



MCM SPLIT SHARE CORP.

Semi-Annual Report 2001

July 31, 2001

### Message to the Shareholders

September 2001

During the six-month period ended July 31, 2001, the Corporation once again exceeded the target distribution rate of 8% per annum for Class A shareholders. Special distributions beyond the target level have been made in each of the last seven consecutive quarters. Preferred shareholders also received distributions at the target level of 5.5% per annum. These results were achieved despite continuing weakness in equity markets.

The Corporation's net assets as of July 31, 2001, were \$44.1 million, or \$13.39 per Class A share, compared to \$47.98 million, or \$14.57 per share, at the end of January 2001. Class A shareholders received regular distributions of \$0.30 per unit in each of the first two fiscal quarters, plus two special quarterly dividends of \$0.10 per unit, for a total of \$0.80 per unit. During the same period, preferred shareholders received distributions of \$0.43 per unit.

The sagging U.S. economy and its global impact have had a negative effect on equity markets in general, and the high-tech sector in particular. During the first half of this year, the total return on the TSE 300 was down 16.6%, while the S&P/TSE 60 return was down 18.6%. The Corporation was able to enhance income for distributions by writing covered call and put options. Some investments have performed well despite the downturn, including such companies as CN Rail and Canadian Pacific. The resource sector, led by Imperial Oil and Nexen, also showed strong gains.

The Corporation's portfolio is now well-diversified across all major industrial sectors, in both Canadian and U.S. markets, and a prudent level of cash reserves is being maintained to respond to changing circumstances.

## Financial Statements

## Interim Statements of Financial Position

|  | July 31, 2001<br>(Unaudited) | January 31, 2001<br>(Audited) |
|--|------------------------------|-------------------------------|
| <b>Assets</b>  |                              |                               |
| Investments at market value<br>(average cost-\$73,304,604; Jan. 31, 2001-\$86,194,087) | \$ 67,592,959                | \$ 86,652,625                 |
| Short-term investments<br>(average cost-\$26,654,907; Jan. 31, 2001-\$10,608,788)      | 26,677,391                   | 10,542,964                    |
| Cash   | 10,772                       | 14,112                        |
| Interest, dividends and other receivables  | 157,948                      | 322,289                       |
|  | <b>\$ 94,439,070</b>         | <b>\$ 97,531,990</b>          |
| <b>Liabilities</b>   |                              |                               |
| Accounts payable and accrued liabilities   | \$ 930,968                   | \$ 151,040                    |
| Redeemable preferred shares  | 49,401,225                   | 49,401,225                    |
|  | <b>50,332,193</b>            | <b>49,552,265</b>             |
| <b>Equity</b>  |                              |                               |
| Class A and Class B shares   | 43,615,295                   | 43,615,295                    |
| Retained earnings  | 6,180,813                    | 3,971,766                     |
| Unrealized appreciation/(depreciation)<br>in the market value of investments           | (5,689,231)                  | 392,664                       |
|  | <b>\$ 44,106,877</b>         | <b>\$ 47,979,725</b>          |
| <b>Total Liabilities and Equity</b>  | <b>\$ 94,439,070</b>         | <b>\$ 97,531,990</b>          |
| <b>Net Asset Value per Class A Share</b>   | <b>\$ 13.39</b>              | <b>\$ 14.57</b>               |

## Interim Statements of Operations and Retained Earnings

For the six months ended July 31 (Unaudited)

|  | 2001                | 2000                 |
|--|---------------------|----------------------|
| <b>Revenue</b>                                       |                     |                      |
| Dividends  | \$ 869,528          | \$ 653,725           |
| Interest   | 865,177             | 987,510              |
| Withholding tax                                      | (8,144)             | (9,384)              |
|  | <b>1,726,561</b>    | <b>1,631,851</b>     |
| <b>Net Realized Gains on Investments and Options</b> | <b>5,392,235</b>    | <b>9,651,878</b>     |
|  | <b>\$ 7,118,796</b> | <b>\$ 11,283,729</b> |
| <b>Expenses</b>                                      |                     |                      |
| Management fees                                      | 583,152             | 733,407              |
| Administrative and other expenses                    | 215,456             | 129,563              |
| Goods and services tax                               | 55,903              | 60,408               |
|  | <b>854,511</b>      | <b>923,378</b>       |
| <b>Net Income Before Distributions</b>               | <b>6,264,285</b>    | <b>10,360,351</b>    |
| <b>Preferred Share Distributions</b>                 | <b>1,420,507</b>    | <b>1,474,471</b>     |
| <b>Net Income</b>                                    | <b>\$ 4,843,778</b> | <b>\$ 8,885,880</b>  |
| <b>Net Income per Class A Share</b>                  | <b>\$ 1.90</b>      | <b>\$ 2.67</b>       |
| <b>Retained Earnings</b>                             |                     |                      |
| Balance, beginning of period                         | \$ 3,971,766        | \$ 2,472,950         |
| Net income   | 4,843,778           | 8,885,880            |
| Distributions on Class A Shares                      | (2,634,731)         | (5,501,336)          |
| <b>Balance, end of period</b>                        | <b>\$ 6,180,813</b> | <b>\$ 5,857,494</b>  |

**Financial Statements**
**Interim Statements of Changes in Net Assets**

For the six months ended July 31 (Unaudited)

|  | 2001                 | 2000                 |
|--|----------------------|----------------------|
| <b>Share Capital Transactions</b>  |                      |                      |
| Shares redeemed, net   | \$ -                 | \$ (11,881,156)      |
| Proceeds from units issued   | -                    | 688,410              |
|  | -                    | (11,192,746)         |
| <b>Net Income Before Distributions</b>   | <b>6,264,285</b>     | <b>10,360,351</b>    |
| <b>Distributions</b>   |                      |                      |
| Preferred shares   | (1,420,507)          | (1,474,471)          |
| Class A shares   | (2,634,731)          | (5,501,336)          |
|  | (4,055,238)          | (6,975,807)          |
| <b>Change in Net Unrealized Appreciation/(Depreciation) in Market Value of Investments During the Period</b> | <b>(6,081,895)</b>   | <b>4,214,355</b>     |
| <b>Change in Equity During the Period</b>  | <b>(3,872,848)</b>   | <b>(3,593,847)</b>   |
| <b>Equity, Beginning of Period</b>   | <b>47,979,725</b>    | <b>58,906,839</b>    |
| <b>Equity, End of Period</b>   | <b>\$ 44,106,877</b> | <b>\$ 55,312,992</b> |
| <b>Distribution per Preferred Share</b>  | <b>\$ 0.43</b>       | <b>\$ 0.43</b>       |
| <b>Distribution per Class A Share</b>  | <b>\$ 0.80</b>       | <b>\$ 1.60</b>       |

**Statement of Investments**

July 31, 2001 (Unaudited)

|   | Par Value/<br>No. of Shares | Average<br>Cost      | Market<br>Value      |
|---|-----------------------------|----------------------|----------------------|
| <b>Short-term Investments</b>                               |                             |                      |                      |
| <b>Treasury Bills</b>                                       |                             |                      |                      |
| Government of Canada - August 30, 2001                      | 11,857,000                  | \$ 11,732,312        | \$ 11,732,312        |
| Government of Canada - August 1, 2001 USD                   | 1,750,000                   | 2,645,230            | 2,665,646            |
| Government of Canada - August 15, 2001 USD                  | 60,000                      | 92,026               | 91,405               |
| Government of Canada - August 29, 2001 USD                  | 535,000                     | 819,053              | 814,271              |
| Government of Canada - September 17, 2001 USD               | 50,000                      | 76,489               | 75,977               |
| Government of Canada - September 27, 2001                   | 3,881,000                   | 3,838,843            | 3,838,843            |
| Government of Canada - October 25, 2001                     | 2,558,000                   | 2,532,190            | 2,532,190            |
| Government of the United States<br>- September 13, 2001 USD | 2,100,000                   | 3,161,225            | 3,181,807            |
|   |                             | <b>24,897,368</b>    | <b>24,932,451</b>    |
| <b>Discount Commercial Paper</b>                            |                             |                      |                      |
| Export Development Corp. - August 22, 2001 USD              | 1,145,000                   | 1,757,539            | 1,744,940            |
|   |                             | <b>26,654,907</b>    | <b>26,677,391</b>    |
| <b>Accrued Interest</b>                                     |                             | -                    | 129,545              |
| <b>Total Short-term Investments</b>                         |                             | <b>\$ 26,654,907</b> | <b>\$ 26,806,936</b> |
| <b>Investments</b>  |                             |                      |                      |
| <b>Canadian Common Stocks</b>                               |                             |                      |                      |
| <b>Metals &amp; Materials</b>                               |                             |                      |                      |
| Abitibi Consolidated Inc.                                   | 98,000                      | \$ 1,295,871         | \$ 1,143,660         |
| Alcan Inc.  | 34,300                      | 2,128,065            | 1,973,965            |
| Anderson Exploration Ltd.                                   | 36,800                      | 1,193,491            | 1,021,200            |

# Statement of Investments

July 31, 2001 (Unaudited)

|  | No. of Shares | Average Cost      | Market Value      |
|--|---------------|-------------------|-------------------|
| <b>Investments (continued)</b>               |               |                   |                   |
| <b>Canadian Common Stocks (continued)</b>    |               |                   |                   |
| Domtar Inc.                                  | 110,000       | 1,986,685         | 1,654,400         |
| Imperial Oil Ltd.                            | 35,000        | 1,219,917         | 1,503,600         |
| Nexen Inc.                                   | 36,700        | 881,634           | 1,455,155         |
| Noranda Inc.                                 | 56,000        | 926,139           | 890,960           |
| Petro-Canada                                 | 40,000        | 922,472           | 1,584,000         |
| Placer Dome Inc.                             | 97,000        | 1,802,875         | 1,488,950         |
| Precision Drilling Corporation               | 10,000        | 572,953           | 435,400           |
| Suncor Energy Inc.                           | 27,500        | 1,140,425         | 1,149,225         |
|  |               | <b>14,070,527</b> | <b>14,300,515</b> |
| <b>Consumer Products</b>                     |               |                   |                   |
| Molson Inc. Class A                          | 21,000        | <b>980,815</b>    | <b>1,051,050</b>  |
| <b>Biotechnology/Pharmaceuticals</b>         |               |                   |                   |
| Biovail Corporation                          | 8,500         | <b>568,218</b>    | <b>612,000</b>    |
| <b>Industrials</b>                           |               |                   |                   |
| Bombardier Inc. - Class B                    | 113,500       | 1,353,119         | 2,536,725         |
| Canadian National Railway Co.                | 24,000        | 1,383,904         | 1,680,000         |
| Canadian Pacific Ltd.                        | 20,000        | 1,252,280         | 1,166,000         |
| Magna International Inc. -Class A            | 35,000        | 3,422,240         | 3,373,650         |
|  |               | <b>7,411,543</b>  | <b>8,756,375</b>  |
| <b>Technology-Hardware</b>                   |               |                   |                   |
| ATI Technologies Inc.                        | 142,000       | 2,272,999         | 2,083,140         |
| CAE Inc.                                     | 43,000        | 528,202           | 636,400           |
| Celestica Inc.                               | 22,500        | 1,618,539         | 1,662,750         |
| Nortel Networks Corporation                  | 142,100       | 3,818,129         | 1,746,409         |
| Mitel Corporation                            | 56,100        | 1,475,666         | 788,205           |
|  |               | <b>9,713,535</b>  | <b>6,916,904</b>  |
| <b>Pipelines</b>                             |               |                   |                   |
| Enbridge Inc.                                | 36,000        | 1,441,483         | 1,463,400         |
| TransCanada PipeLines Ltd.                   | 105,000       | 2,787,600         | 2,008,650         |
|  |               | <b>4,229,083</b>  | <b>3,472,050</b>  |
| <b>Utilities</b>                             |               |                   |                   |
| BCE Inc.                                     | 70,000        | 1,961,481         | 2,870,000         |
| TransAlta Corporation                        | 36,000        | 959,400           | 883,440           |
|  |               | <b>2,920,881</b>  | <b>3,753,440</b>  |
| <b>Communications &amp; Media</b>            |               |                   |                   |
| The Thomson Corporation                      | 31,000        | <b>1,716,750</b>  | <b>1,576,350</b>  |
| <b>Merchandising</b>                         |               |                   |                   |
| Loblaw Companies Ltd.                        | 26,100        | <b>1,315,862</b>  | <b>1,350,675</b>  |
| <b>Financial Services</b>                    |               |                   |                   |
| Bank of Nova Scotia                          | 55,000        | 2,303,250         | 2,494,250         |
| Canadian Imperial Bank of Commerce           | 50,000        | 2,238,145         | 2,547,500         |
| Manulife Financial Corporation               | 35,600        | 1,486,596         | 1,642,584         |
| Royal Bank of Canada                         | 45,000        | 2,140,375         | 2,293,200         |
| Sun Life Financial Services of Canada Inc.   | 46,000        | 1,510,225         | 1,771,000         |
| The Toronto-Dominion Bank                    | 63,000        | 2,327,870         | 2,478,420         |
|  |               | <b>12,006,461</b> | <b>13,226,954</b> |
| <b>Total Canadian Common Stocks</b>          |               | <b>54,933,675</b> | <b>55,016,313</b> |
| <b>Common Stocks - USA</b>                   |               |                   |                   |
| <b>Data Processing &amp; Reproduction</b>    |               |                   |                   |
| Microsoft Corporation                        | 25,000        | 3,440,964         | 2,529,116         |
| Oracle Corporation                           | 36,000        | 1,362,544         | 994,803           |
|  |               | <b>4,803,508</b>  | <b>3,523,919</b>  |
| <b>Electrical &amp; Electronics</b>          |               |                   |                   |
| General Electric Co.                         | 10,000        | <b>711,463</b>    | <b>664,853</b>    |
| <b>Electric Components &amp; Instruments</b> |               |                   |                   |
| Texas Instruments Inc.                       | 5,000         | <b>477,847</b>    | <b>263,649</b>    |

## Statement of Investments

July 31, 2001 (Unaudited)

|  | No. of Shares              | Average Cost         | Market Value         |
|--|----------------------------|----------------------|----------------------|
| <b>Investments (continued)</b>                                   |                            |                      |                      |
| <b>Common Stocks - USA (continued)</b>                           |                            |                      |                      |
| <b>Energy Equipment &amp; Services</b>                           |                            |                      |                      |
| Halliburton Co.  | 26,000                     | 1,768,325            | 1,391,239            |
| <b>Food &amp; Household Products</b>                             |                            |                      |                      |
| Procter & Gamble Co.   | 20,000                     | 2,040,347            | 2,170,936            |
| <b>Health &amp; Personal Care</b>                                |                            |                      |                      |
| Amgen Inc.   | 10,000                     | 941,461              | 958,458              |
| <b>Merchandising</b>   |                            |                      |                      |
| Wal-Mart Stores Inc.   | 9,000                      | 712,584              | 768,937              |
| <b>Telecommunications</b>  |                            |                      |                      |
| AT&T Corp.   | 45,000                     | 2,577,102            | 1,390,001            |
| Lucent Technologies Inc.   | 39,000                     | 2,787,414            | 399,370              |
| Nextel Communications Inc.                                       | 48,000                     | 1,868,106            | 1,221,496            |
|  |                            | <b>7,232,622</b>     | <b>3,010,867</b>     |
| <b>Banking</b>   |                            |                      |                      |
| Bank One Corp.   | 12,000                     | 705,383              | 709,971              |
| <b>Total Common Stocks - USA</b>                                 |                            | <b>19,393,540</b>    | <b>13,462,829</b>    |
|  | <b>Number of Contracts</b> | <b>Proceeds</b>      | <b>Market Value</b>  |
| <b>Options</b>   |                            |                      |                      |
| <b>Written Put Options (100 shares per contract)</b>             |                            |                      |                      |
| Mitel Corp. - October 2001 @ \$14                                | (281)                      | (26,414)             | (35,555)             |
| Precision Drilling Corporation - August 2001 @ \$50              | (100)                      | (33,800)             | (69,532)             |
| <b>Total Written Put Options</b>                                 |                            | <b>(60,214)</b>      | <b>(105,087)</b>     |
| <b>Written Call Options (100 shares per contract)</b>            |                            |                      |                      |
| Alcan Inc. - August 2001 @ \$70                                  | (150)                      | (54,750)             | -                    |
| Anderson Exploration Ltd. - August 2001 @ \$36                   | (184)                      | (26,312)             | (4,600)              |
| Bank of Nova Scotia - August 2001 @ \$46                         | (275)                      | (40,150)             | (21,163)             |
| Biovail Corporation - September 2001 @ \$70                      | (85)                       | (32,045)             | (47,980)             |
| Bombardier Inc. - September 2001 @ \$21                          | (400)                      | (116,800)            | (69,368)             |
| Bombardier Inc. - September 2001 @ \$24                          | (400)                      | (49,200)             | (11,996)             |
| Canadian Imperial Bank of Commerce - October 2001 @ \$54         | (300)                      | (58,200)             | (42,988)             |
| Canadian National Railway Co. - September 2001 @ \$62            | (120)                      | (29,280)             | (103,624)            |
| Canadian Pacific Ltd. - August 2001 @ \$65                       | (200)                      | (48,000)             | (6,286)              |
| General Electric Co. - August 2001 @ \$53                        | (100)                      | (19,749)             | (307)                |
| Imperial Oil Ltd. - August 2001 @ \$45                           | (175)                      | (21,525)             | (6,563)              |
| Magna International Inc. - August 2001 @ \$100                   | (350)                      | (56,175)             | (27,125)             |
| Molson Inc. - August 2001 @ \$48                                 | (210)                      | (38,640)             | (55,317)             |
| Nexen Inc. - August 2001 @ \$40                                  | (245)                      | (48,510)             | (21,438)             |
| Nexen Inc. - August 2001 @ \$42                                  | (122)                      | (13,176)             | (3,965)              |
| Nortel Networks Corporation - September 2001 @ \$20              | (244)                      | (65,392)             | (191,540)            |
| Petro-Canada - September 2001 @ \$42                             | (320)                      | (85,760)             | (22,400)             |
| Royal Bank of Canada - September 2001 @ \$52                     | (225)                      | (32,895)             | (29,755)             |
| Sun Life Financial Services of Canada Inc. - October 2001 @ \$38 | (230)                      | (38,410)             | (56,164)             |
| Suncor Energy Inc. - August 2001 @ \$44                          | (220)                      | (43,560)             | (14,038)             |
| TransAlta Corporation - September 2001 @ \$28                    | (180)                      | (11,700)             | (4,588)              |
| Wal-Mart Stores Inc. - September 2001 @ \$55                     | (90)                       | (32,168)             | (39,891)             |
| <b>Total Written Call Options</b>                                |                            | <b>(962,397)</b>     | <b>(781,096)</b>     |
| <b>Total Options</b>   |                            | <b>(1,022,611)</b>   | <b>(886,183)</b>     |
| <b>Total Investments</b>   |                            | <b>\$ 73,304,604</b> | <b>\$ 67,592,959</b> |

### 1. Basis of Presentation

Not all disclosures required by Canadian generally accepted accounting principles 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 January 31, 2001.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended January 31, 2001.

## Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for MCM Split Share Corp. for the period ended July 31, 2001 may be obtained without charge by writing to:

Investor Relations  
121 King Street West  
Suite 2600  
Toronto, Ontario  
M5H 3T9

### Other Hybrid Income Funds Managed by Mulvihill Structured Products

#### Mulvihill Premium Funds

Global Telecom Split Share Corp.  
Premium Income Corporation  
First Premium Income Trust  
First Premium U.S. Income Trust  
First Premium Oil & Gas Income Trust  
Sixty Plus Income Trust  
Global Plus Income Trust

#### Mulvihill Summit Series

Digital World Trust

#### Mulvihill Platinum Series

Pro-AMS U.S. Trust  
Pro-AMS Trust

### Mutual Funds Managed by Mulvihill Wealth Management

Mulvihill Canadian Money Market Fund  
Mulvihill Canadian Equity Fund  
Mulvihill Canadian Bond Fund  
Mulvihill Global Equity Fund

Mulvihill U.S. Equity Fund  
Premium Global Income Fund  
Premium Canadian Income Fund

#### Head Office:

Mulvihill Capital Management Inc.  
121 King Street West, Suite 2600  
Toronto, Ontario M5H 3T9  
fax: (416) 681-3901  
tel: (416) 681-3966 or (800) 725-7172  
email: premium@mulvihill.com

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121 King Street West, Suite 2600  
Toronto, Ontario M5H 3T9

Tel: 416-681-3966 800-725-7172

Fax: 416-681-3901

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

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