

Mulvihill Structured Products



Hybrid Income Funds

Annual Report 2001



Mulvihill Platinum Pro-AMS U.S. Fund

Pro-AMS U.S. Trust

Message to
Unitholders →

March 2002

With all the major economies of the world experiencing a slowdown or an outright recession, 2001 was a difficult year for equity markets. In North America, the United States economy went into a mild recession in March. In the European Union, Germany slowed to near-zero growth, and in the Far East, Japan remained mired in a continuing slump. These key economies set the pace for their regions, and their weakness quickly spread to their neighbours and trading partners. Canada, for example, did not follow the United States into recession, but the Canadian economy lost much of the growth momentum it had built up in the previous year.

In an effort to pull their economies out of the slump, central banks around the world made repeated moves to lower interest rates. The U.S. Federal Reserve led the way with 11 successive cuts, slashing rates from 6.5 percent at the beginning of the year to 1.75 percent at year end. The Bank of Canada made similar but less drastic moves, taking rates from 5.75 percent to 2.25 percent. The European Central Bank was inhibited by inflationary concerns, and made only four downward moves to cut rates by 150 basis points to 3.25 percent. The combination of these rate cuts and further stimulus in the form of tax cuts is beginning to have the desired effect, with leading economic indicators now turning upwards in both North America and Europe.

The Toronto Stock Exchange 300 Index declined 12.5 percent for the year, hitting a low of 6,513 on September 21 before rallying to end the year at 7,688. In the United States, the S&P 500 Index was down nearly 12 percent, and the technology-laden NASDAQ Index declined by 21 percent. In Europe, the markets outside of North America were also down as shown by the 21 percent decline in the EAFE index. All exchanges saw their sharpest corrections in the wake of the terrorist attacks of September 11, and have been trending upwards since then.

There were radical differences between the performances of stocks in different economic sectors. Consumer discretionary stocks benefited from lower interest rates, tax cuts and declining energy costs. Transportation and resource-based industries also tended to outperform the broad markets. However, positive performance in these areas was more than offset by sharp declines in other sectors. The Information Technology sector also performed poorly as valuations adjusted to reduced growth and earnings expectations. Manufacturers of telecommunications equipment were especially hard hit by excess inventories, slumping demand and debt-burdened balance sheets.

As the economic recovery cycle advances, the outlook for equities is positive. However, investors are likely to remain wary about weak earnings—a concern that has been aggravated by the Enron scandal. Markets are likely to be periodically volatile during 2002, as investor sentiment rides the ups and downs of positive and negative earnings reports.



John P. Mulvihill
President
Mulvihill Capital Management Inc.



Donald Biggs
Vice President, Structured Finance
Mulvihill Capital Management Inc.

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Investment Highlights

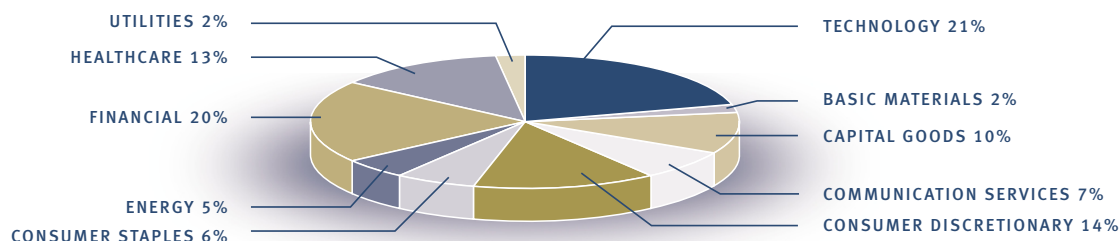
Investment Objectives

The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of monthly distributions of at least \$0.1875 (\$2.25 annually) per unit, to return at a minimum the original issue price of the units to unitholders upon termination of the Fund on January 4, 2011, and to preserve the value of the Fund's managed portfolio which will provide Unitholders with capital appreciation above the original issue price.

Investment Strategy

To provide the Fund with the means to return the original issue price on termination, the Fund has 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 delivery of the Fund's fixed portfolio. The Fund intends to achieve its investment objectives by investing the balance of the net assets in a diversified portfolio consisting primarily of common shares issued by corporations selected from the S&P 500 Index, with a market capitalization in excess of \$5.0 billion. To generate additional returns above the dividend income generated by the portfolio, the Fund will write covered call options in respect of all or part of the securities in the managed portfolio. From time to time, the Fund may hold a portion of its assets in cash equivalents, which may be utilized to provide cover in respect of the writing of cash covered put positions.

Asset Mix



Distribution History

INCEPTION DATE: OCTOBER 2000	DISTRIBUTIONS
Total for 2000	\$ 0.5375
January 2001	0.1875
February 2001	0.1875
March 2001	0.1875
April 2001	0.1875
May 2001	0.1875
June 2001	0.1875
July 2001	0.1875
August 2001	0.1875
September 2001	0.1875
October 2001	0.1875
November 2001	0.1875
December 2001	0.1875
Total for 2001	2.2500
Total Distributions to Date	\$ 2.7875

Top 10 Holdings

- Citigroup Inc.
- Home Depot Inc.
- Microsoft Corp.
- General Electric Co.
- Apache Corp.
- Tyco International Ltd.
- Target Corp.
- Merrill Lynch & Co. Inc.
- J.P. Morgan Chase & Co.
- MedImmune Inc.

Trading History



Commentary

As of December 31, 2001, the net assets of the Fund were \$489.7 million, or \$21.46 per unit, a decrease of \$35.7 million from net assets of \$525.4 million, or \$23.02 per unit, at the end of 2000. The Fund's units, listed on the Toronto Stock Exchange as PAM.UN, began the year trading at \$26.00, and touched a low of \$20.20 before rebounding to close the year \$24.12.

During 2001, unitholders received distributions totalling \$51.3 million, or \$2.25 per unit, maintaining the Fund's target return of 9 percent, based on the initial unit price of \$25.00. All of these distributions were non-taxable, as tax losses generated within the Fund offset most of the income earned to pay distributions during the year. The Fund also has further losses which will permit it to shelter future income and capital gains in the amount of \$0.41.

While the Fund generated income from option writing throughout the year to pay distributions, the value of the underlying portfolio declined. The principal cause of this decline was the overall weakness of United States equity markets.

The United States economy is now showing signs of recovery, stimulated by low interest rates, tax cuts and reduced energy costs. The Fund is maintaining its well-diversified stance and continues to generate significant income through option writing. A summary of the Fund's investments as well as its financial statements are included in this annual report.

We would like to take this opportunity to thank each of the Fund's unitholders for their continuing support.

Auditors' Report

To the Unitholders

We have audited the accompanying statement of investments of Pro-AMS U.S. Trust (operating as Mulvihill Pro-AMS U.S. Fund) (the "Fund") as at December 31, 2001, the statements of net assets as at December 31, 2001 and 2000, and the statements of financial operations, of changes in net assets, of gain on sale of investments and options and of financial highlights for the periods (since inception) then ended. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, the gain on sale of investments and options and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Toronto, Ontario

February 15, 2002

Statements of Net Assets

December 31, 2001 and 2000

(In Canadian dollars)

	2001	2000
Assets		
Investments at market value (average cost - \$449,690,912; 2000 - \$452,445,590)	\$460,745,789	\$442,049,348
Short-term investments (average cost - \$29,757,092; 2000 - \$78,321,021)	30,159,511	78,167,042
Cash	151,289	1,900,180
Dividends receivable	32,377	40,392
Interest receivable	35,390	142,543
Due from broker	-	4,428,492
Total Assets	491,124,356	526,727,997
Liabilities		
Accrued liabilities	1,387,010	1,317,853
Net Assets, Represented by Unitholders' Equity	\$489,737,346	\$525,410,144
Number of Units Outstanding (Note 6)	22,820,753	22,820,753
Net Asset Value per Unit	\$ 21.4602	\$ 23.0233

On behalf of the Manager,
Mulvihill Fund Services Inc.



John P. Mulvihill, Manager



David N. Middleton, Manager

Financial Statements

Statements of Financial Operations

Periods ended December 31, 2001 and 2000

	2001	2000
Revenue		(Note 1)
Dividends	\$ 1,522,453	\$ 289,103
Interest	2,836,124	1,509,402
Withholding tax	(177,501)	(43,111)
	4,181,076	1,755,394
Expenses (Note 7)		
Management fees	6,309,050	1,616,191
Forward Agreement fee (Note 7)	3,204,556	624,312
Custodian and other fees	623,101	38,336
Goods and services tax	485,251	115,817
	10,621,958	2,394,656
Net Investment Loss	(6,440,882)	(639,262)
Gain on Sale of Investments and Options	72,266	10,510,533
Change in Unrealized Depreciation of Investments and Foreign Currency	22,042,512	(10,585,262)
Net Gain (Loss) on Investments	22,114,778	(74,729)
Total Results of Financial Operations	\$ 15,673,896	\$ (713,991)

Statements of Changes in Net Assets

Periods ended December 31, 2001 and 2000

	2001	2000 (Note 1)
Net Assets, Beginning of Year	\$525,410,144	\$ —
Unit Transactions		
Proceeds from units issued, net of issue costs (Note 6)	—	538,390,290
Total Results of Financial Operations	15,673,896	(713,991)
Distributions to Unitholders (Note 8)		
From net investment income	—	(1,697)
From net realized gain on sale of investments and options	—	(12,264,458)
Non-taxable distribution	(51,346,694)	—
Total Distributions	(51,346,694)	(12,266,155)
Changes in Net Assets During the Period	(35,672,798)	525,410,144
Net Assets, End of Period	\$ 489,737,346	\$525,410,144

Statements of Gain on Sale of Investments and Options

Periods ended December 31, 2001 and 2000

	2001	2000 (Note 1)
Proceeds from Sale of Investments	\$421,478,852	\$ 63,223,252
Cost of Investments Sold		
Cost of investments, beginning of period	452,445,590	—
Cost of investments purchased	418,651,908	505,158,309
	871,097,498	505,158,309
Cost of Investments, End of Period	(449,690,912)	(452,445,590)
	421,406,586	52,712,719
Gain on Sale of Investments and Options	\$ 72,266	\$ 10,510,533

Financial Statements

Statement of Investments

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments - Managed Portfolio				
Canadian Common Shares				
Metals and Minerals				
Alcan Inc.	49,000	\$ 2,983,428	\$ 2,810,392	
Technology - Hardware				
Nortel Networks Corp.	252,000	3,657,707	3,017,000	
Total Canadian Common Shares		\$ 6,641,135	\$ 5,827,392	1.2%
United States Common Shares				
Energy Sources				
Apache Corp.	55,000	\$ 4,550,192	\$ 4,379,280	
Dynegy Inc.	52,000	4,231,999	2,116,689	
Total Energy Sources		8,782,191	6,495,969	1.3%
Energy Equipment and Services				
Halliburton Co.	85,000	3,210,859	1,777,476	0.4%
Forest Products and Paper				
Georgia-Pacific Group	41,000	1,722,847	1,807,024	0.4%
Data Processing and Reproduction				
Honeywell International Inc.	33,000	1,921,317	1,781,563	
Microsoft Corp.	45,000	4,841,098	4,760,396	
Oracle Corp.	120,000	5,067,648	2,645,383	
Total Data Processing and Reproduction		11,830,063	9,187,342	1.9%
Electrical and Electronics				
General Electric Co.	70,000	5,563,033	4,478,570	
Soletron Corp.	65,000	4,405,465	1,170,405	
VERITAS Software Corp.	36,000	2,576,731	2,576,231	
Total Electrical and Electronics		12,545,229	8,225,206	1.7%
Electrical Components and Instruments				
Intel Corp.	50,000	2,584,034	2,510,176	
Texas Instruments Inc.	60,000	4,041,494	2,681,778	
Total Electrical Components and Instruments		6,625,528	5,191,954	1.1%
Machining and Engineering				
Applied Material Inc.	34,000	2,215,350	2,176,391	0.4%

Statement of Investments (continued)

December 31, 2001

	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments - Managed Portfolio (continued)				
United States Common Shares (continued)				
Health and Personal Care				
AmerisourceBergen Corp.	31,000	2,804,491	3,144,784	
CVS Corp.	52,000	3,477,729	2,457,020	
Guidant Corporation	40,000	2,981,318	3,179,823	
MedImmune Inc.	50,000	3,682,534	3,699,417	
Pharmacia Corp.	50,000	4,514,932	3,404,102	
Watson Pharmaceuticals Inc.	33,000	2,900,251	1,653,556	
Total Health and Personal Care		20,361,255	17,538,702	3.5%
Broadcasting and Publishing				
AOL Time Warner Inc.	68,500	5,511,086	3,510,017	0.7%
Business and Public Services				
Cendant Corp.	105,000	2,791,743	3,286,855	0.6%
Merchandising				
Home Depot Inc.	60,000	4,640,547	4,885,625	
Staples Inc.	102,000	2,772,249	3,044,776	
Target Corp.	64,000	3,846,959	4,193,790	
Total Merchandising		11,259,755	12,124,191	2.5%
Telecommunications				
Motorola Inc.	100,000	3,739,977	2,397,637	
Nextel Communications, Inc.	165,000	2,586,944	2,886,743	
Qwest Communications International Inc.	111,000	5,442,817	2,503,679	
WorldCom Inc. - WorldCom Group	130,000	4,075,116	2,921,861	
Total Telecommunications		15,844,854	10,709,920	2.2%
Banking				
Bank of America Corp.	29,000	2,924,033	2,914,119	0.6%
Financial Services				
Citigroup Inc.	70,000	5,652,879	5,640,673	
Household International Inc.	30,000	2,914,924	2,774,683	
J.P. Morgan Chase & Co.	64,000	4,698,217	3,713,624	
Lehman Brothers Holdings Inc.	26,000	2,715,477	2,772,448	
Merrill Lynch & Co. Inc.	50,000	5,177,054	4,159,949	
Total Financial Services		21,158,551	19,061,377	3.9%
Multi-Industry				
Tyco International Ltd.	45,000	4,030,246	4,230,984	0.9%
Total United States Common Shares		\$ 130,813,590	\$ 108,237,527	22.1%

Financial Statements

Statement of Investments (continued)

December 31, 2001

	Number of Contracts	Proceeds	Market Value	% of Portfolio
Investments - Managed Portfolio (continued)				
Options				
Written Cash Covered Put Options (100 Shares per Contract)				
Best Buy Co. - January 2002 @ \$69	130	\$ (75,223)	\$ (1,052)	
Best Buy Co. - January 2002 @ \$71	130	(77,234)	(3,073)	
Cisco Systems Inc. - January 2002 @ \$21	500	(95,162)	(264,187)	
Total Written Cash Covered Put Options		(247,619)	(268,312)	(0.1)%
Written Covered Call Options (100 Shares per Contract)				
Alcan Inc. - January 2002 @ \$37	490	(107,462)	(39,249)	
AmerisourceBergen - January 2002 @ \$58	310	(121,404)	(295,246)	
AOL Time Warner Inc. - January 2002 @ \$33	685	(190,077)	(112,517)	
Apache Corp. - January 2002 @ \$48	500	(177,696)	(354,346)	
Applied Materials Inc. - January 2002 @ \$44	340	(143,906)	(28,580)	
Bank of America Corp. - January 2002 @ \$62	290	(105,448)	(94,399)	
Candent Corp. - January 2002 @ \$17	1,050	(129,155)	(471,426)	
Citigroup Inc. - January 2002 @ \$49	700	(183,874)	(199,418)	
CVS Corp. - January 2002 @ \$29	520	(139,542)	(143,473)	
Dynegy Inc. - January 2002 @ \$27	260	(58,619)	(66,540)	
Dynegy Inc. - January 2002 @ \$27	260	(60,994)	(56,962)	
General Electric Co. - January 2002 @ \$37	700	(144,576)	(314,962)	
Georgia-Pacific Group - January 2002 @ \$27	410	(99,433)	(147,292)	
Guidant Corporation - January 2002 @ \$48	400	(137,295)	(189,763)	
Halliburton Co. - January 2002 @ \$23	850	(152,299)	(2)	
Home Depot Inc. - January 2002 @ \$47	300	(87,712)	(185,218)	
Home Depot Inc. - January 2002 @ \$47	300	(94,314)	(176,302)	
Honeywell International Inc. - January 2002 @ \$32	330	(67,681)	(127,405)	
Household International Inc. - January 2002 @ \$56	150	(53,651)	(90,521)	
Household International Inc. - January 2002 @ \$57	150	(54,300)	(70,484)	
Intel Corp. - January 2002 @ \$33	500	(153,429)	(57,955)	
J.P. Morgan Chase & Co. - January 2002 @ \$39	640	(137,062)	(57,026)	
Lehman Brothers Holdings Inc. - January 2002 @ \$67	260	(136,825)	(133,375)	
MedImmune Inc. - January 2002 @ \$46	500	(249,591)	(229,482)	
Merrill Lynch & Co. Inc. - January 2002 @ \$49	500	(165,879)	(167,611)	
Microsoft Corp. - January 2002 @ \$65	450	(188,766)	(135,379)	
Motorola Inc. - January @ \$17	1,000	(171,556)	(37,595)	
Nextel Communications, Inc. - January 2002 @ \$11	1,650	(176,682)	(206,798)	
Nortel Networks Corp. - January 2002 @ \$8	540	(45,237)	(13,283)	
Nortel Networks Corp. - January 2002 @ \$8	1,150	(74,106)	(14,063)	
Nortel Networks Corp. - January 2002 @ \$9	280	(22,902)	(94)	
Oracle Corp. - January 2002 @ \$15	1,200	(158,730)	(46,730)	
Pharmacia Corp. - January 2002 @ \$44	500	(89,557)	(58,217)	
Qwest Communications International Inc. - January 2002 @ \$13	1,110	(167,169)	(274,412)	
Solelectron Corp. - January 2002 @ \$15	650	(90,570)	(10,283)	
Staples Inc. - January 2002 @ \$17	1,020	(137,412)	(253,433)	
Target Corp. - January 2002 @ \$38	640	(177,530)	(374,111)	

Statement of Investments (continued)

December 31, 2001

	Number of Contracts	Proceeds	Market Value	% of Portfolio
Investments - Managed Portfolio (continued)				
Options (continued)				
Written Covered Call Options (continued)				
Texas Instruments - January 2002 @ \$34	600	(159,289)	(103)	
Tyco International Ltd. - January 2002 @ \$60	350	(102,265)	(11,421)	
Tyco International Ltd. - January 2002 @ \$60	100	(27,176)	(3,980)	
VERITAS Software Corp. - January 2002 @ \$31	360	(204,274)	(219,370)	
Watson Pharmaceuticals Inc. - January 2002 @ \$31	330	(106,177)	(104,996)	
WorldCom Inc. - WorldCom Group - January 2002 @ \$15	1,300	(135,547)	(136,962)	
Total Written Covered Call Options		(5,387,169)	(5,710,784)	(1.2)%
Total Options		\$ (5,634,788)	\$ (5,979,096)	(1.3)%
Total Investments - Managed Portfolio		\$ 131,819,937	\$ 108,085,823	22.0%
	No. of Shares	Average Cost	Market Value	% of Portfolio
Investments - Fixed Portfolio				
Canadian Common Shares				
Metals and Minerals				
Inco Inc.	1,590,457	\$ 39,999,994	\$ 43,021,862	8.8%
Oil and Gas				
Precision Drilling Corp.	181,082	9,117,479	7,435,227	1.5%
Pharmaceuticals				
QLT Inc.	389,789	10,586,669	15,786,455	3.2%
Industrial Products				
ATI Technologies Inc.	3,187,251	40,000,000	64,063,745	
Ballard Power Systems Inc.	447,446	42,104,668	21,101,553	
Celestica Inc.	542,494	47,603,849	34,719,616	
Cognos Inc.	2,010,058	43,758,963	79,537,995	
Zarlink Semiconductors Inc.	1,326,700	40,000,005	23,548,925	
Total Industrial Products		213,467,485	222,971,834	45.5%
Technology-Hardware				
Nortel Networks Corp.	3,079,589	44,699,348	36,647,109	7.5%
Total Canadian Common Shares		\$ 317,870,975	\$ 325,862,487	66.5%
Total Investments - Fixed Portfolio		\$ 317,870,975	\$ 325,862,487	66.5%
Forward Agreement (Note 5)		-	26,797,479	5.5%
Total Investments		\$ 449,690,912	\$ 460,745,789	94.0%
Short-term Investments			30,159,511	6.2%
Other Assets Less Liabilities			(1,167,954)	(0.2)%
Net Assets			\$ 489,737,346	100.0%

Financial Statements

Statements of Financial Highlights

Years ended December 31, 2001 and 2000

	2001	2000 *
Data Per Unit		
Net Asset Value, Beginning of Year	\$ 23.02	\$ 23.59 **
Income from Investment Operations		
Net investment loss	(0.28)	(0.03)
Net gain on investments and options	0.97	-
Total from Investment Operations	0.69	(0.03)
Distributions to Unitholders		
From net investment income	-	(0.54)
Non-taxable distribution (Note 8)	(2.25)	-
Total Distributions	(2.25)	(0.54)
Net Asset Value, End of Period	\$ 21.46	\$ 23.02
Ratios/Supplemental Data		
Total net assets, end of year (\$millions)	\$ 489.74	\$ 525.41
Average net assets (\$millions)	\$ 504.72	\$ 530.26
Management expense ratio	2.10%	1.85%
Portfolio turnover rate	82.9%	11.9%
Annual rate of return	3.0%	N/A

* For the period from inception on October 4, 2000 to December 31, 2000.

** Net of agent fees.

1. Establishment of the Fund

Pro-AMS U.S. Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on September 27, 2000. The Fund began operations on October 4, 2000 and will terminate on January 4, 2011 and its assets will be distributed to unitholders unless unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose.

The manager of the Fund is Mulvihill Fund Services Inc. (the "Manager") and the Fund's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). The Royal Trust Company (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

The Fund operates under the registered name Mulvihill Pro-AMS U.S. Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are (i) to return at least the original issue price of \$25.00 per unit to the unitholders upon termination of the Fund and (ii) to provide unitholders with a stable stream of monthly distributions. To achieve the first objective, the Fund has entered into a forward purchase and sale agreement (the "Forward Agreement") pursuant to which the counterparty will pay to the Fund an amount equal to the original issue price for each unit outstanding on the termination date in exchange for the Fund delivering to the counterparty certain equity securities which it purchased with approximately 55% of the gross proceeds from the initial offering of units (the "Fixed Portfolio"). The balance of the net proceeds of the initial offering has been invested in a diversified portfolio (the "Managed Portfolio") consisting principally of equity securities of companies with a market capitalization in

excess of U.S. \$5.0 billion selected from the S&P 500 Index.

To generate additional returns, the Fund will, from time to time, write covered call options in respect of all or part of the securities in the Managed Portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. Additionally, the Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund may enter into trades to close out positions in such permitted derivatives.

From time to time the Fund may hold a portion of its assets in cash equivalents.

3. Summary of Significant Accounting Policies

These financial statements are presented in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. The following is a summary of significant accounting policies.

Valuation of investments

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

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

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

The Forward Agreement is stated at estimated fair value which equals the difference between the consideration receivable under the contract and the change in fair value of the securities in the Fixed Portfolio since the date the contract was entered into.

Investment transactions and income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and unrealized appreciation or depreciation of investments are determined on an average cost basis.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in unrealized appreciation or depreciation in investments.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Notes to Financial Statements

4. Statements of Financial Highlights

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

- (a) Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the period.
- (b) Net gain (loss) on investments and options per unit includes the impact of timing of unitholder transactions.
- (c) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

- (d) Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.
- (e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by average net assets during the period.
- (f) Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of distributions. Returns are not reported in the year that the Fund was established.

5. Forward Agreement

The Fund has entered into a Forward Agreement with Royal Bank of Canada ("RBC") pursuant to which RBC will pay the Fund an amount equal to \$25.00 for each unit outstanding on the termination date in exchange for the Fund delivering to RBC the equity securities included in the Fixed Portfolio.

Securities in the Fixed Portfolio have been pledged to RBC as security for the obligations of the Fund under the Forward Agreement. The Forward Agreement is a direct obligation of RBC, a company with a credit rating of Moodys-Aa2 and DBRS-AA (low). The Forward Agreement

may be physically or cash settled at the option of the Fund. In order to permit the Fund to fund periodic redemptions of units, the Forward Agreement may be settled in whole or in part in respect of any valuation date by the Fund tendering to RBC securities of the Fixed Portfolio at a price equal to the current market value of the tendered securities and the value of the portion of the Forward Agreement attributable to such securities.

A yearly fee of 0.538% is payable by the Fund on the guaranteed value of the Forward Agreement. Fees are accrued and payable every quarter.

6. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of units are proportionately entitled to all of these rights except voting rights.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly valuation date. Unitholders whose units are redeemed on a December val-

uation date will be entitled to receive a redemption price per unit equal to the net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4% of such net asset value per unit and (ii) \$1.00. Under the terms of a Recirculation Agreement, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any units tendered for redemption.

On October 4, 2000, the Fund issued 21,000,000 units at \$25.00 per unit for total gross cash proceeds of \$525,000,000. On October 23, 2000, the Fund issued an additional 1,820,753 units at \$25.00 per unit for total gross cash proceeds of \$45,518,825. Costs of \$32,128,535 were incurred in connection with these offerings and the establishment of the Fund.

7. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Fees are payable to the Manager under the terms of the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10% and 1.15%, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

8. Distributions

The Fund endeavours to make monthly cash distributions to unitholders of net income and net realized capital gains and option premiums on the last day of each month in each year.

9. Income Taxes

The Fund is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect

to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2001 or 2000.

Accumulated non-capital losses of approximately \$9.3 million are available for utilization against net investment income. The non-capital losses can be carried forward until 2008.

Issue costs of approximately \$24.1 million (2000 - \$30.6 million) remain undeducted for tax purposes at year end.

10. Commissions

Total commissions paid in 2001 in connection with portfolio transactions were \$823,660 (2000 - \$512,614).

11. Statement of Portfolio Transactions

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

Mulvihill Capital Management

Mulvihill Capital Management Inc. is a leading Canadian investment counselor responsible for the care of institutional and personal assets. The Company manages corporate, pension, insurance, endowment, trust and mutual funds under a wide variety of investment mandates. Founded in 1985 as CT Investment Counsel Inc., the investment arm of Canada Trust, the company emerged in 1995 as an independent company operated by a cohesive team of senior managers and owners who have been together for more than a decade. The Company's scale and independent structure allow it to provide clients with a uniquely customized approach to asset management.

The Mulvihill Hybrid Income Funds are managed by Mulvihill Capital's Structured Products Group. This area of the Company concentrates exclusively on creating and managing products tailored to meet very specific investment objectives. Assets are generally managed to meet specific absolute return levels rather than taking on the additional risk of targeting relative returns. This methodology allows the Company to make investment decisions that meet the client's needs rather than to make investments to rival the competition.

Mulvihill's personal asset management division, Mulvihill Wealth Management, offers a comprehensive specialized approach tailored to clients' personal strategies. This not only relieves the client's burden of day-to-day investment decisions but also provides financial peace of mind for today and the future. The Company's personalized service and customized reporting assure that its powerful team of professionals is always working toward your current objectives and that you are fully aware of the progress you are making.

Mulvihill's reputation has been built on its ability to provide customized portfolios that meet the stated needs of its clients. The Hybrid Income Funds are prime examples of that customized approach to asset management.

Other Hybrid Income Funds within the Mulvihill Group include Mulvihill Premium Canadian Fund, Mulvihill Premium U.S. Fund, Mulvihill Premium Oil & Gas Fund, Mulvihill Premium 60 Plus Fund, Mulvihill Premium Global Plus Fund, Mulvihill Premium Canadian Bank Fund, Mulvihill Premium Split Share Fund, Mulvihill Premium Global Telecom Fund, Mulvihill Summit Digital World Fund, Mulvihill Pro-AMS RSP Fund, Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund and Mulvihill Pro-AMS Plus (U.S. \$) Fund.

These funds are Mutual Fund Corporations or Trusts and traded on the Toronto Stock Exchange over the past year as follows:

	SYMBOL	HIGH	LOW
MULVIHILL PREMIUM CANADIAN FUND	FPI.UN	\$ 28.00	\$ 21.75
MULVIHILL PREMIUM U.S. FUND	FPU.UN	\$ 26.00	\$ 17.40
MULVIHILL PREMIUM OIL & GAS FUND	FPG.UN	\$ 10.67	\$ 7.91
MULVIHILL PREMIUM 60 PLUS FUND	SIX.UN	\$ 27.75	\$ 21.30
MULVIHILL PREMIUM GLOBAL PLUS FUND	GIP.UN	\$ 25.40	\$ 16.50
MULVIHILL PREMIUM CANADIAN BANK FUND	PIC.A/PIC.PR.A	\$ 13.50/15.80	\$ 11.45/14.85
MULVIHILL PREMIUM SPLIT SHARE FUND	MUH.A/MUH.PR.A	\$ 16.00/16.05	\$ 11.50/13.70
MULVIHILL PREMIUM GLOBAL TELECOM FUND	GT.A/GT.PR.A	\$ 15.50/14.80	\$ 6.62/11.25
MULVIHILL SUMMIT DIGITAL WORLD FUND	DWT.UN	\$ 14.95	\$ 5.06
MULVIHILL PRO-AMS U.S. FUND	PAM.UN	\$ 26.20	\$ 20.20
MULVIHILL PRO-AMS RSP FUND	PR.UN	\$ 25.60	\$ 20.90
MULVIHILL PRO-AMS 100 PLUS (CDN \$) FUND	PRC.UN	\$ 25.60	\$ 24.50
MULVIHILL PRO-AMS 100 PLUS (U.S. \$) FUND	PRU.U	\$ 21.50	\$ 19.90

Board of Advisors

John P. Mulvihill
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Mulvihill Capital Management Inc.

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Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

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Corporate Director

Robert W. Korthals
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C. Edward Medland
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Toronto, Ontario M5W 1P9

Other Hybrid Income Funds Managed by Mulvihill Structured Products

Mulvihill Premium Funds

Mulvihill Premium *Canadian Fund*
Mulvihill Premium *U.S. Fund*
Mulvihill Premium *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*

Mulvihill Summit Fund

Mulvihill Summit *Digital World Fund*

Mulvihill Platinum Funds

Mulvihill Pro-AMS *U.S. Fund*
Mulvihill Pro-AMS *RSP Fund*
Mulvihill Pro-AMS *100 Plus (Cdn \$) Fund*
Mulvihill Pro-AMS *100 Plus (U.S. \$) Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Equity Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill Global *Equity Fund*
Mulvihill U.S. *Equity Fund*

Premium Canadian *Income Fund*
Premium Global *Income Fund*

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Mulvihill Hybrid Income Funds.

Notes



Mulvihill

Mulvihill Structured Products

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