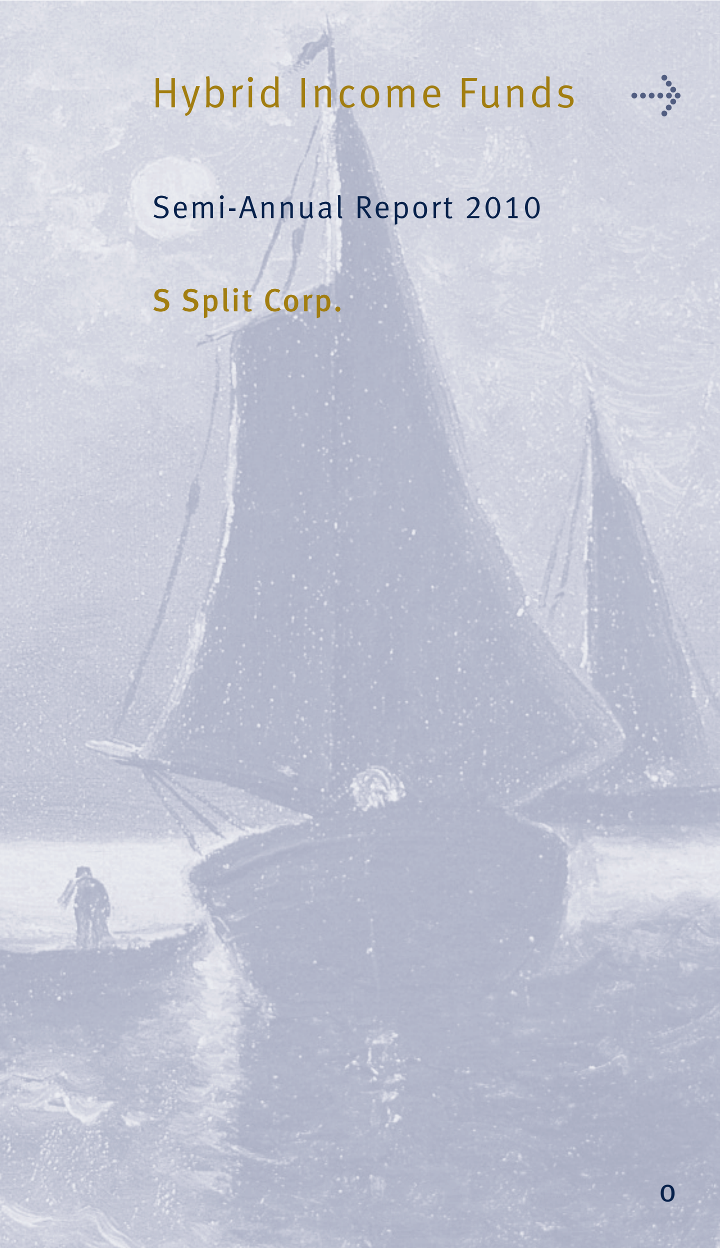
Mulvihill



Hybrid Income Funds

Semi-Annual Report 2010

S Split Corp.

Message to Shareholders

We are pleased to present the semi-annual financial results of S Split Corp. (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 Class A Shares 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 Fund invests in The Bank of Nova Scotia (“BNS”) shares. To generate additional returns above the dividend income earned on BNS shares, the Fund may, from time to time, write covered call options in respect of some or all of such 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, 2010, the Fund’s total return was negative 5.25 percent. Distributions amounting to $0.57 per unit were paid during the six-month period. The net asset value decreased from $20.90 per unit as at December 31, 2009 to $19.24 per unit as at June 30, 2010.

		December 31		
	June 30, 2010	2009	2008	2007[1]
Total Fund Return	(5.25)%	29.11%	(21.64)%	(5.25)%
Preferred Share Distribution Paid (annual target of $0.525 per share)	$ 0.26250	$ 0.52500	$ 0.52500	$ 0.32521
Class A Share Distribution Paid (annual target of 6.0 percent on the Net Asset Value)	$ 0.30730	$ 0.42335	$ 0.67545	$ 0.50757
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 19.24	$ 20.90	$ 17.02	$ 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 six months ended June 30, 2010 of S Split Corp. (the “Fund”). The June 30, 2010 unaudited semi-annual financial statements of the Fund are attached.

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

Management Report on Fund Performance

Summary of Investment Portfolio

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

Asset Mix and Portfolio Holdings

June 30, 2010

	% of Net Asset Value
Financials - The Bank of Nova Scotia	128 %
Cash and Short-Term Investments	3 %
Other Assets (Liabilities)	(31)%
	100 %

Management Report on Fund Performance

Results of Operations

For the six-month period ended June 30, 2010, the net asset value of the Fund for pricing purposes based on closing prices was $19.24 per unit (see Note 2 to the financial statements) compared to $20.90 per unit at December 31, 2009. 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, 2010 at $7.50 per share and the Preferred Shares closed at $10.14 per share which, when combined, represent a 8.3 percent discount to the net asset value.

Distributions totalling $0.31 per share were paid to Class A shareholders and $0.26 per share were paid to Preferred shareholders during the period ended June 30, 2010. The Fund's total return for the period ended June 30, 2010, including reinvestment of distributions, was negative 5.3 percent. The total return on The Bank of Nova Scotia shares during this period was 0.6 percent. Our relative underperformance during this period was primarily due to higher than normal cash holdings.

We have begun to redeploy this cash as our confidence in future earnings has improved, however, the pace of economic recovery is still in question.

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

Management Report on Fund Performance

Financial Highlights

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

The information for the periods ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2010 is derived from the Fund's unaudited semi-annual financial statements.

		Six months ended June 30, 2010
NET ASSETS PER UNIT		
Net Assets, beginning of period (based on bid prices)(1)	**$**	**20.89**
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		**0.17**
Total expenses		**(0.25)**
Realized gain (loss) for the period		**(0.14)**
Unrealized gain (loss) for the period		**(0.38)**
Total Increase (Decrease) from Operations(2)		**(0.60)**
DISTRIBUTIONS		
Class A Share		
From net investment income		**–**
Non-taxable distributions		**(0.31)**
Total Class A Share Distributions		**(0.31)**
Preferred Share		
From net investment income		**–**
Non-taxable distributions		**(0.26)**
Total Preferred Share Distributions		**(0.26)**
Total Distributions(3)		**(0.57)**
Net Assets, end of period (based on bid prices)(1)	**$**	**19.23**

(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 Redeemable Preferred share liability 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 gain (loss), net of withholding taxes and foreign exchange gains (losses), less expenses excluding Preferred share distributions, and is calculated based on the weighted

		Six months ended June 30, 2010
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value, excluding Redeemable Preferred share liability ($millions)	**$**	**75.49**
Net Asset Value ($millions)	**$**	**36.25**
Number of units outstanding		**3,923,580**
Management expense ratio(1)		**2.82%(4)**
Portfolio turnover rate(2)		**5.22%**
Trading expense ratio(3)		**0.05%(4)**
Net Asset Value per Unit(6)	**$**	**19.24**
Closing market price - Class A	**$**	**7.50**
Closing market price - Preferred	**$**	**10.14**

(1) Management expense ratio ("MER") is the ratio of all fees and expenses, including goods and services taxes but excluding transaction fees and Preferred share distributions, charged to the Fund to the average net asset value, excluding the liability for the Redeemable Preferred share liability. The MER for 2010 and 2009 includes the warrant offering costs and warrant exercise fees. The MER for 2010 and 2009 excluding the warrant offering costs and warrant exercise fees is 2.26% and 2.30% respectively. The MER, including Preferred share distributions, is 5.43%, 5.39%, 4.73% and 4.49% for 2010, 2009, 2008 and 2007 respectively.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities.

Management Report on Fund Performance

For June 30, 2010, December 31, 2009, December 31, 2008 and December 31,2007, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this Management Report on Fund Performance are made using Net Asset Value.

Periods ended		
December 31, 2009	**December 31, 2008**	**December 31, 2007[4]**
$ 16.98	**$ 22.96**	**$ 25.00**
0.89	0.64	0.64
(0.47)	(0.47)	(0.36)
(2.67)	(0.76)	0.01
7.04	(4.13)	(1.50)
4.79	**(4.72)**	**(1.21)**
–	–	(0.07)
(0.42)	(0.67)	(0.44)
(0.42)	**(0.67)**	**(0.51)**
(0.29)	(0.17)	(0.33)
(0.24)	(0.36)	–
(0.53)	**(0.53)**	**(0.33)**
(0.95)	**(1.20)**	**(0.84)**
$ 20.89	**$ 16.98**	**$ 22.96**

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.

Periods ended		
December 31, 2009	**December 31, 2008**	**December 31, 2007[5]**
$ 79.80	$ 74.49	$ 108.61
$ 41.62	$ 30.75	$ 61.41
3,818,900	4,374,300	4,719,300
2.52%	2.22%	0.90%[4]
18.07%	9.10%	9.34%
7.00%	0.05%	0.05%[4]
$ 20.90	$ 17.02	$ 23.01
$ 8.50	$ 4.50	$ 9.90
$ 10.00	$ 9.25	$ 10.19

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.

(3) Trading expense ratio represents total commissions expressed as a 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 Redeemable Preferred share liability. 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 Redeemable Preferred share liability. 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

All Canadian banks suffered a meaningful pullback during the second quarter of 2010. The net returns for the first half were mixed. Bank of Montreal and The Toronto-Dominion Bank saw single-digit positive returns, while the other big banks, including The Bank of Nova Scotia ("BNS"), were all down for the first half.

BNS delivered better than expected earnings in the second quarter and the stock price immediately reflected this as the discount gap to the other major banks began to narrow. Continued economic uncertainty has prevented BNS, or any of the big banks from topping the price highs set in April 2010. While volatility is dramatically off its 2008 levels, it is also off its lows from the first quarter of this year. We have increased our overwriting somewhat to take advantage of this volatility.

The current consensus among analysts is that BNS will continue to show positive earnings growth for the remainder of 2010 and into 2011.

The Fund issued warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009. Each warrant entitled the shareholder thereof to acquire one unit upon payment of $18.75 prior to March 31, 2010. During the period, 1,290,700 warrants were exercised for net proceeds of $23,774,694.

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

Future Accounting Policy Changes

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

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

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

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

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

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

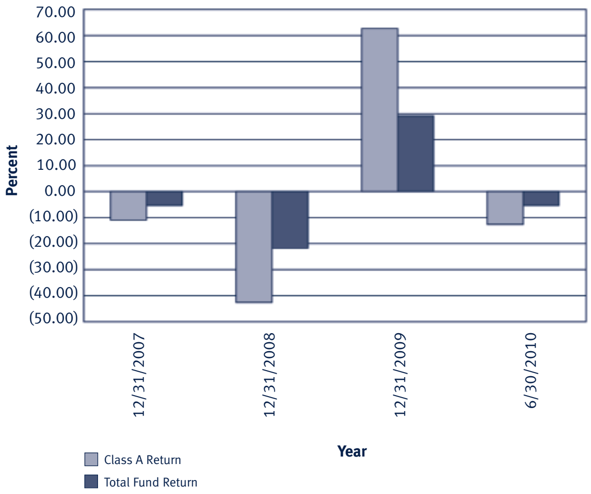
Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust their changeover plan accordingly.

Management Report on Fund Performance

Year-By-Year Returns

The bar chart below illustrates the Fund's total return for each of the past three years and for the six month period ended June 30, 2010. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2007 would have increased or decreased by the end of the fiscal year, or June 30, 2010 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.

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

Independent Review Committee

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

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

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements of S Split Corp. (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, 2009.

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

The 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.

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

August 2010

Notice to Shareholders

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

Financial Statements

Statements of Financial Position

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

	2010	2009
ASSETS		
Investments at fair value (cost - $95,651,063; 2009 - $72,362,584)	$ 96,484,335	$ 74,879,478
Short-term investments at fair value (cost - $2,048,668; 2009 - $4,393,763)	2,048,668	4,393,763
Cash	35,418	60,294
Interest receivable	1,232	5,679
Dividends receivable	–	745,902
TOTAL ASSETS	$ 98,569,653	$ 80,085,116
LIABILITIES		
Redemptions payable	$ 21,632,175	$ 7,747
Retraction fee payable	1,186,020	400
Accrued liabilities	150,837	206,010
Accrued management fees	133,588	112,086
Redeemable Preferred shares	39,235,800	38,189,000
	62,338,420	38,515,243
EQUITY		
Class A and Class J shares	50,363,765	57,286,371
Deficit	(14,132,532)	(15,716,498)
	36,231,233	41,569,873
TOTAL LIABILITIES AND EQUITY	$ 98,569,653	$ 80,085,116
Number of Units Outstanding	3,923,580	3,818,900
Net Assets per Unit		
Preferred share	$ 10.0000	$ 10.0000
Class A share	9.2342	10.8853
	$ 19.2342	$ 20.8853

Statements of Operations and Deficit

For the six months ended June 30 (Unaudited)

	2010	2009
REVENUE		
Interest	$ 8,877	$ 141,878
Dividends	735,662	1,352,008
	744,539	1,493,886
Net realized gain (loss) on derivatives	(512,357)	42,431
Net realized loss on investments	(133,580)	(9,999,828)
Net Realized Loss	(645,937)	(9,957,397)
TOTAL REVENUE	98,602	(8,463,511)
EXPENSES		
Management fees	728,167	599,004
Service fees	107,592	69,514
Administrative and other expenses	68,679	58,277
Transaction fees	20,864	31,085
Custodian fees	14,230	12,939
Audit fees	14,071	13,253
Director fees	10,445	10,445
Independent review committee fees	3,173	3,437
Legal fees	5,624	7,988
Shareholder reporting costs	20,836	25,198
Capital tax	–	2,150
Goods and services tax	40,972	35,474
Subtotal Expenses	1,034,653	868,764
Warrant offering costs	80,012	–
TOTAL EXPENSES	1,114,665	868,764
Net Realized Loss before Distributions	(1,016,063)	(9,332,275)
Preferred share distributions	(1,171,905)	(1,132,469)
Net Realized Loss	(2,187,968)	(10,464,744)
Net Change in Unrealized Depreciation of Investments	(1,683,622)	19,910,643
NET INCOME (LOSS) FOR THE PERIOD	$ (3,871,590)	$ 9,445,899
NET INCOME (LOSS) PER CLASS A SHARE (based on the weighted average number of Class A Shares outstanding during the period of 4,468,980; 2009 - 4,308,932)	$ (0.8663)	$ 2.1922
DEFICIT		
Balance, beginning of period	$ (15,716,498)	$ (35,080,932)
Net allocations on retractions	6,832,305	3,505,432
Net income (loss) for the period	(3,871,590)	9,445,899
Distributions on Class A Shares	(1,376,749)	(556,754)
BALANCE, END OF PERIOD	$ (14,132,532)	$ (22,686,355)

Financial Statements

Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2010	2009
NET ASSETS, BEGINNING OF PERIOD	$ 41,569,873	$ 30,536,439
Net Realized Loss before Distributions	**(1,016,063)**	(9,332,275)
Class A Share Capital Transactions		
Proceeds from Class A shares issued, net of warrant exercise fees	**10,867,694**	–
Amounts paid for shares redeemed	**(10,957,995)**	(4,546,568)
	(90,301)	(4,546,568)
Distributions		
Class A Shares		
Non-taxable distributions	**(1,376,749)**	(556,754)
Preferred Shares		
From net investment income	**–**	(656,207)
Non-taxable distributions	**(1,171,905)**	(476,262)
	(2,548,654)	(1,689,223)
Net Change in Unrealized Depreciation of Investments	**(1,683,622)**	19,910,643
Changes in Net Assets during the Period	**(5,338,640)**	4,342,577
NET ASSETS, END OF PERIOD	**$ 36,231,233**	$ 34,879,016

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2010	2009
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	$ 4,454,057	$ 32,432,384
Cash Flows Provided by (Used in) Operating Activities		
Net Realized Loss before Distributions	**(1,016,063)**	(9,332,275)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	**(28,304,389)**	(11,777,366)
Proceeds from disposition of investment securities	**5,015,910**	19,480,542
(Increase)/decrease in dividends receivable and interest receivable	**750,349**	222,068
Increase/(decrease) in accrued management fees and accrued liabilities	**(33,671)**	5,375
Net change in unrealized depreciation of cash and short-term investments	**–**	–
	(22,571,801)	7,930,619
Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of Units, net of warrant exercise fees	**23,774,694**	–
Distributions to Class A shares	**(1,376,749)**	(556,754)
Distributions to Preferred shares	**(1,171,905)**	(1,132,469)
Class A share redemptions	**(4,147)**	(886,067)
Preferred share redemptions	**(4,000)**	(1,484,000)
	21,217,893	(4,059,290)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Period	**(2,369,971)**	(5,460,946)
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 2,084,086**	$ 26,971,438
Cash and Short-Term Investments comprise of:		
Cash	**$ 35,418**	$ 12,219
Short-term investments	**2,048,668**	26,959,219
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 2,084,086**	$ 26,971,438

Statement of Investments

June 30, 2010 (Unaudited)

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 0.45% - July 5, 2010	2,050,000	$ 2,048,668	$ 2,048,668	99.9 %
Accrued Interest			1,232	0.1 %
TOTAL SHORT-TERM INVESTMENTS		$ 2,048,668	$ 2,049,900	100.0 %
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	1,978,450	$ 95,920,991	$ 97,023,188	100.6 %
Total Canadian Common Shares		$ 95,920,991	$ 97,023,188	100.6 %
OPTIONS				
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia - July 2010 @ $49	(7,600)	$ (644,100)	$ (933,694)	(1.0)%
Purchased Put Options (100 shares per contract)				
The Bank of Nova Scotia - August 2010 @ $49	2,300	447,350	394,841	0.4 %
TOTAL OPTIONS		$ (196,750)	$ (538,853)	(0.6)%
Adjustment for transaction fees		(73,178)		
TOTAL INVESTMENTS		$ 95,651,063	$ 96,484,335	100.0 %

Notes to Financial Statements

June 30, 2010

1. Basis of Presentation

The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2009.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2009.

2. Net Asset Value

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

	June 30, 2010	Dec. 31, 2009
Net Asset Value (for pricing purposes)	**$ 19.24**	$ 20.90

3. Warrants

The Fund issued 3,818,100 warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009. Class A shareholders received warrants on a basis of one warrant for each share held November 19, 2010. Each warrant entitled the shareholder thereof to acquire one unit upon payment of $18.75 prior to 5:00 p.m. on March 31, 2010 (the "Expiry Date"). Warrants were exercisable commencing December 1, 2009. Warrants not exercised by the Expiry Date were considered void and of no value. During the period, 1,290,700 warrants were exercised for gross proceeds of $24,200,625.

Upon exercise of a warrant, the Fund paid a fee of $0.33 per warrant to the dealer whose client had exercised the warrant. Such fees were paid by the Fund out of the assets attributable to the units. During the period, warrant exercise fees paid amounted to $425,931.

No amount is required to be included in computing the income of a shareholder as a consequence of acquiring warrants under the offering.

4. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund are described in Note 10 of the annual financial statements for the year ended December 31, 2009.

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	**Total**
Short-Term Investments	$ –	$ 2,049,900	$ –	**$ 2,049,900**
Canadian Common Shares	97,023,188	–	–	**$ 97,023,188**
Options	–	(538,853)	–	**$ (538,853)**
Total Investments	**$ 97,023,188**	**$ 1,511,047**	**$ –**	**$ 98,534,235**

Other Price Risk

Approximately 129 percent (December 31, 2009 - 94 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at June 30, 2010 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2010, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $9.7M (December 31, 2009 - $7.5M) respectively or 12.9 percent (December 31, 2009 - 9.4 percent) of the net assets, excluding the Redeemable Preferred share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Notes to Financial Statements

June 30, 2010

Credit Risk

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

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

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

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

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers’ Acceptances	A-1	100%
Total		**100%**

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	79%
Government of Canada Treasury Bills	AAA	21%
Total		**100%**

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

5. Future Accounting Policy Changes

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

6. Subsequent Event

The Fund filed a final prospectus dated August 6, 2010 relating to an offering of warrants to holders of its Class A shares. Each Class A shareholder of record on the record date will receive one warrant for each Class A share held. Each warrant will entitle its holder to acquire one Class A share and one Preferred share upon payment of the subscription price in the amount of $19.13.

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Premium Income Corporation
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Top 10 Split Trust
World Financial Split Corp.

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

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