



Hybrid Income Funds



Annual Report 2002

Mulvihill Pro-AMS U.S. Fund

Pro-AMS U.S. Trust





Message to Unitholders

The continuing weakness of the economic recovery in the United States and even weaker conditions in the main economies of Europe combined to depress equity markets for most of 2002. The Canadian economy fared better, but investor sentiment was heavily influenced by events elsewhere, causing share values in many sectors to lose ground.

The equity market in the U.S. recorded its third straight year of negative returns, with the S&P composite index down 22 percent. Not one industry sector in the U.S. ended the year with positive returns. The market's three-year decline now ranks as the worst since the wartime bear market of 1939-41. The NASDAQ suffered an even larger loss, declining by 32 percent. In Europe, Asia and the Far East the EAFE index declined by 16 percent.

In Canada, stronger economic performance allowed equities in some sectors to advance, but not enough to prevent a decline in the S&P/TSX composite index of 12 percent. Sectors such as energy, materials, utilities and consumer staples made gains, but health care, information technology and industrial products suffered severe declines. Overall, equity returns in Canada declined by only about half as much as those in American markets.

In addition to concerns about economic conditions, investor confidence has been shaken by a wave of corporate governance and accounting scandals, as well as terrorist threats and rising international tensions. These concerns pushed market volatility to a peak of over 50 percent (as measured by the CBOE VIX index) in July 2002 as the market bottomed, but stability began to return late in the fourth quarter, as the market rebounded from lows.

During the year, the U.S. Federal Reserve further reduced already low interest rates to add more liquidity into the market as the American economy continued to sputter. The Bank of Canada did the opposite, modestly increasing rates to temper the strong growth of the interest-sensitive auto and housing sectors.

Uncertainty around geopolitical issues continue to cloud the prospects for 2003. Companies in many industries have continued to reduce expenses and are carrying very little inventory. In this situation, should sales volumes increase this would translate into increased profits, some of which have already begun to appear. Improved earnings reports should help to rebuild investor confidence as the year progresses. In the U.S., taxation policy changes and heavy government spending on defense and security measures will also play a role in spurring growth.



John P. Mulvihill

President

Mulvihill Capital Management Inc.

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Investment Objectives

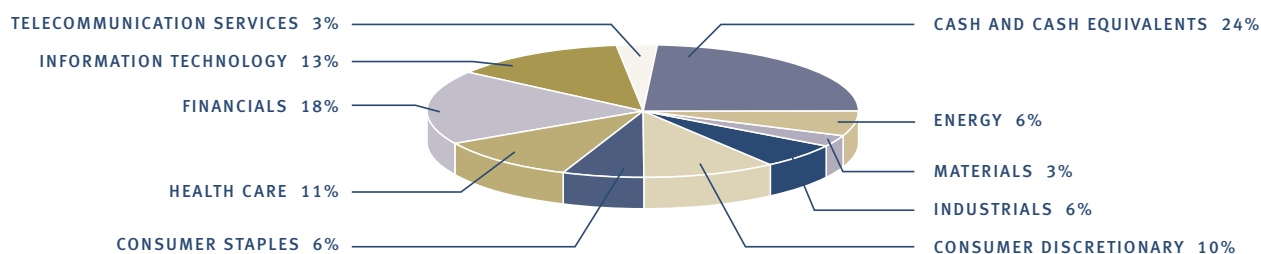
The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of monthly distributions, to return at a minimum the original issue price of the units to unitholders upon termination of the Fund on January 4, 2011, and to preserve the value of the Fund's managed portfolio 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 achieves its investment objectives by investing 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 may 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

December 31, 2002



Distribution History

INCEPTION DATE: OCTOBER 2000	REGULAR DISTRIBUTION
Total for 2000	\$ 0.53750
Total for 2001	2.25000
January 2002	0.18750
February 2002	0.18750
March 2002	0.18750
April 2002	0.18750
May 2002	0.08333
June 2002	0.08333
July 2002	0.08333
August 2002	0.08333
September 2002	0.08333
October 2002	0.04000
November 2002	0.04000
December 2002	0.04000
Total for 2002	1.28665
Total Distributions to Date	\$ 4.07415

For complete distribution history and income tax information, please see our website www.mulvihill.com.

Top 10 Holdings

- Microsoft Corporation
- Apache Corporation
- Pfizer Inc.
- Citigroup Inc.
- Cisco System Inc.
- U.S. Bancorp
- American International Group Inc.
- CVS Corporation
- General Electric Company
- Morgan Stanley

Trading History



Commentary

As at December 31, 2002, the net assets of the Fund were \$307.4 million, or \$20.48 per unit, down from \$21.46 per unit at the end of 2001. The Fund’s units, listed on the Toronto Stock Exchange as PAM.UN, began the year trading at \$24.12, and ranged from a high of \$24.40 to a low of \$18.57 before closing the year at \$19.05.

Due to the persistent weakness of equity markets since the Fund’s inception, as well as reduced volatility levels, the target distribution was reduced effective May 2002, and in October 2002, a further reduction was made. A lower distribution target will allow the managed portfolio to respond to market conditions with greater flexibility and improve the Fund’s ability to meet its long term objectives. During 2002, unitholders received distributions totaling \$28.3 million, or approximately \$1.29 per unit. Based on the year end net asset value, these distributions represent a distribution yield of 6.3 percent for the year. Given the unrealized losses generated in the portfolio over the recent market declines, the Fund initiated a tax planning strategy to reposition its portfolio in the latter part of the current year to realize capital losses for income tax purposes. This will provide shelter for realized gains in the current year and provide both non-capital and capital loss carryforwards for future years. As a result, distributions in the current year will be non-taxable and will reduce each unitholders cost base.

A pronounced, 22 percent slide in U.S. equity markets contributed to the decline in the net asset value of the Fund’s managed portfolio. Income was generated through option writing to pay distributions, but was not sufficient to offset the declining market value of underlying holdings. Losses were aggravated by the depreciation of the U.S. dollar, but some of this risk was mitigated by hedging a portion of the Fund’s U.S. exposure on foreign exchange markets. Notwithstanding the decline in the U.S. market, the Fund was able to achieve an annual rate of return of 1.5 percent including distributions for the year.

The Fund is presently well diversified, and continues to generate significant income through option writing. Market volatility has subsided from its peak in the third quarter of 2002, but remains sufficient to maintain option writing programs. The economic outlook for equity markets is now positive, although geopolitical uncertainties are a continuing concern. 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 shareholders for their continuing support.

To the Unitholders of Mulvihill Pro-AMS U.S. Fund

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, 2002, the statements of net assets as at December 31, 2002 and 2001, the statements of financial operations, of changes in net assets, of gain (loss) on sale of investments and options for the years then ended, and of the statements of financial highlights for each of the years or periods (since inception) in the three-year period ended December 31, 2002. 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 (loss) on sale of investments and options and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

The logo for Deloitte + Touche LLP is written in a stylized, cursive script. The text "Deloitte + Touche" is in a larger font, and "LLP" is in a smaller font to the right. The entire logo is rendered in a dark blue or black color.

Chartered Accountants
Toronto, Ontario
February 14, 2003

Statements of Net Assets

December 31, 2002 and 2001

(in Canadian dollars)

	2002	2001
ASSETS		
Investments at market value (average cost - \$289,219,203; 2001 - \$449,690,912)	\$ 385,363,090	\$ 460,745,789
Short-term investments (average cost - \$15,614,962; 2001 - \$29,757,092)	15,628,459	30,159,511
Cash	31,470	151,289
Dividends receivable	53,176	32,377
Interest receivable	48,914	35,390
Due from brokers	371,312	-
TOTAL ASSETS	401,496,421	491,124,356
LIABILITIES		
Redemptions payable	91,504,373	-
Accrued liabilities (Note 7)	2,599,088	1,387,010
TOTAL LIABILITIES	94,103,461	1,387,010
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 307,392,960	\$ 489,737,346
Number of Units Outstanding (Note 6)	15,007,420	22,820,753
Net Asset Value per Unit	\$ 20.4827	\$ 21.4602

On Behalf of the Manager,
Mulvihill Fund Services Inc.


John P. Mulvihill, Director


David N. Middleton, Director

Statements of Financial Operations

Years ended December 31, 2002 and 2001

	2002	2001
REVENUE		
Dividends	\$ 978,705	\$ 1,522,453
Interest	583,219	2,836,124
Withholding taxes	(114,563)	(177,501)
TOTAL REVENUE	1,447,361	4,181,076
EXPENSES (Note 7)		
Management fees	5,394,576	6,309,050
Forward agreement fee (Note 5)	2,766,761	3,204,556
Custodian and other fees	333,300	623,101
Goods and services tax	400,065	485,251
TOTAL EXPENSES	8,894,702	10,621,958
Net investment loss	(7,447,341)	(6,440,882)
Gain (loss) on sale of investments and options	(75,478,588)	37,784
Foreign exchange gains (losses) on sale of investments	(265,326)	34,482
Change in unrealized appreciation of investments and foreign currency	84,700,497	22,042,512
Net gain on investments	8,956,583	22,114,778
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ 1,509,242	\$ 15,673,896

Statements of Changes in Net Assets

Years ended December 31, 2002 and 2001

	2002	2001
NET ASSETS, BEGINNING OF YEAR	\$ 489,737,346	\$ 525,410,144
Total results of financial operations	1,509,242	15,673,896
Unit transactions		
Amount paid for units redeemed (Note 6)	(155,590,347)	-
Distributions to unitholders (Note 8)		
Non-taxable distribution	(28,263,281)	(51,346,694)
Changes in net assets during the year	(182,344,386)	(35,672,798)
NET ASSETS, END OF YEAR	\$ 307,392,960	\$ 489,737,346

Statements of Gain (Loss) on Sale of Investments and Options

Years ended December 31, 2002 and 2001

	2002	2001
Proceeds from sale of investments	\$ 158,024,684	\$ 421,444,370
Cost of investments sold		
Cost of investments, beginning of year	449,690,912	452,445,590
Cost of investments purchased	73,031,563	418,651,908
	522,722,475	871,097,498
Cost of investments, end of year	(289,219,203)	(449,690,912)
	233,503,272	421,406,586
GAIN (LOSS) ON SALE OF INVESTMENTS AND OPTIONS	\$ (75,478,588)	\$ 37,784

Statement of Investments

December 31, 2002

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO				
Treasury Bills				
Government of Canada, USD - January 8, 2003		200,000	\$ 309,654	\$ 315,793
Government of Canada, USD - January 9, 2003		25,000	39,238	39,479
Government of Canada - January 30, 2003		195,000	193,506	193,506
Government of Canada - February 13, 2003		3,860,000	3,827,784	3,827,784
Government of Canada - February 27, 2003		6,235,000	6,186,367	6,186,367
Government of Canada - March 13, 2003		55,000	54,514	54,514
Government of Canada - March 27, 2003		745,000	739,755	739,755
Total Treasury Bills	72.5 %		11,350,818	11,357,198
Discount Commercial Paper				
Canadian Wheat Board, USD - March 5, 2003		110,000	171,262	173,259
Province of Quebec, USD - January 31, 2003		750,000	1,183,973	1,184,272
Province of Ontario, USD - February 12, 2003		650,000	1,022,479	1,023,665
Province of Ontario, USD - February 19, 2003		1,200,000	1,886,430	1,890,065
Total Discount Commercial Paper	27.2 %		4,264,144	4,271,261
	99.7 %		15,614,962	15,628,459
Accrued interest	0.3 %			48,914
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO	100.0 %		\$ 15,614,962	\$ 15,677,373

INVESTMENTS - MANAGED PORTFOLIO

Canadian Common Shares

Materials

Barrick Gold Corporation	0.2 %	30,000	\$ 930,419	\$ 730,343
Total Canadian Common Shares	0.2 %		\$ 930,419	\$ 730,343

United States Common Shares

Consumer Discretionary

Clear Channel Communications, Inc.		21,000	\$ 1,346,841	\$ 1,237,128
Limited Brands		55,000	1,376,814	1,210,367
Staples Inc.		49,000	1,597,692	1,416,610
The Walt Disney Co.		55,000	1,713,148	1,417,163
Wal-Mart Stores, Inc.		20,000	1,683,359	1,595,918
Total Consumer Discretionary	1.8 %		7,717,854	6,877,186

Consumer Staples

CVS Corporation		45,000	3,009,573	1,775,147
The Coca-Cola Co.		18,000	1,349,064	1,246,086
The Procter & Gamble Company		7,000	968,020	950,378
Total Consumer Staples	1.0 %		5,326,657	3,971,611

Statement of Investments

December 31, 2002

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
United States Common Shares (continued)				
Energy				
Apache Corporation		25,000	2,068,269	2,250,826
Baker Hughes Incorporated		31,500	1,792,815	1,601,897
Total Energy	1.0 %		3,861,084	3,852,723
Financials				
American Express Company		22,000	1,369,886	1,228,613
American International Group Inc.		19,500	1,839,038	1,782,137
Citigroup Inc.		35,000	2,826,440	1,945,765
J.P. Morgan Chase & Co.		45,000	3,303,434	1,706,188
Morgan Stanley		28,000	1,839,369	1,765,842
U.S. Bancorp		54,000	2,032,781	1,810,266
Wells Fargo & Company		17,500	1,315,176	1,295,795
Total Financials	3.0 %		14,526,124	11,534,606
Health Care				
Allergan Inc.		7,500	677,094	682,712
AmerisourceBergen Corporation		16,000	1,855,370	1,372,786
Amgen Inc.		23,000	1,658,634	1,756,458
HCA Inc.		18,000	1,360,418	1,180,113
Pfizer Inc.		45,000	2,330,056	2,173,257
Total Health Care	1.9 %		7,881,572	7,165,326
Industrials				
General Electric Company		46,000	3,655,707	1,769,538
Illinois Tool Works		13,000	1,370,143	1,332,059
Union Pacific Corp.		11,000	1,043,881	1,040,411
Total Industrials	1.1 %		6,069,731	4,142,008
Information Technology				
Applied Materials Inc.		65,000	2,367,710	1,338,015
Cisco Systems Inc.		89,000	2,556,179	1,841,893
Dell Computer Corporation		30,000	1,384,922	1,267,319
Intel Corporation		57,000	2,921,791	1,402,060
Microsoft Corporation		30,000	2,381,381	2,450,275
Total Information Technology	2.1 %		11,611,983	8,299,562
Materials				
Alcan Inc.	0.3 %	24,500	1,491,714	1,142,577
Telecommunication Services				
SBC Communications Inc.	0.4 %	40,000	1,681,302	1,713,139
Total United States Common Shares	12.6 %		\$ 60,168,021	\$ 48,698,738

Statement of Investments

December 31, 2002

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
Forward Exchange Contracts				
Sold USD \$4,775,000, Bought CAD \$7,511,287 @ 0.63571 - January 22, 2003				\$ (38,956)
Sold USD \$2,893,000, Bought CAD \$4,599,583 @ 0.62897 - February 20, 2003				20,023
Sold USD \$3,040,000, Bought CAD \$4,736,752 @ 0.64179 - March 19, 2003				(80,616)
Total Forward Exchange Contracts				\$ (99,549)

	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
Medtronic Inc. - January 2003 @ \$46		100	\$ (18,659)	\$ (16,322)
Written Covered Call Options (100 shares per contract)				
Alcan Inc. - January 2003 @ \$31		163	(22,162)	(10,219)
Allergan Inc. - January 2003 @ \$60		60	(17,072)	(9,005)
American Express Company - January 2003 @ \$40		220	(49,581)	(1,063)
American International Group Inc. - January 2003 @ \$61		98	(32,914)	(10,273)
AmerisourceBergen Corporation - January 2003 @ \$66		80	(29,983)	(11)
Amgen Inc. - January 2003 @ \$49		115	(33,708)	(9,561)
Amgen Inc. - January 2003 @ \$53		57	(18,344)	(8,381)
Apache Corporation - January 2003 @ \$53		130	(35,461)	(83,050)
Apache Corporation - January 2003 @ \$54		60	(16,359)	(31,714)
Baker Hughes Incorporated - January 2003 @ \$34		180	(29,667)	(14,255)
Cisco Systems Inc. - January 2003 @ \$13		595	(63,397)	(73,162)
Citigroup Inc. - January 2003 @ \$37		55	(10,908)	(3,300)
Citigroup Inc. - January 2003 @ \$39		120	(26,869)	(3,338)
Clear Channel Communications, Inc. - January 2003 @ \$42		210	(49,980)	(3,341)
CVS Corporation - January 2003 @ \$28		300	(45,373)	(3,079)
Dell Computer Corporation - January 2003 @ \$29		40	(5,233)	(24)
Dell Computer Corporation - January 2003 @ \$30		110	(16,275)	(66)
General Electric Company - January 2003 @ \$26		300	(36,530)	(13,368)
HCA Inc. - January 2003 @ \$42		90	(21,918)	(15,759)
Illinois Tool Works - January 2003 @ \$69		91	(24,518)	(1,232)
Intel Corporation - January 2003 @ \$20		400	(71,646)	(101)
J.P. Morgan Chase & Co. - January 2003 @ \$25		450	(54,477)	(7,239)
Limited Brands - January 2003 @ \$15		413	(40,631)	(9,089)
Microsoft Corporation - January 2003 @ \$56		150	(48,784)	(10,208)
Morgan Stanley - January 2003 @ \$44		47	(9,696)	(504)
Morgan Stanley - January 2003 @ \$46		55	(15,006)	(56)
Morgan Stanley - January 2003 @ \$47		38	(10,546)	(35)
Pfizer Inc. - January 2003 @ \$31		338	(44,594)	(46,141)
SBC Communications Inc. - January 2003 @ \$26		200	(28,689)	(46,624)
Staples Inc. - January 2003 @ \$19		310	(42,149)	(16,494)
Staples Inc. - January 2003 @ \$19		180	(25,843)	(10,130)
The Coca-Cola Co. - January 2003 @ \$45		180	(34,985)	(18,535)
The Procter & Gamble Company - January 2003 @ \$89		70	(15,832)	(12,067)
The Walt Disney Co. - January 2003 @ \$18		400	(39,736)	(15,099)
Union Pacific Corp. - January 2003 @ \$62		110	(21,719)	(17,036)
U.S. Bancorp - January 2003 @ \$22		360	(29,818)	(22,153)

Statement of Investments

December 31, 2002

	% of Portfolio	Number of Contracts	Proceeds	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
OPTIONS (continued)				
Written Covered Call Options (100 shares per contract) (continued)				
Wal-Mart Stores, Inc. - January 2003 @ \$51		150	(30,904)	(36,488)
Wells Fargo & Company - January 2003 @ \$47		117	(21,649)	(15,285)
Total Written Covered Call Options	(0.2)%		(1,172,956)	(577,485)
TOTAL OPTIONS	(0.2)%		\$ (1,191,615)	\$ (593,807)
TOTAL INVESTMENTS - MANAGED PORTFOLIO	12.6 %		\$ 59,906,825	\$ 48,735,725
	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - FIXED PORTFOLIO				
Canadian Common Shares				
Energy				
Precision Drilling Corporation	2.3 %	171,358	\$ 8,627,875	\$ 8,730,690
Health Care				
Biovail Corporation		213,532	9,139,170	8,983,291
QLT Inc.		368,858	10,018,183	4,942,697
Total Health Care	3.6 %		19,157,353	13,925,988
Information Technology				
ATI Technologies Inc.		2,936,825	36,857,154	21,350,718
Celestica Inc.		419,739	36,832,097	9,255,245
Cognos Inc.		1,692,640	36,848,773	62,627,680
Nortel Networks Corporation		1,121,615	16,279,919	2,826,470
Zarlink Semiconductor Inc.		1,255,458	37,852,058	4,431,766
Total Information Technology	26.1 %		164,670,001	100,491,879
Materials				
Inco Limited	12.7 %	1,465,493	36,857,149	48,918,158
TOTAL INVESTMENTS - FIXED PORTFOLIO	44.7 %		\$ 229,312,378	\$ 172,066,715
Forward Agreement (Note 5)	42.7 %			164,560,650
TOTAL INVESTMENTS	100.0 %		\$ 289,219,203	\$ 385,363,090
Short-Term Investments - Managed Portfolio				15,628,459
Other Assets Less Liabilities				(93,598,589)
NET ASSETS				\$ 307,392,960
TOTAL MANAGED PORTFOLIO			\$ 75,521,787	\$ 64,364,184
TOTAL FIXED PORTFOLIO			229,312,378	336,627,365
TOTAL INVESTMENT PORTFOLIO			\$ 304,834,165	\$ 400,991,549

Statements of Financial Highlights

Years ended December 31

	2002	2001	2000*
DATA PER UNIT			
Net Asset Value, Beginning of Year	\$ 21.46	\$ 23.02	\$ 23.59**
INCOME FROM INVESTMENT OPERATIONS			
Net investment loss	(0.36)	(0.28)	(0.03)
Net gain on investments and options	0.67	0.97	–
Total from Investment Operations	0.31	0.69	(0.03)
DISTRIBUTION TO UNITHOLDERS			
From net realized gain on sale of investments	–	–	(0.54)
Non-taxable distribution (Note 8)	(1.29)	(2.25)	–
Total distributions	(1.29)	(2.25)	(0.54)
Net Asset Value, End of Year	\$ 20.48	\$ 21.46	23.02
RATIOS/SUPPLEMENTAL DATA			
Total net assets, end of year (\$millions)	\$ 307.39	\$ 489.74	\$ 525.41
Average net assets (\$millions)	\$ 436.01	\$ 504.72	\$ 530.26
Management expense ratio	2.06%	2.10%	1.85%
Portfolio turnover rate	24.0%	82.9%	11.9%
Annual rate of return	1.4%	3.0%	N/A

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

** Net of agent fees.

1. Corporate Information

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 percent 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 may, 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.

Forward foreign exchange contracts are valued at the current market value on the valuation date.

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.

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 year.
- (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, divided by the average value of portfolio securities, excluding short-term investments.

(f) Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of current year distributions. 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 0.465 percent (0.538 percent until October 31, 2002) 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 valuation 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 percent 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.

Following are the unit transactions for the year:

	2002	2001
Units outstanding, beginning of year	22,820,753	22,820,753
Units redeemed	(7,813,333)	-
Units outstanding, end of year	15,007,420	22,820,753

Under the terms of the Fund's normal course issuer bid that commenced in June 2002, the Fund proposes to purchase, if considered advisable, up to a maximum of 2,158,330 units, 10 percent of its public float as determined in accordance with the rules of the Toronto Stock Exchange. Purchases would be made in the open market through the facilities of the Exchange. The normal course issuer bid will remain in effect until the earlier of June 25, 2003 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2002, no units have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of intention to make a normal course issuer bid, without charge, by writing to Investor Relations at: Mulvihill Pro-AMS U.S. Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario M5H 3T9.

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 the 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 percent and 1.15 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

Commencing in May 2002, the Investment Manager voluntarily agreed to defer payment of a portion of its investment management fees for the balance of the year ended December 31, 2002. Investment management fees were paid at an annual rate of 0.51 percent of the Fund's net asset value from May until September 2002 and then at an annual rate of 0.50 percent from October until the end of December 2002. The amount of the deferral in the fee represents a decrease in direct proportion to the reduction in targeted distribution rates, subject to a minimum annual fee of 0.50 percent of the Fund's net asset value. Accrued investment

management fees arising out of this voluntary arrangement in the amount of \$1,987,261 are included in the Fund's accrued liabilities at December 31, 2002. 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.

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.

The non-taxable distributions received by unitholders reduce the adjusted cost base of the unit for tax purposes.

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 2002 or 2001.

Accumulated non-capital losses of approximately \$20.4 million and capital losses of approximately \$80.1 million are available for utilization against net investment income and realized gain on sales of investments, respectively, in future years. The non-capital losses have expiration dates extending to 2009 and capital losses can be carried forward indefinitely.

Issue costs of approximately \$17.7 million (2001 - \$24.1 million) remain undeducted for tax purposes at year end.

10. Commission Charges

Total commissions paid in 2002 in connection with portfolio transactions were \$249,930 (2001 - \$823,660).

11. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

12. 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 Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.8 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

- Mulvihill Institutional Asset Management provides asset growth management of pension funds, corporations, management companies, endowment foundations and mutual funds with a wide variety of investment mandates. Our reputation has been built on the ability to provide customized portfolios that meet the stated needs of our clients.
- Mulvihill Wealth Management offers a comprehensive specialized approach tailored to a client's personal investment strategies. Personalized service and customized reporting ensure that our clients are fully aware of the progress they are making.
- Mulvihill Structured Products is responsible for the development and management of Mulvihill Hybrid Income Funds tailored to meet very specific investment objectives. Assets are generally managed to meet absolute rather than relative returns.

Mulvihill's Hybrid Income Funds are exchange-traded, equity-based funds that are enhanced by virtue of their broad distribution, special structure and performance characteristics. The Hybrid Income Funds are prime examples of our customized approach to asset management.

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 24.40	\$ 18.57
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 24.90	\$ 18.21
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 25.47	\$ 18.61
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 21.99 USD	\$ 15.27 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 10.15/\$ 19.95	\$ 8.00/\$ 14.31
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 26.00	\$ 16.41
Mulvihill Premium U.S. Fund	FPU.UN	\$ 23.30	\$ 12.50
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.60	\$ 8.15
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 28.00	\$ 16.68
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 20.80	\$ 11.95
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.85/\$ 15.79	\$ 9.35/\$ 15.02
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 14.65/\$ 16.10	\$ 7.71/\$ 15.00
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 8.55/\$ 13.50	\$ 1.01/\$ 9.00
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 7.14	\$ 3.09

Board of Advisors

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

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

Michael M. Koerner
Corporate Director

Robert W. Korthals
Corporate Director

C. Edward Medland
President, Beauwood Investments Inc.

Information

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Toronto, Ontario M5J 2V1

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trading under
PAM.UN

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Visit our website at www.mulvihill.com for additional information on all Mulvihill Hybrid Income Funds.

Hybrid Income Funds

Managed by Mulvihill Structured Products

Mulvihill Platinum

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

Mulvihill Premium

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

Mulvihill Summit

Mulvihill Summit Digital World 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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Contact your broker directly for address changes and for information regarding your brokerage accounts.





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