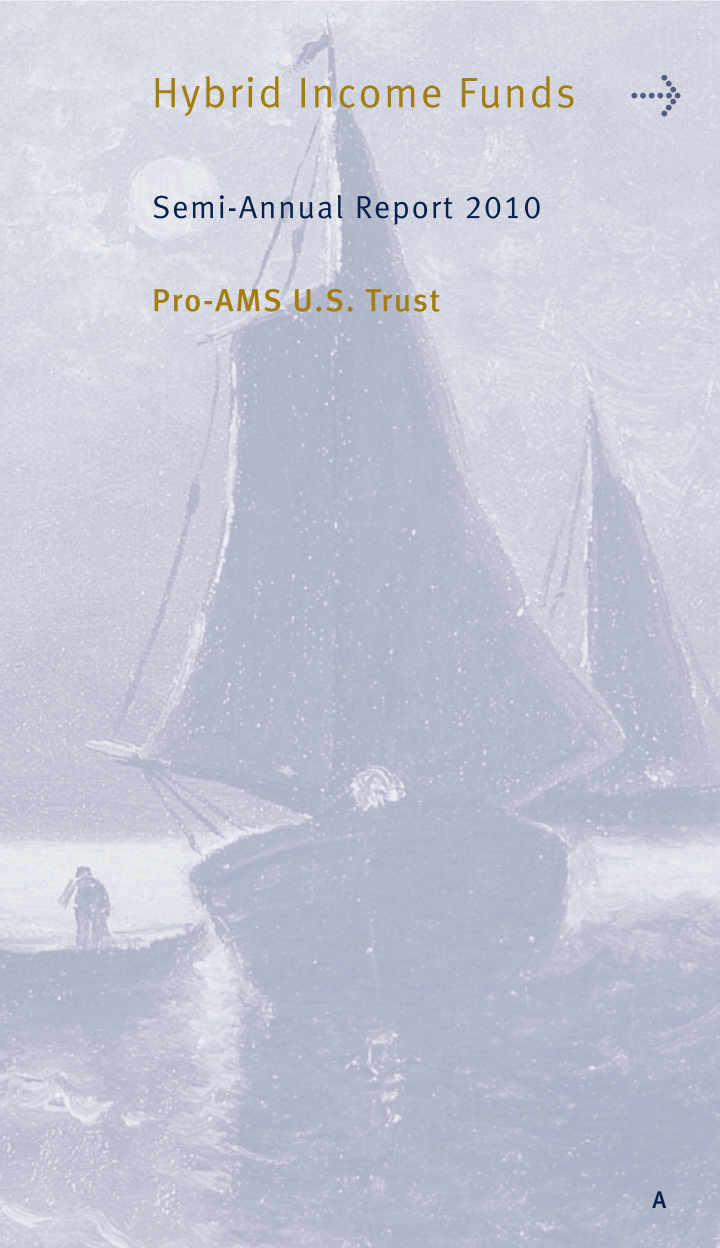
Mulvihill Structured Products

Mulvihill

Hybrid Income Funds

Semi-Annual Report 2010

Pro-AMS U.S. Trust



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Message to Unitholders

We are pleased to present the semi-annual financial results of Pro-AMS U.S. Trust (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 the Fund on January 4, 2011. To provide greater certainty to the principal repayments objective, the Fund suspended the payment of monthly distributions in April 2005.

To provide the Fund with the means to return the original issue price on termination, the Fund entered into a "Forward Agreement" with the Royal Bank of Canada ("RBC") whereby RBC will pay the Fund $25.00 for each unit outstanding on the termination date in exchange for the delivery of the Fund's fixed portfolio. During the six-month period ended June 30, 2010, the Fund's total return was 0.13 percent. The net asset value increased from $24.88 per unit as at December 31, 2009 to $24.91 per unit as at June 30, 2010.

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

		Years ended December 31				
	June 30, 2010	2009	2008	2007	2006	2005
Total Fund Return	0.13%	(0.11)%	8.96%	1.97%	2.24%	2.15%
Distribution Paid	$ –	$ –	$ –	$ –	$ –	$ 0.12
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 24.91	$ 24.88	$ 24.90	$ 22.86	$ 22.42	$ 21.92

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, 2010 of Pro-AMS U.S. Trust (the “Fund”). The June 30, 2010 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. You can also get a copy of the annual financial statements at your request and at no cost by using one of these methods.

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.

Asset Mix and Portfolio Holdings

June 30, 2010

	% of Net Asset Value
Securities Pledged as Collateral for Forward Agreement (Fixed Portfolio)	99 %
Forward Agreement (Fixed Portfolio)	1 %
Cash and Short-Term Investments (Managed Portfolio)	6 %
Other Assets (Liabilities)	(6)%
	100 %

Securities in the fixed portfolio have been pledged to the Royal Bank of Canada ("RBC") as security for the obligation of the Fund under the forward agreement. As a result, the fixed portfolio effectively has no equity exposure.

Management Report on Fund Performance

Results of Operations

For the six-month period ended June 30, 2010, the net asset value of the Fund for pricing purposes based on closing prices was $24.91 per unit (see Note 2 to the financial statements) compared to $24.88 per unit at December 31, 2009. The Fund's units listed on the Toronto Stock Exchange as PAM.UN, closed on June 30, 2010 at $24.45 per unit representing a 1.8 percent discount to the net asset value.

No distributions were paid to unitholders during this period.

The total return of 0.1 percent during this period was primarily due to changes in interest rates, which positively affected the value of fixed portfolio. The return on the Bloomberg/EFFAS Bond Indices Canada 1-3 Year was 1.3 percent during the same period.

For more detailed information on the investment returns, please see the Annual Total Return bar chart on page 8.

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, 2010 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2010
NET ASSETS PER UNIT	
Net Assets, beginning of period (based on bid prices)[(1)]	**$ 24.88**
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	–
Total expenses	**(0.03)[(5)]**
Realized gain (loss) for the period	**(3.38)**
Unrealized gain (loss) for the period	**3.44**
Total Increase (Decrease) from Operations[(2)]	**0.03**
DISTRIBUTIONS	
Non-taxable distributions	–
Total Distributions[(3)]	–
Net Assets, end of period (based on bid prices)[(1)]	**$ 24.91**

(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 accounting standards set out by the Canadian Institute of Chartered Accountants adopted January 1, 2007 relating to Financial Instruments.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), net of withholding taxes and foreign exchange gains (losses), less expenses and is calculated based on the weighted average number of units outstanding

	Six months ended June 30, 2010
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value ($millions)	**$ 16.31**
Number of units outstanding	**654,588**
Management expense ratio[(1)]	**2.15%[(4)]**
Portfolio turnover rate[(2)]	**20.32%**
Trading expense ratio[(3)]	**0.00%**
Net Asset Value per unit[(5)]	**$ 24.91**
Closing market price	**$ 24.45**

(1) Management expense ratio ("MER") 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 MER for 2010 and 2009 excludes expenses absorbed by Manager. The MER for 2010 and 2009 including expenses absorbed by Manager is 0.24% and 1.16% respectively.

(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.

Management Report on Fund Performance

For June 30, 2010, December 31, 2009, December 31, 2008 and December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's 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 Management Report on Fund Performance are made using Net Asset Value.

Years ended December 31				
2009	2008	2007	2006	2005
$ 24.90	$ 22.86	$ 22.42	$ 21.92	$ 21.58
–	0.05	0.08	0.08	0.13
(0.29)(4)	(0.56)	(0.54)	(0.47)	(0.43)
(1.39)	4.72	1.52	0.95	10.04
1.64	(2.18)	(0.71)	(0.11)	(9.30)
(0.04)	**2.03**	**0.35**	**0.45**	**0.44**
–	–	–	–	(0.12)
–	**–**	**–**	**–**	**(0.12)**
$ 24.88	**$ 24.90**	**$ 22.86**	**$ 22.42**	**$ 21.92**

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) Expenses in the amount of $131,490 were absorbed by Manager for the year ended December 31, 2009.

(5) Expenses in the amount of $155,424 were absorbed by Manager for the period ended June 30, 2010.

Years ended December 31				
2009	2008	2007	2006	2005
$ 16.29	$ 20.35	$ 25.16	$ 33.05	$ 49.03
654,588	817,141	1,100,854	1,474,241	2,236,435
1.81%	2.38%	2.41%	2.16%	1.96%
0.00%	101.23%	21.51%	8.71%	198.72%
0.00%	0.00%	0.00%	0.00%	0.02%
$ 24.88	$ 24.90	$ 22.86	$ 22.42	$ 21.92
$ 24.20	$ 24.20	$ 21.70	$ 21.70	$ 21.46

(3) Trading expense ratio represents total commissions expressed as a 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.

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 1.15 percent of the net asset value of the Fund at each month end. The Investment Manager voluntarily agreed to defer payment of a portion of its management fees. These deferrals in the management fees represent decreases in direct proportion to the decline in targeted distribution rates, to a minimum annual management fee rate of 0.50 percent of the Fund's net asset value. The Investment Manager may choose at any time to require payment of its full investment management fees and all or any portion of those in arrears. A portion of the accrued investment management fees was applied to the payment of much of the Fund expense incurred during the period, which resulted in a reduction of the accrued investment management fees that had been voluntarily deferred. Management fees for the period were paid at an annual rate of 0.50 percent of the Fund's net asset value.

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 in the Fund's portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services Inc. is entitled to fees under the Trust 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 Trust Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

The primary investment objective is to maintain the redemption value of $25.00 per unit to be paid to unitholders on the termination date of January 4, 2011. To meet this objective, exposure to equities has been eliminated. The managed portion of the Fund holds only cash and cash equivalents while the fixed portfolio contains a forward agreement with the Royal Bank of Canada, which is structured to return $25.00 per unit outstanding on the termination date, and equity securities that have been pledged as security for the obligations under the forward agreement.

The Bank of Canada took the lead of the G7 countries by raising rates in the second quarter. On June 1, the key lending rate was raised by 25 basis points to 0.75 percent after more than a year at 0.50 percent. This was not entirely unexpected, as Canada's economic situation compares favourably to most others in the developed world.

Consensus among economic analysts at the end of June 2010 was that the bank rate would likely move higher by the end of 2010 and into 2011. In fact, the central bank did raise the discount rate by another 0.25 percent on July 20, 2010, bringing the key rate to 1 percent. The bank's inflation expectations are unchanged at close to 2 percent, however, economic recovery may be somewhat slower than originally expected.

Management Report on Fund Performance

While the Fund remains sensitive to changes in interest rates and the shape of the yield curve, this sensitivity is reduced as the term to maturity of the fixed portfolio is shortened in keeping with the January 4, 2011 termination date of the Fund.

The governments of Ontario have taken steps to harmonize their provincial sales taxes with the federal goods and services tax effective July 1, 2010. Implementation of the proposed changes will increase the amount of taxes paid by the Fund on its expenses, including but not limited to management fees, and therefore increase the management expense ratio.

Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative or quantitative impact, if any, of the changeover to IFRS in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. However, the Accounting Standards Board is proposing that Canadian investment companies have the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Manager is currently assessing the impact of this announcement on the Fund and its plans for adopting IFRS. Accordingly, the Fund will adopt IFRS for either its fiscal period beginning January 1, 2011 or 2012, and will issue its initial financial statements in accordance with IFRS, including comparative information, for either the interim period ending June 30, 2011 or 2012.

The key elements of the changeover plan deal with the requirements for financial reporting, net asset value per unit calculations, systems and processes, and training. The plan also sets out the timeline for implementation of the changes and the required technical training or support required for a smooth transition.

As at June 30, 2010, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in Accounting Guideline 18 – Investment Companies ("AcG 18");
- Implementation of cash flow statements;
- Presentation of comparative information; and,
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Management Report on Fund Performance

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the impact of the Fund's financial results at this time. Based on the Manager's current understanding and analysis of IFRS to the current accounting policies under Canadian GAAP, the Manager does not anticpate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust their changeover plan accordingly.

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,

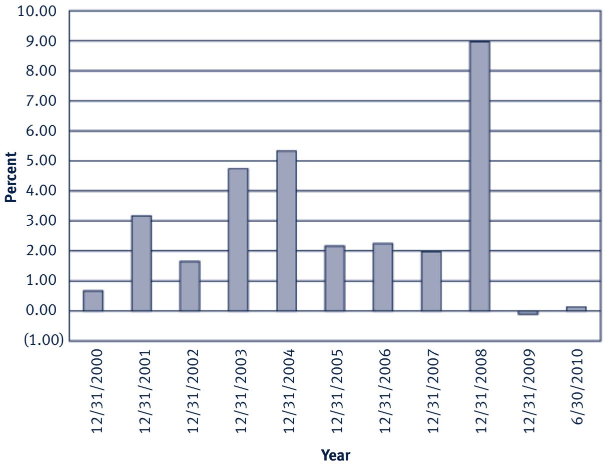
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 ten years and for the six month period ended June 30, 2010 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 2000 would have increased or decreased by the end of that fiscal year, or June 30, 2010 for the six months then ended.

Annual Total Return



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 MCM and Mulvihill Fund Services Inc. ("Mulvihill") dated September 27, 2000.

Mulvihill is the Manager of the Fund pursuant to a Trust Agreement made between Mulvihill and RBC Dexia Investor Services Trust (the "Trustee") as successor to The Royal Trust Company dated September 27, 2000, 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.

Mulvihill and MCM plan to amalgamate. The continuing company will be named Mulvihill Capital Management Inc. Such change is expected to occur on or after September 1, 2010. Fees currently paid to each entity will be paid to Mulvihill Capital Management Inc. from and after the effective date of the amalgamation.

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, Michael M. Koerner and Robert G. Bertram.

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 Pro-AMS U.S. 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, 2009.

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.

John P. Mulvihill
Director
Mulvihill Fund Services Inc.

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

August 2010

Notice to Unitholders

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.

Financial Statements

Statements of Net Assets

June 30, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
ASSETS		
Investments - Fixed portfolio at fair value (cost - $14,418,329; 2009 - $20,536,038)	$ 16,306,150	$ 20,172,321
Short-term investments - Managed portfolio at fair value (cost - $899,397; 2009 - $1,099,384)	899,397	1,099,384
Cash	85,094	47,421
Interest receivable	302	226
TOTAL ASSETS	17,290,943	21,319,352
LIABILITIES		
Accrued management fees	948,082	1,105,746
Accrued forward agreement fees	21,710	22,457
Accrued liabilities	14,989	18,818
Redemptions payable	–	3,887,309
TOTAL LIABILITIES	984,781	5,034,330
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	$ 16,306,162	$ 16,285,022
Number of Units Outstanding	654,588	654,588
Net Assets per Unit	$ 24.9106	$ 24.8783

Statements of Financial Operations

For the six months ended June 30 (Unaudited)

		2010		2009
REVENUE				
Interest	$	**1,168**	$	2,136
TOTAL REVENUE		**1,168**		2,136
EXPENSES				
Management fees		**48,521**		88,095
Forward agreement fees		**42,090**		51,995
Administrative and other expenses		**32,866**		34,581
Custodian fees		**9,880**		10,299
Audit fees		**10,129**		9,732
Advisory board fees		**10,445**		10,445
Independent review committee fees		**3,173**		3,437
Legal fees		**3,943**		4,677
Unitholder reporting costs		**9,128**		10,103
Goods and services tax		**5,119**		9,233
Subtotal Expenses		**175,294**		232,597
Expenses absorbed by Manager		**(155,424)**		–
TOTAL EXPENSES		**19,870**		232,597
Net Investment Loss		**(18,702)**		(230,461)
Net loss on sale of derivatives		**(2,211,696)**		(1,130,098)
Net change in unrealized appreciation/ depreciation of investments		**2,251,538**		1,265,312
Net Gain on Investments		**39,842**		135,214
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$	**21,140**	$	(95,247)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 654,588; 2009 - 814,393)	$	**0.0323**	$	(0.1170)

Financial Statements

Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2010	2009
NET ASSETS, BEGINNING OF PERIOD	$ 16,285,022	$ 20,350,826
Net Increase (Decrease) in Net Assets from Operations	21,140	(95,247)
Unit Transactions		
Amount paid for units redeemed	–	(150,441)
Changes in Net Assets during the Period	21,140	(245,688)
NET ASSETS, END OF PERIOD	$ 16,306,162	$ 20,105,138

Statements of Net Loss on Sale of Investments

For the six months ended June 30 (Unaudited)

	2010	2009
Proceeds from Sale of Investments	$ 7,506,693	$ 6,352,890
Cost of Investments Sold		
Cost of investments, beginning of period	20,536,038	28,019,026
Cost of investments purchased	3,600,680	–
	24,136,718	28,019,026
Cost of Investments, End of Period	(14,418,329)	(20,536,038)
	9,718,389	7,482,988
NET LOSS ON SALE OF INVESTMENTS	$ (2,211,696)	$ (1,130,098)

Statement of Investments

June 30, 2010 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO				
Treasury Bills				
Government of Canada, 0.35% - August 5, 2010	900,000	$ 899,397	$ 899,397	100.0%
Accrued Interest			302	0.0%
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO		$ 899,397	$ 899,699	100.0%
INVESTMENTS - FIXED PORTFOLIO				
Canadian Common Shares				
Consumer Discretionary				
Gildan Activewear Inc.	35,716	$ 1,396,495	$ 1,090,767	
Rona Inc.	79,435	1,745,187	1,247,129	
Total Consumer Discretionary		3,141,682	2,337,896	14.3%
Consumer Staples				
Viterra Inc.	145,409	1,035,992	1,029,496	6.3%
Financials				
FirstService Corp.	149,820	2,325,206	3,309,524	20.3%
Industrials				
Westjet Airlines Ltd.	153,094	1,902,958	1,815,695	11.2%
Information Technology				
CGI Group Inc. - Cl A	123,157	1,286,991	1,950,807	12.0%
Materials				
Canfor Corporation	352,303	2,325,200	2,994,575	
Thompson Creek Metals Company Inc.	126,706	1,199,906	1,169,496	
Silver Wheaton Corp.	74,722	1,200,394	1,593,820	
Total Materials		4,725,500	5,757,891	35.3%
Total Canadian Common Shares		$ 14,418,329	$ 16,201,309	99.4%
Forward Agreement			104,841	0.6%
TOTAL INVESTMENTS - FIXED PORTFOLIO		$ 14,418,329	$ 16,306,150	100.0%
Short-Term Investments - Managed Portfolio			899,397	
Other Assets Less Liabilities			(899,385)	
NET ASSETS			$ 16,306,162	

Notes to Financial Statements

June 30, 2010

1. Basis of Presentation

The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles ("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, 2009.

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, 2009.

2. Net Asset Value

The Net Asset Value of the Fund is calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The Net Assets per unit for financial reporting purposes and Net Asset Value per unit for pricing purposes will not be the same due to the use of different valuation techniques. The Net Asset Value per unit is as follows:

	June 30, 2010	Dec. 31, 2009
Net Asset Value (for pricing purposes)	**$ 24.91**	$ 24.88

3. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund are described in Note 11 of the annual financial statements for the year ended December 31, 2009.

The following is a summary of the three-tier hierarchy of inputs used as of June 30, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	**Total**
Short-Term Investments	$ –	$ 899,699	$ –	**$ 899,699**
Canadian Common Shares	16,201,309	–	–	**$ 16,201,309**
Canadian Common Shares	–	104,841	–	**$ 104,841**
Total Investments	**$ 16,201,309**	**$ 1,004,540**	**$ –**	**$ 17,205,849**

Interest Rate Risk

The Fund's duration is approximately 0.5 year. Approximately 100 percent (December 31, 2009 - 124 percent) of the Fund's net assets held at June 30, 2010 were invested in the Fund's fixed portfolio. If interest rates increased or decreased by 100 basis points as at June 30, 2010, the net assets of the Fund would have decreased or increased by $0.1M (December 31, 2009 - $0.2M) respectively or 0.5 percent (December 31, 2009 - 1.3 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Other Price Risk

Approximately 100 percent (December 31, 2009 - 124 percent) of the Fund's net assets held at June 30, 2010 were publicly traded equities. These equity securities have been pledged to the Royal Bank of Canada as security for the obligation of the Fund under the forward agreement. As a result, the fixed portfolio has no equity exposure.

Credit Risk

The following is the credit rating for the counterparty to derivative financial instruments that the Fund dealt with during the period, based on Standard & Poor's credit rating as of June 30, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Royal Bank of Canada	AA-	A-1+

The following is the credit rating for the counterparty to derivative financial instruments that the Fund dealt with during the prior year, based on Standard & Poor's credit ratings as of December 31, 2009:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Royal Bank of Canada	AA-	A-1+

Notes to Financial Statements

June 30, 2010

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of June 30, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	100%
Total		**100%**

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2009:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	100%
Total		**100%**

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

4. Future Accounting Policy Changes

The Fund is currently required to adopt Financial Reporting Standards ("IFRS") for the years beginning on January 1, 2011. The IFRS compliant financial statements will be on a comparative basis. However, the Accounting Standards Board is proposing that Canadian investment companies have the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Manager is currently assessing the impact of this announcement on the Fund and its plans for adopting IFRS. Accordingly, the Fund will adopt IFRS for either its fiscal period beginning January 1, 2011 or 2012, and will issue its initial financial statements in accordance with IFRS, including comparative information, for either the interim period ending June 30, 2011 or 2012.

Hybrid Income Funds Managed by Mulvihill Structured Products

UNIT SHARES

Core Canadian Dividend Trust
Gold Participation and Income Fund
Premier Canadian Income Fund
Top 10 Canadian Financial Trust

SPLIT SHARES

MCM Split Share Corp.
Premium Income Corporation
S Split Corp.
Top 10 Split Trust
World Financial Split Corp.

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust
Mulvihill Pro-AMS RSP Split Share Corp.
Pro-AMS U.S. Trust

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Notes

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