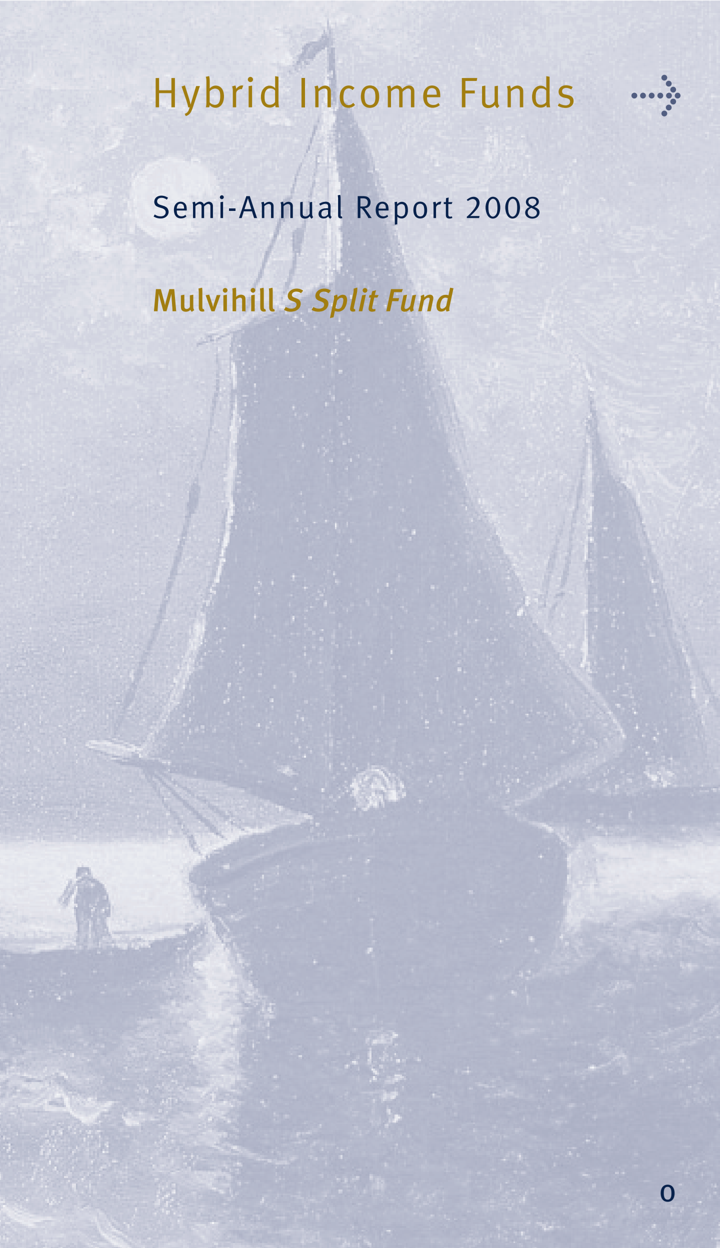
Mulvihill Structured Products

Mulvihill

Hybrid Income Funds

Semi-Annual Report 2008

Mulvihill *S Split Fund*



Message to Shareholders

We are pleased to present the semi-annual financial results of Mulvihill S Split Fund (the “Fund”).

The following is intended to provide you with the financial highlights of the Fund and we hope you will read the more detailed information contained within the report.

The Fund was launched in 2007 with the objectives to:

(1) Provide holders of Preferred shares with fixed cumulative preferential monthly cash distributions in the amount of $0.04375 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum; and

(2) Provide holders of Class A shares with regular monthly cash distributions targeted to be 6.0 percent per annum on the Net Asset Value of the Fund and to return the original issue price to holders of both Preferred shares and Class A shares at the time of redemption of shares on December 1, 2014 (the "Termination Date").

To accomplish these objectives, the net proceeds of the offering will be invested by the Fund in The Bank of Nova Scotia (“BNS”) shares. To generate additional returns above the dividend income earned on BNS shares. Accordingly, the distributions paid out by the Fund are funded from the dividend income earned on the portfolio, realized capital gains from the sale of securities and option premiums from the sale of covered call options. During the six-month period ended June 30, 2008, the Fund earned a total return of negative 4.27 percent. Distributions amounting to $0.62 per unit were paid during the six-month period.

	June 30, 2008	December 31, 2007[(1)]
Total Fund Return	(4.27)%	(5.25)%
Preferred Share Distribution Paid (annual target of $0.525 per share)	$ 0.26250	$ 0.32521
Class A Share Distribution Paid (annual target of 6.0 percent on Net Asset Value)	$ 0.35815	$ 0.50757
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 21.41	$ 23.01

[(1)]For the period from inception on May 17, 2007 to December 31, 2007.

We thank all shareholders for their continued support and encourage shareholders to review the more detailed information contained within the semi-annual report.

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

Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the period ended June 30, 2008 of Mulvihill S Split Fund (the "Fund"). The June 30, 2008 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com. You can also get a copy of the annual financial statements at your request and at no cost by using one of these methods.

Management Report on Fund Performance

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.mulvihill.com.

Asset Mix and Portfolio Holdings

June 30, 2008

	% of Net Asset Value
Financials - The Bank of Nova Scotia	80%
Cash and Short-Term Investments	15%
Other Assets (Liabilities)	5%
	100%

Management Report on Fund Performance

Results of Operations

For the six-month period ended June 30, 2008, the net asset value of the Fund for pricing purposes based on closing prices was $21.41 per unit (see Note 3 to the financial statements) compared to $23.01 per unit at December 31, 2007. The Fund's Class A and Preferred Shares are listed on the Toronto Stock Exchange as SBN and SBN.PR.A respectively. The Class A Shares closed on June 30, 2008 at $9.00 per share and the Preferred Shares closed at $10.14 per share which, when combined, represent a 10.6 percent discount to the actual net asset value.

Distributions totalling $0.35815 were paid to Class A Shareholders and $0.2625 were paid to Preferred Shareholders during the period ended June 30, 2008. The Fund's total return for the period ended June 30, 2008, including reinvestment of distributions, was negative 4.27 percent. This compares favourably with the total return on The Bank of Nova Scotia shares during this period of negative 5.24 percent.

For more detailed information on the investment returns, please see the Annual Total Return bar graph on page 6.

Management Report on Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception date on May 17, 2007.

Information for the period ended June 30, 2008 is derived from the Fund's unaudited semi-annual financial statements.

NET ASSETS PER UNIT

Net Assets, beginning of period (based on bid prices)(1)

INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gains (losses) for the period

Unrealized gains (losses) for the period

Total Increase (Decrease) from Operations(2)

DISTRIBUTIONS

Class A Share

From net investment income

Non-taxable distributions

Total Class A Share Distributions

Preferred Share

From net investment income

Non-taxable distributions

Total Preferred Share Distributions

Total Distributions(3)

Net Assets, end of period (based on bid prices)(1)

(1) Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the liability for the Redeemable Preferred shares of the Fund on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), net of withholding taxes and foreign exchange gains (losses), less expenses excluding Preferred share distributions, and is calculated based on the

RATIOS/SUPPLEMENTAL DATA

Net Asset Value, excluding liability for Redeemable Preferred shares ($millions)

Net Asset Value ($millions)

Number of units outstanding

Management expense ratio(1)

Portfolio turnover rate(2)

Trading expense ratio(3)

Net Asset Value per Unit(6)

Closing market price - Preferred

Closing market price - Class A

(1) Management expense ratio is the ratio of all fees and expenses, including goods and services taxes but excluding transaction fees and Class A share distributions, charged to the Fund to the average net asset value, excluding the liability for the Redeemable Preferred shares.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

Management Report on Fund Performance

For June 30, 2008 and December 31,2007, the Net Assets included in the Net Assets per Unit table is from the Fund's unaudited financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

	Six months ended June 2008	Period ended December 31, 2007[4]
	$ 22.96	$ 25.00
	0.40	0.64
	(0.25)	(0.36)
	(0.34)	0.01
	(0.74)	(1.50)
	(0.93)	**(1.21)**
	–	(0.07)
	(0.36)	(0.44)
	(0.36)	**(0.51)**
	–	(0.33)
	(0.26)	–
	(0.26)	**(0.33)**
	(0.62)	**(0.84)**
	$ 21.41	**$ 22.96**

weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

(4) For the period from inception on May 17, 2007 to December 31, 2007.

	Six months ended June 2008	Period ended December 31, 2007[5]
	$ 98.16	$ 108.61
	$ 52.32	$ 61.41
	4,584,700	4,719,300
	2.21%[4]	0.90%[4]
	7.95%	9.34%
	0.05%[4]	0.05%[4]
	$ 21.41	$ 23.01
	$ 10.14	$ 10.19
	$ 9.00	$ 9.90

(3) Trading expense ratio represents total commissions expressed as an annualized percentage of the daily average net asset value during the period.

(4) Annualized.

(5) For the period from inception on May 17, 2007 to December 31, 2007.

(6) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Report on Fund Performance

Management Fees

Mulvihill Capital Management Inc. (“MCM”) is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.55 percent of the net asset value of the Fund at each month end, excluding the Preferred shares. Services received under the Investment Management Agreement include the making of all investment decisions and the writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services Inc. is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end, excluding the Preferred shares. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Retraction Fee

If a retraction of a Class A Share or Preferred Share occurs prior to July 2014, a retraction fee payable to MCM by the retracting shareholder will be deducted by MCM from the amount otherwise receivable by the retracting shareholder to compensate MCM, in part, for paying the Agents’ fees and expenses of the offering.

Recent Developments

The first quarter of 2008 was very weak for most Canadian Financials, including The Bank of Nova Scotia, due in large part to the announcement of significant writedowns at these institutions. By the beginning of the second quarter, a consensus was developing which suggested that the majority of required write-downs were either announced or priced into the market. During the months of April and May, The Bank of Nova Scotia regained all value lost during the first quarter. By June, however, this consensus was fading, and the bank stocks endured rapid price corrections.

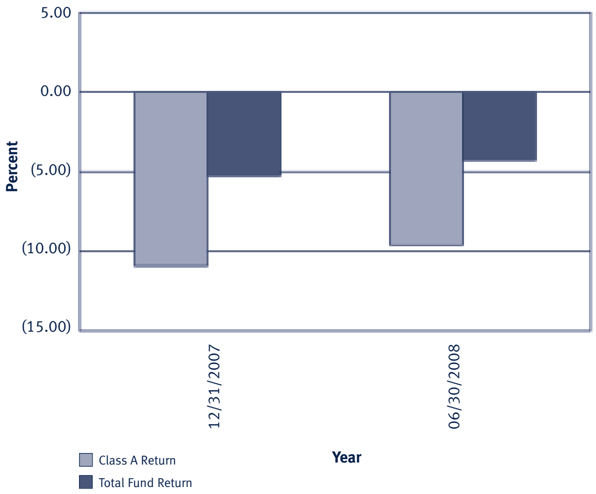
The large and sometimes rapid price swings have resulted in higher than average volatility for most banks, including The Bank of Nova Scotia. The higher volatility of the stock has, in turn, produced higher prices for call options. The Fund has benefited from these higher prices through the use of its covered call option program.

Management Report on Fund Performance

Year-By-Year Returns

The bar chart below illustrates the Fund's total return since inception as well as for the six month period ended June 30, 2008 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on January 1, 2008 or the date of inception in 2007 would have increased or decreased by the end of the fiscal year, or June 30, 2008 for the six months ended.

Annual Total Return



Related Party Transactions

Mulvihill Capital Management Inc. ("MCM") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated April 26, 2007.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated April 26, 2007, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”). NI 81-107 requires all publicly offered investment funds to establish an independent review committee (“IRC”) to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, C. Edward Medland, and Michael M. Koerner.

Management's Responsibility for Financial Reporting

The accompanying financial statements of S Split Fund (operating as Mulvihill S Split Fund) (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager") and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2007.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Audit Committee meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. Deloitte & Touche LLP, the Fund's independent auditors, has full and unrestricted access to the Audit Committee and the Board.

The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by Canadian Institute of Chartered Accountants.

John P. Mulvihill	Sheila S. Szela
Director	Director
Mulvihill Fund Services Inc.	Mulvihill Fund Services Inc.

August 2008

Financial Statements

Statements of Financial Position

June 30, 2008 (Unaudited) and December 31, 2007 (Audited)

	2008	2007
ASSETS		
Investments at fair value (cost - $90,072,814; 2007 - $103,714,227)	$ 79,475,957	$ 96,615,115
Short-term investments at fair value (cost - $14,397,359; 2007 - $11,177,722)	14,397,359	11,178,525
Cash	1,992	4,406
Interest receivable	54,870	38,346
Dividends receivable	828,100	907,340
Due from brokers - investments	6,273,163	–
TOTAL ASSETS	$ 101,031,441	$ 108,743,732
LIABILITIES		
Accrued management fees	$ 136,634	$ 152,681
Redemptions payable	2,483,601	98,398
Accrued liabilities	79,428	111,064
Retraction fee payable	167,130	6,750
Redeemable Preferred shares	45,847,000	47,193,000
	48,713,793	47,561,893
EQUITY		
Class A shares and Class J shares	68,773,371	70,792,371
Deficit	(16,455,723)	(9,610,532)
	52,317,648	61,181,839
TOTAL LIABILITIES AND EQUITY	$ 101,031,441	$ 108,743,732
Number of Units Outstanding	4,584,700	4,719,300
Net Assets per Unit		
Preferred share	$ 10.0000	$ 10.0000
Class A share	11.4114	12.9642
	$ 21.4114	$ 22.9642

Statements of Operations and Deficit

For the period ended June 30, 2008 and the period from inception on May 17, 2007 to June 30, 2007 (Unaudited)

	2008	2007
REVENUE		
Interest	$ 239,787	$ 101,792
Dividends	1,646,375	945,680
	1,886,162	1,047,472
Net realized gains on derivatives	746,099	110,000
Net realized losses on investments	(2,368,156)	–
Total Net Realized Gains (Losses)	(1,622,057)	110,000
TOTAL REVENUE	264,105	1,157,472
EXPENSES		
Management fees	843,049	236,255
Service fees	133,150	41,574
Administrative and other expenses	59,046	27
Transaction fees	27,096	71,692
Custodian fees	16,411	4,751
Audit fees	–	3,227
Director fees	9,734	2,708
Independent review committee fees	2,002	–
Legal fees	2,005	2,131
Shareholder reporting costs	22,856	926
Goods and services tax	47,426	15,192
TOTAL EXPENSES	1,162,775	378,483
Net Realized Income (Loss) before Distributions	(898,670)	778,989
Preferred share distributions	(1,236,454)	(297,872)
Net Realized Income (Loss)	(2,135,124)	481,117
Net change in unrealized depreciation of short-term investments during the period	(803)	–
Net change in unrealized appreciation of investments during the period	(3,497,745)	(4,010,088)
Total Net Change in Unrealized Appreciation/Depreciation of Investments During the Period	(3,498,548)	(4,010,088)
NET LOSS FOR THE PERIOD	$ (5,633,672)	$ (3,528,971)
NET LOSS PER CLASS A SHARE (based on the weighted average number of Class A Shares outstanding during the period of 4,710,787; 2007 - 4,672,222)	$ (1.1959)	$ (0.7553)
DEFICIT		
Balance, beginning of period	$ (9,610,532)	$ –
Net allocations on retractions	475,537	–
Net loss for the period	(5,633,672)	(3,528,971)
Distributions on Class A Shares	(1,687,056)	(503,833)
BALANCE, END OF PERIOD	$ (16,455,723)	$ (4,032,804)

Financial Statements

Statements of Changes in Net Assets

For the period ended June 30, 2008 and the period from inception on May 17, 2007 to June 30, 2007 (Unaudited)

	2008	2007
NET ASSETS, BEGINNING OF PERIOD	$ 61,181,839	$ –
Net Realized Income (Loss) before Distributions	(898,670)	778,989
Class A Share Capital Transactions		
Proceeds from shares issued	–	71,247,164
Amounts paid for shares redeemed	(1,543,463)	–
	(1,543,463)	71,247,164
Distributions		
Class A Share		
From net investment income	–	(503,833)
Non-taxable distributions	(1,687,056)	–
Preferred Share		
From net investment income	–	(297,872)
Non-taxable distributions	(1,236,454)	–
Total Distributions	(2,923,510)	(801,705)
Net Change in Unrealized Appreciation/Depreciation of Investments During the Period	(3,498,548)	(4,010,088)
Changes in Net Assets during the Period	(8,864,191)	67,214,360
NET ASSETS, END OF PERIOD	$ 52,317,648	$ 67,214,360

The statement of changes in net assets excludes cash flows pertaining to the Preferred shares as they are reflected as liabilities. During the period, proceeds from nil Preferred Shares (2007 - 4,750,000) issued amounted to nil (2007 - $47,500,000). During the period, amounts paid for the redemption of 134,600 Preferred Shares (2007- nil) totalled $1,346,000 (2007 - nil).

Statements of Changes in Investments

For the period ended June 30, 2008 and the period from inception on May 17, 2007 to June 30, 2007 (Unaudited)

	2008	2007
INVESTMENTS AT FAIR VALUE, BEGINNING OF PERIOD	$ 96,615,115	$ –
Unrealized depreciation of investments, beginning of period	7,099,112	–
Investments at Cost, Beginning of Period	103,714,227	–
Cost of Investments Purchased during the Period	7,140,881	113,157,804
Cost of Investments Sold during the Period		
Proceeds from sales	19,160,237	–
Net realized gains (losses) on sales	(1,622,057)	110,000
	20,782,294	(110,000)
Investments at Cost, End of Period	90,072,814	113,267,804
Unrealized depreciation of investments, end of period	(10,596,857)	(4,010,088)
INVESTMENTS AT FAIR VALUE, END OF PERIOD	$ 79,475,957	$ 109,257,716

Statement of Investments

June 30, 2008 (Unaudited)

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 2.38% - July 24, 2008.	4,980,000	$ 4,936,352	$ **4,936,352**	
Government of Canada, 2.59% - August 7, 2008	1,530,000	1,520,288	**1,520,288**	
Government of Canada, 2.69% - September 18, 2008	8,000,000	7,940,719	**7,940,719**	
Total Treasury Bills		**$ 14,397,359**	**$ 14,397,359**	**99.6%**
Accrued Interest			**54,870**	**0.4%**
TOTAL SHORT-TERM INVESTMENTS		**$ 14,397,359**	**$ 14,452,229**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	1,690,000	**$ 90,195,491**	**$ 78,872,300**	99.2%
Total Canadian Common Shares		**$ 90,195,491**	**$ 78,872,300**	**99.2%**
OPTIONS				
Purchased Put Options (100 shares per contract)				
The Bank of Nova Scotia - September 2008 @ $49	1,820	**$ 343,070**	**$ 640,538**	0.8%
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia - July 2008 @ $49	(3,365)	(217,043)	**(29,084)**	
The Bank of Nova Scotia - July 2008 @ $52	(2,400)	(186,000)	**(7,797)**	
Total Written Covered Call Options		**(403,043)**	**(36,881)**	0.0%
TOTAL OPTIONS		**$ (59,973)**	**$ 603,657**	**0.8%**
Adjustment for transaction fees		**$ (62,704)**		
TOTAL INVESTMENTS		**$ 90,072,814**	**$ 79,475,957**	**100.0%**

Notes to Financial Statements

June 30, 2008

1. Basis of Presentation

The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting standards (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2007.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2007, with the exception of Note 2 below.

2. Summary of Significant Accounting Policies

Commencing January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862 “Financial Instruments - Disclosures” and Section 3863, “Financial Instruments - Presentation”. The new standards replace Section 3861 “Financial Instruments - Disclosure and Presentation”. The new disclosure standards increase the emphasis on the disclosure on the nature and extent of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward relatively unchanged. Adoption of the new standards does not impact the net asset value for pricing purposes, nor the calculation of net assets.

3. Net Asset Value and Net Assets

For financial statement reporting purposes, the Fund applies Canadian generally accepted accounting principles requiring the Fund to value its securities using bid price. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund can calculate its net asset value using last sale price.

The difference between the net asset value for pricing purposes and the net assets reflected in the financial statements is as follows:

	2008	2007
Net Asset Value (for pricing purposes)	**$ 21.41**	$ 24.15
Difference	**(0.00)**	(0.00)
Net Assets (for financial statement purposes)	**$ 21.41**	$ 24.15

4. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk, short-term investments credit rating and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Portfolio consist of only The Bank of Nova Scotia ("BNS") securities. Net Asset Value ("NAV") per Unit varies as the value of BNS shares varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, specifically factors that affect BNS securities. The Fund's market risk is managed by taking a long-term perspective.

Approximately 80 percent of the Fund's net assets held at June 30, 2008 were publicly traded securities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2008, the net assets of the Fund would have increased or decreased by $7.9 respectively or 8.0 percent of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may from time to time write covered call options in respect of all or part of its position in the BNS Shares comprising the Portfolio. In addition, the Fund may write cash covered put options in respect of BNS securities. The Fund is subject to the full risk of its investment position in the BNS securities that are subject to outstanding call options and/or underlying put options written by the Fund, should the market price of the value of the BNS Shares decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. The Fund may also purchase put options. The Fund has full downside risk on invested positions which may be partially mitigated by the use of purchased put options. The risk to the Fund with respect to purchased put options is limited to the premiums paid to purchase the put options.

All securities present a risk of loss of capital. The Manager moderates this risk by taking a long-term perspective and utilizing an option writing program. The maximum risk resulting from financial instruments is determined by the market value of financial instruments.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and can be easily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

Cash is required to fund redemption. Shareholders must surrender shares at least 10 business days prior to the last day of the month and receive payment on or before 15 business days following the month end valuation date. Therefore the Fund has a maximum of 25 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short term fixed income securities. Effective durations, a commonly used measure of interest rate risk, incorporates a security’s yield, coupon, final maturity, call features and other embedded options into one number expressed in years that indicates how price-sensitive a security or portfolio of securities is to changes in interest rates. The effective duration of a security or portfolio of securities indicates the approximate percentage change in fair value expected for a one percent change in interest rates. The longer the duration, the more sensitive the security or portfolio is to changes in interest rates. The Fund has minimal sensitivity to change in rates since they are usually held to maturity and short-term in nature.

Short-Term Investments Credit Rating

The following are credit ratings for short-term investments held by the Fund as at June 30, 2008:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Treasury Bills	AAA	100.0%
Total		**100.0%**

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

Credit Risk

In purchasing call or put options, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are credit ratings for the counterparties to derivative instruments the Fund deals with during the period, based on Standard & Poor's credit rating as of June 30, 2008:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	AA-	A-1+
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

5. Normal Course Issuer Bid

Under the terms of the normal course issuer bid renewed in July 2008, the Fund proposes to purchase, if considered advisable, up to a maximum of 458,470 Class A Shares (2007 - 475,000) and 458,470 Preferred Shares (2007 - 475,000), 10 percent of its public float as determined in accordance with the rules of the Exchange. The purchases would be made in the open market through facilities of the Exchange. The normal course issuer bid will remain in effect until the earlier of July 22, 2009 or until the Fund has purchased the maximum number of units permitted under the bid. As at June 30, 2008, no shares (2007 - nil) were 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 Mulvihill Investors Services at: 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

6. Future Accounting Policy Changes

At June 30, 2008 the Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS"). The key elements of the plan include disclosures of the qualitative impact in the 2008 annual financial statements, the disclosures of the quantitative impact, if any, in the 2009 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional notes disclosures in the financial statements of the Fund.

Hybrid Income Funds Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill *Government Strip Bond Fund*
Mulvihill Pro-AMS *U.S. 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 *Core Canadian Dividend Fund*
Mulvihill Premium *Canadian Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill *S Split Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill Global *Equity Fund*
Mulvihill *Total Return Fund*

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

Notes

Mulvihill

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Mulvihill Capital Management Inc.

Please contact your broker directly for address changes.