



Hybrid Income Funds



Annual Report 2002

Mulvihill Pro-AMS RSP Fund

Pro-AMS 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.

TABLE OF CONTENTS

Message to Unitholders 1

Investment Highlights

- Investment Objectives 4
- Investment Strategy 4
- Asset Mix 4
- Distribution History 4
- Top 10 Holdings 5
- Trading History 5
- Commentary 5

Auditors' Report 6

Financial Statements 7

Notes to Financial Statements 16

Mulvihill Capital Management 19

Board of Advisors 20

Investment Objectives

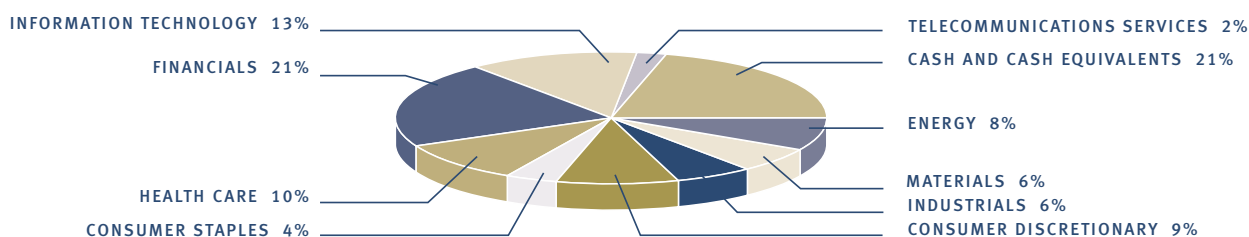
The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of monthly distributions, to return at a minimum the original issue price of the units to unitholders upon termination of the Fund on December 31, 2012, and to preserve the value of the Fund's managed portfolio 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 in a diversified portfolio consisting primarily of common shares issued by corporations selected from the S&P/TSX 60 Index and 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: MARCH 2001	REGULAR DISTRIBUTION
Total for 2001	\$ 1.81200
January 2002	0.18230
February 2002	0.18230
March 2002	0.18230
April 2002	0.18230
May 2002	0.12500
June 2002	0.12500
July 2002	0.12500
August 2002	0.12500
September 2002	0.12500
October 2002	0.08333
November 2002	0.08333
December 2002	0.08333
Total for 2002	1.60419
Total Distributions to Date	\$ 3.41619

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

Top 10 Holdings

- Pfizer Inc.
- EnCana Corporation
- Microsoft Corporation
- Citigroup Inc.
- U.S. Bancorp
- Apache Corporation
- Cisco Systems Inc.
- J.P. Morgan Chase & Co.
- CVS Corporation
- Baker Hughes Incorporated

Trading History



Commentary

As at December 31, 2002, the net assets of the Fund were \$769.9 million, or \$19.94 per unit, down from \$21.87 per unit at the end of 2001. This represents an annual of return of -1.5 percent including distributions for the year. The Fund’s units, listed on the Toronto Stock Exchange as PR.UN, began the year at \$24.78, and traded at prices ranging from \$24.90 to \$18.21 before ending the year at \$18.74.

Due to the magnitude of the decline in equity markets as well as lower volatility levels, the Fund distributions were reduced in May 2002 and in October 2002, a further reduction was made. The lower distribution target will provide greater flexibility to manage the portfolio under current conditions, and improve the Fund’s ability to meet its long-term objectives. Unitholders received regular distributions totaling \$71.3 million, or approximately \$1.60 per unit. Based on the year end net asset value, these distributions represent a distribution yield of 8.1 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.

While the Fund generated significant income from option writing to pay distributions, a pronounced 22 percent slide on U.S. equity markets and a decline of 12 percent on the Canadian equity markets, resulted in a decline in the net asset value of the Fund’s managed portfolio. About 75 percent of the Fund’s managed portfolio is invested in the U.S., with the balance in Canada. Notwithstanding the decline in the U.S. and Canadian markets, 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 by sector, 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. 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 Mulvihill Pro-AMS RSP Fund

We have audited the accompanying statement of investments of Pro-AMS Trust (operating as Mulvihill Pro-AMS RSP Fund) (the "Fund") as at December 31, 2002, the statements of net assets as at December 31, 2002 and 2001, and the statements of financial operations, of changes in net assets, of gain (loss) 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 (loss) 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 14, 2003

Statements of Net Assets

December 31, 2002 and 2001

	2002	2001
ASSETS		
Investments at market value (average cost - \$760,116,710; 2001 - \$945,331,630)	\$ 817,655,153	\$ 904,229,107
Short-term investments (average cost - \$42,101,785; 2001 - \$91,127,593)	42,159,469	91,629,348
Cash	135,255	36,556
Dividends receivable	196,375	206,059
Interest receivable	162,653	153,972
Due from brokers	1,869,185	342,864
TOTAL ASSETS	862,178,090	996,597,906
LIABILITIES		
Redemptions payable	88,462,509	-
Accrued liabilities (Note 7)	3,850,177	1,698,978
Due to broker	-	6,430,524
TOTAL LIABILITIES	92,312,686	8,129,502
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 769,865,404	\$ 988,468,404
Number of Units Outstanding (Note 6)	38,600,579	45,200,000
Net Asset Value per Unit	\$ 19.9444	\$ 21.8688

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	\$ 2,781,649	\$ 2,945,247
Interest	565,093	5,410,145
Withholding taxes	(257,066)	(227,552)
TOTAL REVENUE	3,089,676	8,127,840
EXPENSES (Note 7)		
Management fees	11,257,027	10,557,712
Forward agreement fee (Note 5)	4,970,194	4,228,395
Custodian and other fees	511,714	701,799
Goods and services tax	822,904	788,166
TOTAL EXPENSES	17,561,839	16,276,072
Net investment loss	(14,472,163)	(8,148,232)
Gain (loss) on sale of investments and options	(101,064,088)	52,101,277
Foreign exchange gains (losses) on sale of investments	(285,568)	18,515
Change in unrealized appreciation (depreciation) of investments and foreign currency	98,198,748	(40,600,756)
Net gain (loss) on investments	(3,150,908)	11,519,036
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ (17,623,071)	\$ 3,370,804

* For the period from inception on March 2, 2001 to December 31, 2001.

Statements of Changes in Net Assets

Periods ended December 31, 2002 and 2001

	2002	2001*
NET ASSETS, BEGINNING OF PERIOD	\$ 988,468,404	\$ -
Total results of financial operations	(17,623,071)	3,370,804
Unit transactions		
Proceeds from units issued, net of issue costs (Note 6)	-	1,067,000,000
Amount paid for units redeemed	(129,658,199)	-
	(129,658,199)	1,067,000,000
Distributions to unitholders (Note 8)		
From net investment income	-	(747,101)
From net realized gain on sale of investments and options	-	(34,890,635)
Non-taxable distribution	(71,321,730)	(46,264,664)
	(71,321,730)	(81,902,400)
Changes in net assets during the period	(218,603,000)	988,468,404
NET ASSETS, END OF PERIOD	\$ 769,865,404	\$ 988,468,404

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

Periods ended December 31, 2002 and 2001

	2002	2001*
Proceeds from sale of investments	\$ 317,630,495	\$1,006,784,757
Cost of investments sold		
Cost of investments, beginning of period	945,331,630	-
Cost of investments purchased	233,479,663	1,900,015,110
	1,178,811,293	1,900,015,110
Cost of investments, end of period	(760,116,710)	(945,331,630)
	418,694,583	954,683,480
GAIN (LOSS) ON SALE OF INVESTMENTS AND OPTIONS	\$ (101,064,088)	\$ 52,101,277

* For the period from inception on March 2, 2001 to December 31, 2001.

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		350,000	\$ 541,894	\$ 552,638
Government of Canada - January 30, 2003		9,165,000	9,094,931	9,094,931
Government of Canada - February 13, 2003		18,230,000	18,088,550	18,088,550
Government of Canada - February 27, 2003		1,725,000	1,711,351	1,711,351
Government of Canada - March 13, 2003		3,350,000	3,323,399	3,323,399
Government of Canada - March 27, 2003		1,210,000	1,201,463	1,201,463
Government of Canada - April 24, 2003		1,000,000	985,320	985,320
Total Treasury Bills	82.6 %		34,946,908	34,957,652
Discount Commercial Paper				
Canadian Wheat Board, USD - March 5, 2003		1,950,000	3,026,768	3,071,697
Province of Quebec, USD - January 13, 2003		800,000	1,262,904	1,263,224
Province of Quebec, USD - January 31, 2003		850,000	1,339,814	1,339,221
Province of Ontario, USD - February 12, 2003		750,000	1,179,158	1,181,166
Province of Ontario, USD - February 19, 2003		220,000	346,233	346,509
Total Discount Commercial Paper	17.0 %		7,154,877	7,201,817
	99.6 %		42,101,785	42,159,469
Accrued interest	0.4 %			162,653
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO	100.0 %		\$ 42,101,785	\$ 42,322,122

INVESTMENTS - MANAGED PORTFOLIO

Canadian Common Shares

Financials

Sun Life Financial Services of Canada Inc.		165,000	\$ 6,333,096	\$ 4,407,151
The Toronto-Dominion Bank		125,000	5,349,025	4,251,250
Total Financials	1.1 %		11,682,121	8,658,401

Health Care

Biovail Corporation	0.6 %	110,000	4,762,285	4,627,700
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Information Technology

Celestica Inc.	0.4 %	160,000	11,080,830	3,564,037
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Energy

EnCana Corporation	0.7 %	128,000	6,068,096	6,243,840
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Materials

Alcan Inc.		85,000	5,339,625	3,938,050
Barrick Gold Corporation		190,000	5,933,650	4,626,500
Inco Limited		126,000	3,585,024	4,205,880
Total Materials	1.6 %		14,858,299	12,770,430

Total Canadian Common Shares	4.4 %		\$ 48,451,631	\$ 35,864,408
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Statement of Investments

December 31, 2002

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
United States Common Shares				
Consumer Discretionary				
Clear Channel Communications, Inc.		66,000	\$ 4,232,929	\$ 3,888,118
Limited Brands		180,000	4,705,285	3,961,200
Wal-Mart Stores, Inc.		63,000	5,302,215	5,027,141
The Walt Disney Co.		175,000	5,450,926	4,509,155
Total Consumer Discretionary	2.1 %		19,691,355	17,385,614
Consumer Staples				
CVS Corporation		135,000	6,844,303	5,325,440
The Procter & Gamble Company		26,000	3,593,393	3,529,977
Total Consumer Staples	1.1 %		10,437,696	8,855,417
Energy				
Apache Corporation		64,000	5,694,538	5,762,113
Baker Hughes Incorporated		102,500	5,532,287	5,212,523
Total Energy	1.3 %		11,226,825	10,974,636
Financials				
American Express Company		45,000	2,802,039	2,513,073
American International Group Inc.		49,000	4,621,172	4,478,191
Citigroup Inc.		110,000	8,860,395	6,115,263
J.P. Morgan Chase & Co.		149,000	10,664,541	5,649,378
Morgan Stanley		82,500	5,420,048	5,202,926
U.S. Bancorp		178,000	5,702,676	5,967,172
Wells Fargo & Company		56,000	4,119,247	4,146,543
Total Financials	4.2 %		42,190,118	34,072,546
Health Care				
AmerisourceBergen Corporation		45,000	5,032,955	3,860,961
Amgen Inc.		59,000	4,256,762	4,505,695
Pfizer Inc.		140,000	7,249,062	6,761,244
Total Health Care	1.9 %		16,538,779	15,127,900
Industrials				
General Electric Company		123,000	9,902,726	4,731,591
Illinois Tool Works		40,000	4,215,823	4,098,643
Union Pacific Corp.		34,000	3,226,542	3,215,817
Total Industrials	1.5 %		17,345,091	12,046,051
Information Technology				
Applied Materials Inc.		160,000	6,102,591	3,293,575
Cisco Systems Inc.		275,000	8,093,538	5,691,243
Dell Computer Corporation		68,000	3,193,533	2,872,589
Intel Corporation		180,000	7,468,559	4,427,558
Microsoft Corporation		75,000	5,953,453	6,125,689
Total Information Technology	2.7 %		30,811,674	22,410,654

Statement of Investments

December 31, 2002

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
United States Common Shares (continued)				
Telecommunication Services				
SBC Communications Inc.	0.6 %	110,000	4,840,706	4,711,133
Total United States Common Shares	15.4 %		\$153,082,244	\$125,583,951

	% of Portfolio	Number of Contracts	Proceeds	Market Value
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OPTIONS

Written Cash Covered Put Options (100 shares per contract)

BCE Inc. - January 2003 @ \$29		800	\$ (69,600)	\$ (53,070)
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Written Covered Call Options (100 shares per contract)

Alcan Inc. - January 2003 @ \$49		500	(70,000)	(33,765)
American Express Company - January 2003 @ \$40		450	(101,415)	(2,175)
American International Group Inc. - January 2003 @ \$61		245	(82,285)	(25,682)
AmerisourceBergen Corporation - January 2003 @ \$66		225	(84,326)	(30)
Amgen Inc. - January 2003 @ \$49		295	(86,467)	(24,527)
Amgen Inc. - January 2003 @ \$53		147	(47,309)	(21,613)
Apache Corporation - January 2003 @ \$53		330	(90,017)	(210,820)
Apache Corporation - January 2003 @ \$54		150	(40,897)	(79,286)
Baker Hughes Incorporated - January 2003 @ \$34		550	(90,650)	(43,556)
Celestica Inc. - January 2003 @ \$15		1,200	(188,126)	(111,194)
Cisco Systems Inc. - January 2003 @ \$13		1,835	(195,519)	(225,633)
Citigroup Inc. - January 2003 @ \$37		180	(35,698)	(10,801)
Citigroup Inc. - January 2003 @ \$39		370	(82,847)	(10,291)
Clear Channel Communications, Inc. - January 2003 @ \$42		660	(157,081)	(10,502)
CVS Corporation - January 2003 @ \$28		900	(136,119)	(9,236)
Dell Computer Corporation - January 2003 @ \$30		340	(49,774)	(204)
EnCana Corporation - January 2003 @ \$46		700	(80,850)	(224,288)
EnCana Corporation - January 2003 @ \$51		260	(25,220)	(9,715)
General Electric Company - January 2003 @ \$26		820	(99,849)	(36,538)
Illinois Tool Works - January 2003 @ \$69		280	(75,440)	(3,792)
Inco Limited - January 2003 @ \$34		945	(95,445)	(111,778)
Intel Corporation - January 2003 @ \$20		1,260	(225,683)	(319)
J.P. Morgan Chase & Co. - January 2003 @ \$25		1,490	(180,379)	(23,970)
Limited Brands - January 2003 @ \$15		1,350	(132,814)	(29,711)
Microsoft Corporation - January 2003 @ \$56		375	(121,960)	(25,519)
Morgan Stanley - January 2003 @ \$44		138	(28,468)	(1,479)
Morgan Stanley - January 2003 @ \$46		159	(43,382)	(162)
Morgan Stanley - January 2003 @ \$47		116	(32,192)	(107)
Pfizer Inc. - January 2003 @ \$31		1,050	(138,533)	(143,336)
SBC Communications Inc. - January 2003 @ \$26		550	(78,896)	(128,216)
Sun Life Financial Services of Canada Inc. - January 2003 @ \$28		1,650	(114,263)	(65,226)

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)				
The Procter & Gamble Company - January 2003 @ \$89		260	(58,803)	(44,821)
The Toronto-Dominion Bank - January 2003 @ \$36		1,250	(83,750)	(56,115)
The Walt Disney Co. - January 2003 @ \$18		1,300	(129,142)	(49,070)
Union Pacific Corp. - January 2003 @ \$62		340	(67,133)	(52,658)
U.S. Bancorp - January 2003 @ \$22		1,180	(94,049)	(78,730)
Wal-Mart Stores, Inc. - January 2003 @ \$51		530	(109,195)	(128,925)
Wells Fargo & Company - January 2003 @ \$47		373	(69,017)	(49,742)
Total Written Covered Call Options			(3,622,993)	(2,083,532)
TOTAL OPTIONS	(0.3)%		\$ (3,692,593)	\$ (2,136,602)
Forward Currency Contracts				
Sold USD \$5,923,000, Bought CAD 9,416,983 @ 0.62897 - February 20, 2003				\$ 40,994
Sold USD \$6,460,000, Bought CAD \$10,065,598 @ 0.64179 - March 19, 2003				(171,309)
Total Forward Currency Contracts				\$ (130,315)
TOTAL INVESTMENTS - MANAGED PORTFOLIO	19.5 %		\$197,841,282	\$159,181,442

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - FIXED PORTFOLIO				
Canadian Common Shares				
Energy				
Precision Drilling Corporation	4.6 %	733,151	\$ 46,563,436	\$ 37,354,043
Health Care				
Patheon Inc.		2,741,785	36,767,337	44,416,917
QLT Inc.		1,497,080	48,995,066	20,060,872
Total Health Care	7.9 %		85,762,403	64,477,789
Industrials				
Royal Group Technologies Limited	1.5 %	807,400	16,107,630	12,280,554
Information Technology				
ATI Technologies Inc.		3,488,201	21,191,388	25,359,221
Celestica Inc.		790,751	54,763,609	17,436,060
Cognos Inc.		2,210,598	48,124,718	81,792,126
Nortel Networks Corporation		4,999,073	66,539,500	12,597,664
Research In Motion		515,559	31,787,099	10,646,293
Zarlink Semiconductor Inc.		4,201,141	52,978,502	14,830,028
Total Information Technology	19.9 %		275,384,816	162,661,392

Statement of Investments

December 31, 2002

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - FIXED PORTFOLIO (continued)				
Materials				
Inco Limited		1,889,218	53,753,109	63,062,097
Meridian Gold Inc.		2,144,576	37,551,526	59,490,538
Tembec Inc.		3,627,116	47,152,508	39,862,005
Total Materials	19.8 %		138,457,143	162,414,640
TOTAL INVESTMENTS - FIXED PORTFOLIO	53.7 %		\$ 562,275,428	\$439,188,418
Forward Agreement	26.8 %			219,285,293
TOTAL INVESTMENTS	100.0 %		\$ 760,116,710	\$817,655,153
Short-Term Investments - Managed Portfolio				42,159,469
Other Assets Less Liabilities				(89,949,218)
NET ASSETS				\$769,865,404
TOTAL MANAGED PORTFOLIO			\$ 239,943,067	\$201,340,911
TOTAL FIXED PORTFOLIO			562,275,428	658,473,711
TOTAL INVESTMENT PORTFOLIO			\$ 802,218,495	\$859,814,622

Statements of Financial Highlights

Years ended December 31

	2002	2001*
DATA PER UNIT		
Net Asset Value, Beginning of Period	\$ 21.87	\$ 23.61**
INCOME FROM INVESTMENT OPERATIONS		
Net investment loss	(0.34)	(0.18)
Net gain on investments and options	0.01	0.25
Total from Investment Operations	(0.33)	0.07
DISTRIBUTION TO UNITHOLDERS		
From net investment income	-	(0.02)
From net realized gain on sale of investments and options	-	(0.77)
Non-taxable distribution (Note 8)	(1.60)	(1.02)
Total distributions	(1.60)	(1.81)
Net Asset Value, End of Period	\$ 19.94	\$ 21.87
RATIOS/SUPPLEMENTAL DATA		
Total net assets, end of year (\$millions)	\$ 769.87	\$ 988.47
Average net assets (\$millions)	\$ 899.93	\$1,004.65
Management expense ratio	1.95%	1.93%
Portfolio turnover rate	31.6%	100.2%
Annual rate of return	(1.5)%	N/A

* For the period from inception on March 2, 2001 to December 31, 2001.

** Net of agent fees.

1. Establishment of the Fund

Pro-AMS Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on February 15, 2001. The Fund began operations on March 2, 2001 and will terminate on December 31, 2012 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 RSP Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are (i) to return at least the original issue price of \$25 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 selected from the S&P/TSX 60 and 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 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 portfolio value of 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 0.448 percent 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.

On March 2, 2001, the Fund issued 42,000,000 units at \$25.00 per unit for total gross cash proceeds of \$1,050,000,000. On March 23, 2001, the Fund issued an additional 3,200,000 units at \$25.00 per unit for total gross cash proceeds of \$80,000,000. Costs of \$63,000,000 were incurred in connection with these offerings and the establishment of the Fund.

The following are the unit transactions for the year:

	2002	2001
Units outstanding, beginning of period	45,200,000	-
Units issued for cash	-	45,200,000
Units redeemed	(6,599,421)	-
Units outstanding, end of period	38,600,579	45,200,000

Under the term's 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 4,442,800 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 RSP 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 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 0.79 percent of the Fund's net asset value from May until September 2002 and then at an annual rate of 0.53 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 \$3,269,762 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, 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.

Accumulated non-capital losses of approximately \$21.9 million and capital losses of approximately \$111.2 million are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses have expiration dates extending to 2009 and capital losses can be carried forward indefinitely.

No amount is payable on account of income taxes in 2002 or 2001.

Issue costs of approximately \$39.8 million (2001 - \$52.4 million) remain undeducted for tax purposes at year end.

10. Commission Charges

Total commissions paid in 2002 in connection with portfolio transactions were \$661,131. (2001 - \$1,956,766.)

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

Mulvihill Pro-AMS RSP Fund [PR.UN]

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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Toronto Stock Exchange
trading under
PR.UN

Trustee:

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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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