determined as follows:

Securities are valued at market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the average of the bid and the asked price.

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

Each redeemable Preferred share is valued for financial statement purposes at the lesser of: (i) \$15.00; and (ii) the net asset value of the Fund divided by the number of Preferred shares outstanding.

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, as the case may be, were 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, options and foreign currency 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 or 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 net realized gains (losses) on sale of investments and options.

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, options and foreign currency. 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.

### Change in accounting policy

Each redeemable Preferred share is valued for financial statement purposes at the lesser of: (i) \$15.00; and (ii) the net asset value of the Fund divided by the number of Preferred shares outstanding. The net asset value is equal to the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding Preferred shares of the Fund on a particular date less \$1,000. The redeemable Preferred shares were previously valued at their termination value of \$15.00 per share.

There is no impact to the net asset value per unit of the Fund as a result of the change in accounting policy. However, the redeemable Preferred shares liability, deficit, and net asset deficiency are reduced by \$7,984,567 and \$8,242,574 as of June 29, 2004 and 2003 respectively to reflect the decline in net asset value per unit below the \$15.00

issue price of the Preferred shares. The change also reduced the opening 2003 deficit by \$8,319,340, and the 2003 net income by \$76,766. The decrease in 2003 net income resulted from the net of the (i) elimination of the 2003 gain on retraction on Preferred shares of \$1,043,953 and (ii) the recording of the (recovery)/reduction in value of Preferred shares of \$967,187.

### 3. Statements Of Financial Highlights

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

(a) Net investment income (loss) per Unit consists of interest and dividend revenue less expenses, net of withholding taxes and foreign exchange gains (losses) including preferred share distribution, and 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 shareholder transactions.

(c) Distributions to shareholders are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution.

(d) Management expense ratio is the ratio of all fees and expenses, including GST and capital taxes but excluding income taxes, charged to the Fund to average net assets, including redeemable Preferred shares.

(e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments divided by average value of portfolio securities excluding short-term investments 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 current year distributions paid and accrued.

### 4. Share Capital

The Fund is authorized to issue an unlimited number of Preferred and Class A shares and 1,000 Class B shares.

All Preferred shares and Class A shares outstanding on July 2, 2008 will be redeemed by the Fund on that date.

Preferred shares and Class A shares may be surrendered at any time for retraction at specified retraction amounts. Holders of Preferred shares and Class A shares may concurrently retract one Preferred Share and one Class A Share (together, a "Unit") on a June month end valuation date at their net asset values. Shares retracted at any other valuation date or not retracted concurrently at a June month end valuation date will be retracted at a discount to their net asset values. 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 Preferred shares and Class A shares tendered for retraction. The Preferred shares rank in priority to the Class A shares and the Class A shares rank in priority to the Class B shares with respect to the payment of dividends and repayment of capital on the dissolution, liquidation or winding up of the Fund.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share.

Class B shares are entitled to one vote per share. Preferred shares and Class A shares are entitled to vote on certain shareholder matters.

The Fund's Preferred shares have been classified as liabilities in accordance with the accounting guidelines of The Canadian Institute of Chartered Accountants. Accordingly, net income for the year is stated after Preferred shares distributions.

A net of 3,000 (2003 - 375,787) each of Preferred shares and Class A shares with a retraction value of \$36,580 (2003 - \$4,592,832) were redeemed during the year.

Issued and Outstanding	2004	2003
Preferred shares 2,934,858 (2003 - 2,937,858)	\$ 36,038,303	\$ 35,825,296
Class A shares 2,934,858 (2003 - 2,937,858)	\$ 41,389,619	\$ 41,389,619
Class B shares 1,000	1,000	1,000
	\$ 41,390,619	\$ 41,390,619

### 5. Management Fees and Expenses

The Fund is responsible for all ongoing custodial, manager, legal, accounting and audit fees as well as all other expenses incurred by the custodian and manager in the ordinary course of business relating to the Fund's operations.

Fees are paid to Mulvihill Capital Management Inc. ("MCM") under the terms of an investment management agreement and to Mulvihill Fund Services Inc. ("Mulvihill") under the terms of a management agreement. The fees are comprised of monthly fees calculated at 1/12 of 1.15% and 1/12 of 0.10%, respectively, of the net assets of the Fund at each month end, including the redeemable Preferred shares.

### 6. Income Taxes

The Fund is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fund is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses and share issue expenses. The amount paid in respect of income taxes for 2004 was nil (2003 - \$51,537).

The Fund is also a "financial intermediary corporation" as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable Preferred shares.

Under the dividend policy of the Fund, premiums received in respect of written options that are still outstanding at year end are not to be distributed in the year to the shareholders. The premiums retained by the Fund are subject to the refundable capital gains tax.

Capital losses of approximately \$45 million (2003 - \$47 million) are available for utilization against realized gains on sales of investments in future years. Capital losses can be carried forward indefinitely.

## 7. Distributions – Preferred Shares

Preferred shares are entitled to a cumulative preferential quarterly dividend of \$0.20625 per share payable on the last day of September, December, March and June in each year. To the extent that a quarterly dividend is a capital gains dividend funded by net realized capital gains or option premiums, holders of Preferred shares will receive an additional capital gains dividend of \$0.068 for each \$1.00 of Preferred Share dividend so funded.

The Fund suspended payment of cumulative preferential dividends on preferred shares in its first quarter ended September 30, 2002. The Fund reinstated the cumulative preferential dividends on the preferred shares in its second quarter ended December 31, 2002. The Preferred shares distribution payable amount includes dividends of \$605,314 in arrears and the Fund shall pay such arrears over time.

## 8. Commissions Paid

Total commissions paid for the year in connection with portfolio transactions were \$71,163 (2003 - \$167,768).

## 9. Normal Course Issuer Bid

Under the terms of the Fund's normal course issuer bid, renewed in October 2003, the Fund proposes to purchase, if considered advisable, up to a maximum 290,886 of its Class A shares and 290,886 of its Preferred shares being approximately, 10% of its public float as determined in accordance with the rules of the Exchange. The purchases, which may commence on October 31, 2003, would be made in the open market through the facilities of the Exchange. The normal course issuer bid will remain in effect until the earlier of October 30, 2004 or until the Fund has purchased the maximum number of shares permitted under the bid. As at June 29, 2004, no shares 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 Investors Services at: Mulvihill Premium Global Telecom Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario M5H 3T9.

## 10. 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 in 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.

## 11. Comparative Figures

As a result of the change in accounting policy, certain per unit figures have been reclassified on the Statements of Financial Highlights. In addition, the annual rate of return has been calculated on a per unit basis, and therefore, all comparative figures have been presented on the same basis.

## 12. Statement of Portfolio Transactions

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

## Statement of Corporate Governance Practices

The Board of Directors (the "Board") bear responsibility for the stewardship of Global Telecom Split Share Corp. (operating as Mulvihill Premium Global Telecom Fund) (the "Fund"). Stewardship includes responsibility for the adoption of a strategic planning process, the identification of the principal risks of the Fund and ensuring the implementation of appropriate systems to manage these risks, succession planning, communications policy, and the integrity of the Fund's internal control and management information systems.

The Board consists of five directors, three of whom are independent of the Fund. The Board believes that the number of directors is appropriate for the Fund and only directors independent of the Fund are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective director. Individual directors may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the annual financial statements and the annual audit performed by the external auditor, oversight of management's reporting on internal control and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditors to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, is evolving a best practices governance procedure.

The Fund maintains an Investor Relations line and web site to respond to inquiries from shareholders.



## Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.1 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 June 29, 2004			
<b>MULVIHILL PLATINUM</b>			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 20.81	\$ 19.44
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 19.74	\$ 18.46
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.99	\$ 17.45
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 19.73 USD	\$ 14.81 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.75/\$ 17.49	\$ 8.10/\$ 14.75
<b>MULVIHILL PREMIUM</b>			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 22.25	\$ 18.60
Mulvihill Premium U.S. Fund	FPU.UN	\$ 15.30	\$ 13.21
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.30	\$ 8.52
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 22.00	\$ 19.25
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 14.24	\$ 12.85
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.75/\$ 17.12	\$ 10.90/\$ 15.65
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 12.20/\$ 16.75	\$ 8.25/\$ 15.20
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 1.90/\$ 12.60	\$ 0.66/\$ 10.80
Mulvihill World Financial Split Corp.	WFS/WFS.PR.A	\$ 15.00/\$ 10.80	\$ 11.98/\$ 10.21
<b>MULVIHILL SUMMIT</b>			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.10	\$ 3.51

## Board of Directors

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

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

**Michael M. Koerner\***  
Corporate Director

**Robert W. Korthals\***  
Corporate Director

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

\* Audit Committee

## Information

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

**Transfer Agent:**  
Computershare  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

**Shares Listed:**  
Toronto Stock Exchange  
trading under  
GT.A/GT.PR.A

**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

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### 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 Corp.

### Mulvihill Summit

Mulvihill Summit Digital World Fund

## Mutual Funds Managed by Mulvihill Capital Management

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Mulvihill Canadian Money Market Fund  
Mulvihill Canadian Equity Fund  
Mulvihill Canadian Bond Fund  
Mulvihill Global Equity Fund  
Mulvihill U.S. Equity Fund  
Premium Canadian Income Fund  
Premium Global Income Fund

## Head Office:

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

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1 800 725-7172  
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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

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Mulvihill Capital Management Inc.

*Please contact your broker directly for address changes.*