ANNUAL REPORT 2010

Top 10 Canadian Financial Trust

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Letter to Unitholders

We are pleased to present the 2010 annual report containing the management report of fund performance and the financial statements for Top Ten Canadian Financial Trust (the “Fund”).

The Fund is a closed-end investment trust designed to provide unitholders with a stable stream of tax-efficient quarterly cash distributions in an amount targeted to be 7.5 percent of the net asset value per unit (“NAV”) and to return $15.60 per unit to unitholders upon termination of the Fund. The units are listed on the Toronto Stock Exchange under the ticker symbol TCT.UN. To accomplish its objectives the Fund invests exclusively in shares of the six largest Canadian banks and four largest Canadian life insurance companies generally investing not less than 5 percent and not more than 15 percent of the Fund's assets in each company. To generate additional returns above the dividend income earned on the Fund’s investment portfolio, the Fund may, from time to time, write covered call options in respect of some or all of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

On December 3, 2010, unitholders of the Fund approved a proposal to extend the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite period. As part of the extension, unitholders also approved other changes to the Fund to align the terms of the Fund with industry practice as more fully described in the Recent Developments section.

During the fiscal year ended 2010, the Fund earned an annual total return, including reinvestment of distributions, of 4.2 percent. Distributions of $0.79 per unit were paid to unitholders during the year. The NAV decreased from $10.92 per unit as at December 31, 2009 to $10.57 per unit as at December 31, 2010 primarily as a result of a decline in the market value of some overweight securities in the portfolio and the cost of protective puts purchased during the spring and early summer as the risk of European sovereign default began to rise. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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

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

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2010 of Top 10 Canadian Financial Trust (the "Fund"). The 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.

Investment Objectives and Strategies

On December 3, 2010, the unitholders of the Fund approved a proposal to extend the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite period. The Fund's investment objectives are to provide unitholders with a stable stream of quarterly cash distributions in an amount targeted to be 7.5 percent of the net asset value per unit and to return the net asset value per unit as of August 2, 2005 of $15.60 to unitholders upon termination of the Fund.

The Fund invests in the six largest Canadian banks and four largest Canadian life insurance companies by market capitalization generally investing in not less than 5 percent and not more than 15 percent of the Fund's assets in each company.

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 portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest.

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

Risk

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2010 annual information form, which is available on the Fund's website at www.mulvihill.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the year that materially affected the risks associated with an investment in the units of the Fund.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2010

	% OF NET ASSET VALUE
Financials	108 %
Cash and Short-Term Investments	42 %
Other Assets (Liabilities)	(50)%
	100 %

Portfolio Holdings

December 31, 2010

	% OF NET ASSET VALUE
Cash and Short-Term Investments	42%
Sun Life Financial Inc.	15%
Manulife Financial Corporation	15%
Industrial Alliance Insurance and Financial Services Inc.	14%
National Bank of Canada	14%
The Bank of Nova Scotia	14%
Bank of Montreal	11%
Great-West Lifeco Inc.	10%
Royal Bank of Canada	5%
The Toronto-Dominion Bank	5%
Canadian Imperial Bank of Commerce	5%

Results of Operations

Distributions

The policy of the Fund is to pay quarterly distributions calculated as 7.5 percent per annum of the net asset value, which are generally classified as a return of capital for tax purposes. During the year ended December 31, 2010, cash distributions of $0.79 per unit were paid to unitholders compared to $0.76 per unit in 2009.

Since the reorganization of the Fund in August 2005 when the Fund adopted new objectives and a new investment strategy as the Top 10 Canadian Financial Trust, the Fund has paid total cash distributions of $5.42 per unit.

Revenues and Expenses

The Fund's total revenue per unit increased to $0.44 per unit for the year ended December 31, 2010 from $0.40 per unit for 2009, largely reflecting higher dividend income earned on a per average-unit basis. Total expenses per unit increased from $0.22 per unit in 2009 to $0.26 per unit in 2010, primarily as a result of the unfavourable impact of the harmonized sales tax in Ontario which became effective on July 1, 2010 and costs associated with the special resolution regarding the extension of the termination date of the Fund. The Fund had a net realized and unrealized gain of $0.30 per unit in 2010 as compared to a net realized and unrealized gain of $1.87 per unit in 2009.

Net Asset Value

The net asset value per unit of the Fund decreased by $0.35 per unit, or 3.2 percent, from $10.92 per unit at December 31, 2009 to $10.57 per unit at December 31, 2010, primarily as a result of a decline in the market value of some overweight securities in the portfolio and the cost of protective puts purchased during the spring and early summer as the risk of European sovereign default began to rise. The total net asset value of the Fund decreased $19.5 million from $53.5 million at December 31, 2009 to $34.0 million at December 31, 2010, primarily as a result of annual redemptions in December totalling $24.9 million partially offset by net proceeds of $7.0 million from the exercise of warrants during the year.

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 for the past five years. This information is derived from the Fund's audited annual financial statements.

Since 2007 the net assets per unit presented in the financial statements differs from the net asset value per unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended December 31

	2010	2009	2008	2007	2006
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)(1)	**$ 10.90**	**$ 9.58**	**$ 14.28**	**$ 15.95(4)**	**$ 15.73**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.44**	0.40	0.46	0.49	0.45
Total expenses	**(0.26)**	(0.22)	(0.21)	(0.26)	(0.26)
Realized gain (loss) for the period	**(0.58)**	(1.88)	(0.89)	0.85	0.94
Unrealized gain (loss) for the period	**0.88**	3.75	(3.13)	(1.57)	0.28
Total Increase (Decrease) from Operations(2)	**0.48**	**2.05**	**(3.77)**	**(0.49)**	**1.41**
DISTRIBUTIONS					
Non-taxable distributions	**(0.79)**	(0.76)	(0.93)	(1.17)	(1.19)
Total Annual Distributions(3)	**(0.79)**	**(0.76)**	**(0.93)**	**(1.17)**	**(1.19)**
Net Assets, as at December 31 (based on bid prices)(1)	**$ 10.52**	**$ 10.90**	**$ 9.58**	**$ 14.28**	**$ 15.96**

(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 of the Fund on that date and including the valuation of securities at bid prices divided by the number of units then outstanding. For years prior to 2007, securities were valued at closing prices. The change to the use of bid prices is due to accounting standards set out by the Canadian Institute of Chartered Accountants adopted January 1, 2007 relating to Financial Instruments.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), realized and unrealized gains (losses), less expenses, and is calculated based on the weighted average number of units outstanding during the year. 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 year.
(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.
(4) Net assets per unit has been adjusted for the change in accounting policy relating to the calculation of net asset value based bid prices versus closing prices prior to 2007.

RATIOS/SUPPLEMENTAL DATA

	2010	2009	2008	2007	2006
Net Asset Value ($millions)(1)	**$ 33.99**	$ 53.48	$ 59.60	$ 107.65	$ 145.77
Number of units outstanding(1)	**3,224,405**	4,896,746	6,201,992	7,524,019	9,131,373
Management expense ratio(2)	**2.55%**	2.06%	1.67%	1.64%	1.69%
Portfolio turnover rate(3)	**113.97%**	70.70%	19.72%	75.28%	135.44%
Trading expense ratio(4)	**0.15%**	0.13%	0.06%	0.07%	0.10%
Net Asset Value per Unit(5)	**$ 10.57**	$ 10.92	$ 9.61	$ 14.31	$ 15.96
Closing market price	**$ 10.25**	$ 10.87	$ 9.00	$ 14.00	$ 15.55

(1) This information is provided as at December 31.
(2) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees, charged to the Fund divided by the average net asset value. The MER for 2010 includes the special resolution expense and warrant exercise fees. The MER for 2010 excluding the special resolution expense and warrant exercise fees is 1.86%. The MER for 2009 includes the warrant offering costs. The MER for 2009 excluding the warrant offering costs is 1.78%.
(3) 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.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) 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 and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Fees

Mulvihill Fund Services Inc. (the "Manager" or "Mulvihill") amalgamated with Mulvihill Capital Management Inc. (the "Investment Manager" or "MCM") on September 1, 2010. As successor, MCM became the Manager of the Fund. MCM is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and 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 as to the execution of all portfolio and other transactions.

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

Recent Developments

On December 3, 2010, the unitholders of the Fund approved a proposal to extend the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite period. As part of the extension of the term of the Fund, the Fund also made other changes, including: (i) changing the monthly redemption prices for the units such that monthly redemption prices are calculated by reference to market price rather than to NAV; (ii) permitting MCM, as Manager of the Fund, to terminate the Fund, without requiring unitholder approval, in the event that continuing the Fund would not be economically feasible; and (iii) permitting the Fund to enter into a merger with another MCM fund, that has similar investment objectives and strategies, in the future, as long as certain conditions are met, without unitholder approval.

Mulvihill amalgamated with MCM on September 1, 2010. As successor, MCM became the Manager of the Fund. Management fees previously paid to Mulvihill will be paid to MCM from and after the effective date of the amalgamation.

The Government of Ontario harmonized its provincial sales tax with the federal goods and services tax effective July 1, 2010. Implementation of the proposed changes increased the amount of taxes paid by the Fund on its expenses incurred after July 1, 2010, including but not limited to management fees, and therefore resulted in an increase in 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 ("CICA") 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 Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the interim period ending June 30, 2013.

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 December 31, 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 AcG-18;
- Implementation of cash flow statements;
- 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 the changeover plan accordingly.

Past Performance

The chart below sets out the Fund's year-by-year past performance. It is important to note that:

(1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,

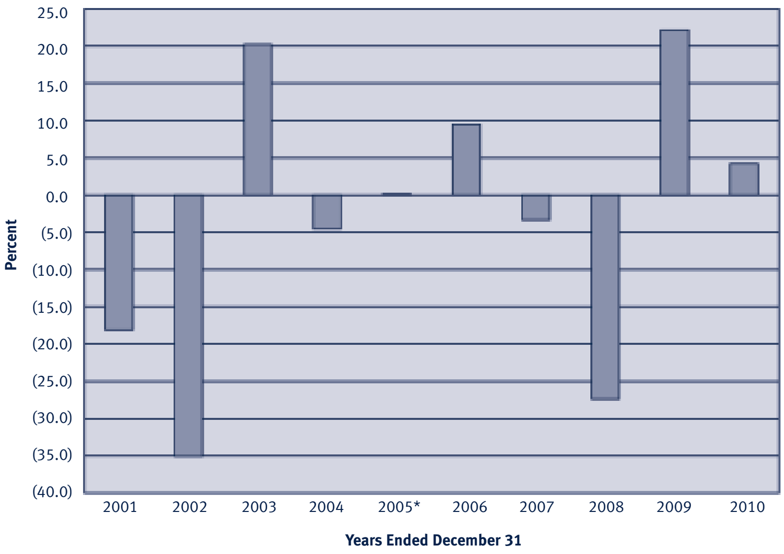
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The bar chart below illustrates how the Fund's annual total return varied from year to year in each of the past ten years. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year.

Annual Total Return



*As at August 2, 2005, the Fund amended its investment strategy and changed its name to Top 10 Canadian Financial Trust and consolidated the units on a 5 to 1 basis.

Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2010 as compared to the performance of the NASDAQ and S&P/TSX Financials Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Top 10 Canadian Financial Trust	**4.21 %**	(2.57)%	(0.42)%	(5.01)%
NASDAQ*	**n/a**	n/a	0.53 %	(4.80)%
S&P/TSX Financials Index**	**10.48 %**	0.74 %	3.70 %	15.68 %

* The NASDAQ is a broad-based capitalization-weighted index of all NASDAQ National Market & Small Cap Stocks.
** The S&P/TSX Financials Index is a subset of the constituents of the S&P/TSX Composite Index that have been classified according to the Global Industry Classification Standard.

The performance of the Fund in the above table from the period of inception to August 1, 2005 was based on the investment objectives and strategy of the Fund as Digital World Trust investing in common shares issued by leading "digitally based" companies listed on a major North American stock exchange or quoted on NASDAQ with a market capitalization in excess of US$5 billion and which operate within the sectors of telecommunication services, telecommunications equipment suppliers, enabling hardware and software and related digital commerce, services and products. On August 2, 2005 unitholders of the Fund approved a special resolution resulting in a change in the investment objectives and strategy of the Fund. Since August 2, 2005, the Fund invests in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization.

The equity performance benchmarks shown here provide an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed these indices; rather, its objectives are to pay out quarterly dividends and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to generate the distributions.

The use of options may have the effect of limiting or reducing the total returns of the Fund, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the portfolio. The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written.

Portfolio Manager Report

2010 was a year of continued, albeit uncertain, recovery. The Canadian economy grew at a quick pace in the first half of 2010 but had slower gross domestic product growth in the third quarter of 1.00 percent. Employment levels in Canada have returned to pre-recession levels although the rate of growth is still below normal levels. The Bank of Canada raised the benchmark overnight rate in June, July and September from an unusually low level of 0.25 percent to 1.00 percent. This along with changes to mortgage insurance standards from the Minister of Finance may slow consumer loan growth for the banks in 2011. The Canadian dollar traded in a fairly narrow range for most of the year and the Canadian banks have used the stronger dollar to make inroads into the U.S. with the Bank of Montreal and The Toronto-Dominion Bank announcing acquisitions in December.

The Canadian banks ended 2010 on a mixed note with better than expected fourth quarter earnings for three of the six large banks. Capital ratios continued to increase on a year over year basis and the National Bank of Canada became the first to increase its dividend after two years of no dividend growth from the large Canadian banks. Both the Bank of Montreal and The Toronto-Dominion Bank made significant acquisition announcements in December with the Bank of Montreal acquiring a Wisconsin based bank, Marshall & Ilsley Corporation, for US$4.0 billion in shares and The Toronto-Dominion Bank acquiring Chrysler Financial Corp. for US$6.3 billion in cash. The Canadian life insurance companies demonstrated improving fundamentals and profitability in 2010 as the impact of higher Global equity markets and lower credit losses was partially offset by low interest rates. Ten year bond yields increased in both Canada and the United States in the fourth quarter which is expected to provide a tailwind for life insurer fourth quarter earnings. All four of the largest Canadian life insurance companies increased their capital ratios relative to 2009 levels.

The valuations of companies in the portfolio remain at attractive levels when measured by price to earnings ratios and current dividend yields and this should continue to act as major support for the share prices. As regulatory certainty should improve in 2011, some of the Canadian Financial Services companies are likely to start returning capital to shareholders in the form of increased dividends and share repurchases.

The Fund maintained its invested position during the majority of the year but ended 2010 with a cash position of 42 percent compared to 9 percent at the end of 2009 in order to finance the special redemption right offered in conjunction with the Fund extension. The S&P/TSX Financials Index on a total return basis for the year was up 10.5 percent. The Canadian banks strongly outperformed the Canadian life insurers during the year up 10.4 percent and down 1.6 percent respectively. Eight of the ten Financial Services equities that make up the portfolio experienced positive returns during the year with both The Bank of Nova Scotia and the Canadian Imperial Bank of Commerce posting the strongest annual total returns of 20.4 percent each. Manulife Financial Corporation lagged the group for the third year in a row, generating an annual total return of negative 8.3 percent due to its greater sensitivity to equity market volatility and low interest rates.

The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2010 was 4.2 percent. The relative underperformance during the year was due to various reasons including having an overweight position in the Royal Bank of Canada which underperformed the S&P/TSX Financials Index with an annual annual total return of negative 3.8 percent. The Fund also underperformed because of the cost of protective puts that were purchased in the spring and summer of 2010 as European sovereign default risk started to increase. Once the European Union provided a financial backstop, markets started to rally and the majority of the puts expired. Due to the low level of volatility in the Canadian financials for the majority of the year, the covered-call writing activity was limited to select holdings only as the lower volatility did not compensate the Fund enough to justify this activity. The Fund ended 2010 with approximately 3 percent of the portfolio subject to covered calls.

The Canadian banks and life insurance companies are expected to improve profitability and capital ratios in 2011 due to improving credit, good expense control and leverage to an economic recovery. Consequently, Canadian banks are expected to resume dividend growth, share buybacks and pursue acquisitions before Canadian life insurance companies.

Related Party Transactions

The manager and investment manager of the Fund is MCM ("Manager " or "Investment Manager"). MCM became the Manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services 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 February 15, 2000 amended as of August 2, 2005.

MCM is the Manager of the Fund pursuant to a Management Agreement made between the Fund and MCM dated February 15, 2000 amended as of August 2, 2005, and as such, is responsible for providing or arranging for required administrative services to the Fund.

MCM is paid the fees described under the Management Fees section of this report.

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("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. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

On October 4, 2010, MCM presented the terms of the Special Resolution to extend the Fund beyond its scheduled termination date of December 31, 2010 to the IRC for a recommendation. As part of the proposal to extent the term of the Fund, the Fund also made other changes, including: (i) changing the monthly redemption prices for the units such that monthly redemption prices are calculated by reference to market price rather than to NAV; (ii) permitting MCM, as Manager of the Fund, to terminate the Fund, without requiring unitholder approval, in the event that continuing the Fund would not be economically feasible; and (iii) permitting the Fund to enter into a merger with another MCM fund, that has similar investment objectives and strategies, in the future, as long as certain conditions are met, without unitholder approval. The IRC reviewed the Special Resolution and recommended that the Special Resolution be put to unitholders for their consideration on the basis that the proposed extension of the Fund would achieve a fair and reasonable result for the Fund. Unitholders of the Fund approved the proposal to extend the Fund for an indefinite period at a meeting on December 3, 2010.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Top 10 Canadian Financial Trust (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Capital Management Inc., (the "Manager"), and have been approved by the Fund's Board of Advisors (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 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.

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 Board meets periodically with management and the independent auditor 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 independent auditor's report. Deloitte & Touche LLP has full and unrestricted access to the Board.

John P. Mulvihill	John D. Germain
Director	Director
Mulvihill Capital Management Inc.	Mulvihill Capital Management Inc.
March 2, 2011	

To the Unitholders of Top 10 Canadian Financial Trust

We have audited the accompanying financial statements of Top 10 Canadian Financial Trust, which comprise the statement of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, and the statements of financial operations, of changes in net assets, and net loss on sale of investments for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Top 10 Canadian Financial Trust as at December 31, 2010 and 2009, and the results of its operations and its changes in the net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 2, 2011
Toronto, Ontario

Statements of Net Assets

As at December 31

	2010	2009
ASSETS		
Investments at fair value (cost - $37,586,648; 2009 - $63,272,352)	$ 36,476,443	$ 57,865,874
Short-term investments at fair value (cost - $14,394,111; 2009 - $5,050,999)	14,394,111	5,050,999
Cash	53,788	23,662
Interest receivable	1,915	2,999
Subscriptions receivable	–	75,602
Dividends receivable	121,353	197,599
Due from brokers - Investments	1,104,287	2,590,604
TOTAL ASSETS	52,151,897	65,807,339
LIABILITIES		
Redemptions payable	17,457,810	12,165,295
Due to brokers - investments	408,659	–
Accrued liabilities	355,144	261,882
TOTAL LIABILITIES	18,221,613	12,427,177
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	$ 33,930,284	$ 53,380,162
Number of Units Outstanding (Note 5)	3,224,405	4,896,746
Net Assets per Unit - Basic (Note 4)	$ 10.5230	$ 10.9011
Net Assets per Unit- Diluted (Note 5)	n/a	$ 10.6309

On Behalf of the Manager,
Mulvihill Capital Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statements of Financial Operations

Years ended December 31

	2010	2009
REVENUE		
Dividends	$ 2,122,183	$ 2,352,151
Interest	16,491	105,077
TOTAL REVENUE	2,138,674	2,457,228
EXPENSES (Note 6)		
Management fees	571,517	686,377
Service fees	152,956	187,177
Administrative and other expenses	71,670	64,630
Transaction fees (Note 9)	77,332	78,683
Custodian fees	33,413	33,973
Audit fees	26,025	27,316
Advisory board fees	19,631	19,631
Independent review committee fees	7,546	6,514
Legal fees	7,462	4,340
Unitholder reporting costs	26,747	27,263
Federal and provincial sales taxes	53,722	41,674
Subtotal Expenses	1,048,021	1,177,578
Special resolution expense (Note 6)	236,411	–
Warrant offering costs (Note 5)	–	171,186
TOTAL EXPENSES	1,284,432	1,348,764
Net Investment Income	854,242	1,108,464
Net loss on sale of investments	(2,944,894)	(12,655,432)
Net gain on sale of derivatives	79,764	1,238,477
Net Loss on Sale of Investments	(2,865,130)	(11,416,955)
Net change in unrealized appreciation/depreciation of investments	4,296,273	22,798,116
Net Gain on Investments	1,431,143	11,381,161
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ 2,285,385	$ 12,489,625
NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT - BASIC (based on the weighted average number of units outstanding during the year of 4,907,371; 2009 - 6,087,464)	$ 0.4657	$ 2.0517
NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT - DILUTED	n/a	$ 1.9810

Statements of Changes in Net Assets

Years ended December 31

	2010	2009
NET ASSETS, BEGINNING OF YEAR	$ 53,380,162	$ 59,444,532
Net Increase in Net Assets from Operations	2,285,385	12,489,625
Unit Transactions		
Proceeds from issuance of units, net of warrant exercise fees	7,020,920	96,782
Value for units redeemed	(24,911,009)	(14,071,879)
	(17,890,089)	(13,975,097)
Distributions to Unitholders		
Non-taxable distributions	(3,845,174)	(4,578,898)
Changes in Net Assets during the Year	(19,449,878)	(6,064,370)
NET ASSETS, END OF YEAR	$ 33,930,284	$ 53,380,162

Statements of Net Loss on Sale of Investments

Years ended December 31

	2010	2009
Proceeds from Sale of Investments	$ 77,724,297	$ 33,573,327
Cost of Investments		
Cost of investments, beginning of year	63,272,352	68,824,582
Cost of investments purchased	54,903,723	39,438,052
	118,176,075	108,262,634
Cost of Investments, End of Year	(37,586,648)	(63,272,352)
	80,589,427	44,990,282
NET LOSS ON SALE OF INVESTMENTS	$ (2,865,130)	$ (11,416,955)

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2010

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Term Deposits				
National Bank, 0.95% - January 4, 2011	3,300,000	$ 3,300,000	$ **3,300,000**	
Royal Bank of Canada, 0.95% - January 4, 2011	7,350,000	7,350,000	**7,350,000**	
Total Term Deposits		**10,650,000**	**10,650,000**	**74.0 %**
Treasury Bills				
Government of Canada, 0.96% - February 17, 2011	3,750,000	**3,744,111**	**3,744,111**	**26.0 %**
		14,394,111	**14,394,111**	**100.0 %**
Accrued Interest			**1,915**	**0.0 %**
TOTAL SHORT-TERM INVESTMENTS		**$ 14,394,111**	**$ 14,396,026**	**100.0 %**
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	62,900	$ 3,744,869	$ **3,612,976**	
Canadian Imperial Bank of Commerce	21,500	1,588,139	**1,681,945**	
Great-West Lifeco Inc.	126,700	3,590,423	**3,342,346**	
Industrial Alliance Insurance and Financial Services Inc.	133,900	4,532,806	**4,919,486**	
Manulife Financial Corporation	288,000	6,316,660	**4,924,800**	
National Bank of Canada	71,000	4,532,493	**4,857,820**	
Royal Bank of Canada	33,000	1,781,909	**1,723,260**	
Sun Life Financial Inc.	168,400	5,826,624	**5,055,368**	
The Bank of Nova Scotia	81,900	4,132,024	**4,672,395**	
The Toronto-Dominion Bank	23,100	1,585,004	**1,711,710**	
Total Financials		**37,630,951**	**36,502,106**	**100.1 %**
Total Canadian Common Shares		**$ 37,630,951**	**$ 36,502,106**	**100.1 %**
Options				
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia - January 2011 @ $57	(240)	**$ (15,000)**	**$ (21,118)**	
Written Covered Put Options (100 shares per contract)				
The Bank of Nova Scotia - January 2011 @ $57	(48)	**(3,984)**	**(4,545)**	
Total Options		**$ (18,984)**	**$ (25,663)**	**(0.1)%**
Adjustment for transaction costs		**(25,319)**		
TOTAL INVESTMENTS		**$ 37,586,648**	**$ 36,476,443**	**100.0 %**

1. Establishment of the Fund

Top 10 Canadian Financial Trust (the "Fund") was originally established as a closed-end investment trust under the laws of the Province of Ontario on February 15, 2000 under the name Digital World Trust. The Fund began operations on February 23, 2000.

The Manager of the Fund is Mulvihill Capital Management Inc. ("MCM"). Prior to September 1, 2010, the Manager of the Fund was Mulvihill Fund Services Inc. ("Mulvihill") which amalgamated with MCM on September 1, 2010. As successor, MCM is the Manager and the Investment Manager of the Fund. RBC Dexia Investor Services Trust is the Custodian of the assets of the Fund.

2. Investment Objectives and Strategy

On December 3, 2010, the unitholders of the Fund approved a proposal to extend the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite period. The Fund's investment objectives are to provide unitholders with a stable stream of quarterly cash distributions in an amount targeted to be 7.5 percent of the net asset value per unit and to return the net asset value per unit as of August 2, 2005 of $15.60 to unitholders upon termination of the Fund.

The Fund invests in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization generally investing in not less than 5 percent and not more than 15 percent of the Fund's assets in each company.

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 portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest.

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 Canadian generally accepted accounting principles ("Canadian GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

Financial Instruments – Disclosures

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. See additional note disclosures in Note II.

The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair value determined as follows:

Securities are valued at fair value, which is determined by the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available, the securities are valued at the closing sale price.

Short-term investments are included in the statement of investments at their cost. This value, together with accrued interest, approximates fair value at bid price.

Listed options are valued at fair values as reported on recognized exchanges. Over the counter options are valued using the Black-Scholes valuation model.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Financial Operations. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in gain (loss) on sale of derivatives.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid;

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid; and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

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 change in unrealized appreciation/depreciation of investments. Premiums received on written put options that are exercised are included in the cost of the security purchased.

4. Net Asset Value

The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per unit is calculated using the fair value of investments at the closing bid price. 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 difference between the net asset value per unit for pricing purposes and the net assets per unit reflected in the financial statements is as follows:

	2010	2009
Net Asset Value per unit (for pricing purposes)	**$10.5675**	$10.9215
Difference	**(0.0445)**	(0.0204)
Net Assets per unit (for financial statement purposes)	**$10.5230**	$10.9011

5. Unitholders' Equity

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) $0.60, except units held by a Related Trust, Counterparty or a Designated Party, which may be redeemed at the net asset value per unit on any valuation date.

On December 3, 2010, the unitholders of the Fund approved a proposal to extend the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite period. As part of the extension of the term of the Fund, to preserve the rights that were originally provided to unitholders, the Fund permitted unitholders to redeem units on December 31, 2010 ("Special Redemption Right") for proceeds equal to the amount unitholders would have received had the December 31, 2010 termination date not been extended. The redemption price per unit payable to a unitholder under the Special Redemption Right will be equal to NAV per unit on December 31, 2010. 1,644,481 units were redeemed for a total proceeds of $17,457,810.

After December 31, 2010, the December annual redemption right will continue to be available to unitholders who wish to redeem their units annually for a price based on 100 percent of the NAV per unit.

Following the extension of the term of the Fund, the monthly redemption prices for the units will be changed and unitholders whose units are redeemed on a Valuation Date will be entitled to receive a redemption price per unit equal to the lesser of:

(a) 95 percent of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the units on the principal stock exchange on which the units are listed for the ten trading days immediately preceding the applicable Redemption Date; and

(b) 100 percent of the Closing Market Price of the units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including but not limited to, costs incurred in liquidating securities held in the Fund's Financial Portfolio. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed.

Any declared and unpaid distributions payable on or before a Valuation Date in respect of units tendered for redemption on such Valuation Date will also be paid on the redemption payment date.

Unit transactions during the year are as follows:

	2010	2009
Units outstanding, beginning of year	**4,896,746**	6,201,992
Units redeemed	**(2,346,781)**	(1,314,385)
Units issued upon exercise of warrants	**674,440**	9,139
Units outstanding, end of year	**3,224,405**	**4,896,746**

In June 2010, the Toronto Stock Exchange ("TSX") accepted a normal course issuer bid filed by the Fund. Under the terms of the normal course issuer bid, the Fund proposed to purchase, if considered advisable, up to a maximum of 469,702 or 10 percent of its public float as determined in accordance with the rules of the TSX. The Fund may not purchase more than 94,020 of its units (representing approximately 2 percent of the Fund's issued and outstanding units as of May 31, 2010) in any 30-day period under the bid. The purchases would be made in the open market through facilities of the TSX. The normal course issuer bid will remain in effect until the earlier of June 9, 2011, the termination of the bid by the Fund or when the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2010, nil units have been purchased by the Fund.

Warrants

The Fund issued 6,001,492 warrants to unitholders of record outstanding at the close of business on November 19, 2009 (the "Offering") at a cost of $171,186. Unitholders received warrants on a basis of one warrant for each unit held November 19, 2009. Each warrant entitled the unitholder thereof to acquire one unit upon payment of $10.59 (the "Subscription Price") on or before June 15, 2010 (the "Expiry Date"). Warrants not exercised by the Expiry Date were rendered void and of no value. During the year, 674,440 warrants (2009 - 9,139) were exercised.

Upon exercise of a warrant, the Fund paid a fee of $0.18 per warrant to the dealer whose client has exercised the warrant. Such fees were paid by the Fund out of the assets attributable to the units. During the year, warrant exercise fees paid amounted to $121,399 (2009 - $1,645).

No amount was required to be included in computing the income of a unitholder as a consequence of acquiring warrants under the Offering, provided that the income of the Fund for its taxation year ending in 2009 did not exceed the cash distributions from the Fund for 2009. However, unitholders were required to reduce the adjusted cost base of their units by the aggregate fair market value of all the warrants acquired under the Offering. To the extent that the adjusted cost base of a unit would otherwise be less than zero, the negative amount is deemed to be a capital gain recognized by the unitholder and the unitholder's adjusted cost base of the unit will be increased by the amount of such deemed capital gain. The Manager determined the fair market value and the cost of a warrant acquired under the Offering to be nil, as of the date the warrant was issued.

The basic net assets per unit was calculated without giving effect to the dilutive impact of the outstanding warrants. The diluted net assets per unit refers to the net assets of the Fund plus the net proceeds that would have been received by the Fund if all outstanding warrants were exercised, divided by the number of units outstanding plus the additional units that would be outstanding if all of the outstanding warrants had been exercised on the applicable valuation date. The diluted net assets per unit was calculated when the basic net assets per unit exceeds $10.41 per unit, equivalent to the subscription price of $10.59 less the dealer fees of $0.18, on the applicable valuation date. At December 31, 2010, there was no diluted net assets per unit as all warrants had expired.

6. Management Fees and Expenses

Mulvihill amalgamated with MCM on September 1, 2010. As successor, MCM became the Manager and the Investment Manager of the Fund. Fees are payable to the Manager under the terms of the trust 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 1.00 percent respectively of the Fund's net asset value, calculated and payable monthly, plus applicable taxes.

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.

The Fund will pay a service fee which will be paid to each dealer whose clients hold Units. The service fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.30 percent annually of the net asset value of the Units held by clients of the dealer.

Restructuring costs consist of costs incurred for the special meeting of unitholders held during the year to consider and vote upon a special resolution to extend the term of the Fund and reposition it so that it might grow in size, increase in value and utilize its existing tax losses. Special resolution expenses amounting to $236,411 were paid during the year in respect of the special meeting and solicitation fees.

7. Distributions

The Fund will endeavour to make quarterly cash distributions to unitholders of 7.5 percent per annum on the Fund's net asset value.

Unitholders may elect to reinvest distributions received from the Fund in additional units.

If after such distributions there would otherwise remain in the Fund additional net investment income or net realized capital gains, the Fund intends to make a special distribution of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax thereon under the Income Tax Act (Canada) (the "Act").

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

8. Income Taxes

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

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2010 or 2009.

Accumulated non-capital losses of approximately $2.6M (2009 - $4.7M) and capital losses of approximately $73.6M (2009 - $73.6M) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	Amount (in $M)
2014	$ 2.1
2015	0.5
Total	**$ 2.6**

Issue costs of $0.1M (2009 - $1.3M) remain undeducted for tax purposes at year end.

9. Transaction Fees

Total transaction fees paid for the year ended December 31, 2010 in connection with portfolio transactions were $77,332 (2009 - $78,683). Of this amount $24,914 (2009 - $10,301) was directed for payment of client brokerage commissions.

10. Capital Disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures" requires the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 2, information on the Fund's unitholders' equity is described in Note 5 and Note 7 and the Fund does not have any externally imposed capital requirements.

11. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, receivables, payables, investments and certain derivative contracts. In accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosures", the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

(1) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(2) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(3) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 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	$ –	$ 14,396,026	$ –	$ 14,396,026
Canadian Common Shares	36,502,106	–	–	$ 36,502,106
Options	–	(25,663)	–	$ (25,663)
Total Investments	**$ 36,502,106**	**$ 14,370,363**	**$ –**	**$ 50,872,469**

The following is a summary of the inputs used as of December 31, 2009 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	$ –	$ 5,053,998	$ –	$ 5,053,998
Canadian Common Shares	57,940,907	–	–	$ 57,940,907
Options	–	(75,033)	–	$ (75,033)
Total Investments	**$ 57,940,907**	**$ 4,978,965**	**$ –**	**$ 62,919,872**

There were no transfers between Level 1 and Level 2 during 2010 and 2009.

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 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 Fund's most significant exposure to other price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all of the companies in the banks and life insurance industries. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program.

Approximately 108 percent (2009 - 109 percent) of the Fund's net assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2010, the net assets of the Fund would have increased or decreased by $3.7M (2009 - $5.8M) respectively or 10.8 percent (2009 - 10.9 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 the common shares in the Fund. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the risk of its investment position including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities 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 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.

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 which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year.

Cash is required to fund redemptions. Unitholders must surrender units at least 5 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 16 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. The Fund has minimal sensitivity to change in rates since securities are usually held to maturity and are short-term in nature.

Credit Risk

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 the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the current and prior year, based on Standard & Poor's credit ratings as of December 31, 2010 and 2009:

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.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

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, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Term Deposits	A-1	74%
Government of Canada Treasury Bills	AAA	26%
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	56%
Government of Canada Treasury Bills	AAA	44%
Total		**100%**

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

12. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for the year beginning on January 1, 2013 and will issue its initial statements on a comparative basis for the interim period ending June 30, 2013.

Board of Advisors

John P. Mulvihill
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Mulvihill Capital Management Inc.

John D. Germain
Senior Vice-President & Chief Financial Officer
Mulvihill Capital Management Inc.

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
Corporate Director

[1] *Independent Review Committee Member*

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

Investment Funds Managed by Mulvihill Capital Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund
Core Canadian Dividend Trust
Gold Participation and Income Fund
Premier Canadian Income Fund
Top 10 Canadian Financial Trust

SPLIT SHARES

MCM Split Share Corp.
Premium Income Corporation
S Split Corp.
Top 10 Split Trust
World Financial Split Corp.

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust
Pro-AMS U.S. Trust

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