



Hybrid Income Funds



Semi-Annual Report 2008

*Mulvihill Top 10 Canadian  
Financial Fund*

## Mulvihill Top 10 Canadian Financial Fund

### Message to Unitholders

We are pleased to present the semi-annual financial results of Mulvihill Top 10 Canadian Financial Fund (the "Fund").

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

The Fund was launched in 2000 with the objectives to:

- (1) Provide Unitholders of the Fund with a stable stream of quarterly cash distributions in an amount targeted to be 7.50 percent of Net Asset Value ("NAV") per unit; and
- (2) Return, at a minimum, the NAV per unit as of the special resolution date (approx. \$15.00) to Unitholders upon termination of the Fund on December 31, 2010.

To accomplish these objectives the Fund will invest exclusively in shares of the six largest Canadian Banks and four largest life insurance companies generally investing not less than 5 percent and not more than 15 percent of the Fund's assets in each company. Accordingly, the distributions paid out by the Fund are funded from the dividend income earned on the portfolio, realized capital gains from the sale of securities and option premiums from the sale of covered call options. During the six-month period ended June 30, 2008, the Fund earned a total return of negative 11.00 percent. Distributions amounting to \$0.50 per unit were paid during the six-month period, contributing to the overall decline in the net asset value from \$14.31 per unit as at December 31, 2007 to \$12.24 per unit as at June 30, 2008.

The longer-term financial highlights of the Fund are as follows:

|  | Years ended December 31 |          |          |          |         |         |
|--|-------------------------|----------|----------|----------|---------|---------|
|  | June 30, 2008           | 2007     | 2006     | 2005     | 2004    | 2003    |
| Total Fund Return  | (11.00)%                | (3.31)%  | 9.47%    | 0.05%    | (4.54)% | 20.18%  |
| Distribution Paid (target of 7.50% per annum on Net Asset Value of the Fund) | \$ 0.50                 | \$ 1.17  | \$ 1.19  | \$ 0.78  | \$ 0.40 | \$ 0.40 |
| Ending Net Asset Value per Unit (initial issue price was \$15.00 per unit)   | \$ 12.24                | \$ 14.31 | \$ 15.96 | \$ 15.73 | \$ 3.48 | \$ 4.06 |

We thank all unitholders for their continued support and encourage unitholders 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, 2008 of Mulvihill Top 10 Canadian Financial Fund (formerly Digital World Trust) (the “Fund”). The June 30, 2008 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.mulvihill.com](http://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.

## Mulvihill Top 10 Canadian Financial Fund

### 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](http://www.mulvihill.com).

#### Asset Mix

June 30, 2008

|                                 | % of<br>Net Asset Value |
|---------------------------------|-------------------------|
| Financials                      | 80%                     |
| Cash and Short-Term Investments | 18%                     |
| Other Assets (Liabilities)      | 2%                      |
|                                 | 100%                    |

#### Portfolio Holdings

June 30, 2008

|   | % of<br>Net Asset Value |
|---|-------------------------|
| Cash and Short-Term Investments                           | 18%                     |
| Manulife Financial Corporation                            | 9%                      |
| Great-West Lifeco Inc.                                    | 9%                      |
| The Bank of Nova Scotia                                   | 9%                      |
| The Toronto-Dominion Bank                                 | 8%                      |
| National Bank of Canada                                   | 8%                      |
| Industrial Alliance Insurance and Financial Services Inc. | 8%                      |
| Royal Bank of Canada                                      | 8%                      |
| Sun Life Financial Inc.                                   | 8%                      |
| Bank of Montreal  | 7%                      |
| Canadian Imperial Bank of Commerce                        | 6%                      |
|   | 98%                     |

## **Mulvihill Top 10 Canadian Financial Fund**

### **Management Report on Fund Performance**

#### **Results of Operations**

For the six-month period ended June 30, 2008, the net asset value of the Fund for pricing purposes based on closing prices was \$91.87 million or \$12.24 per unit (see Note 3 to the financial statements) compared to \$14.31 per unit on December 31, 2007. The Fund's units, listed on the Toronto Stock Exchange as TCT.UN, closed on June 30, 2008, at \$11.84 per unit.

Distributions amounting to \$0.50307 per unit were made to unitholders during the period. Based on the October 2005 issue price of \$16.10 per unit, these distributions represent a 6.2 percent annual yield for unitholders.

Volatility increased during the period due to the global credit crunch brought on by the U.S. sub-prime mortgage crisis and peaked on March 17th, the day the U.S. Federal Reserve assisted JP Morgan Chase & Co. in an emergency rescue for Bear Stearns Companies Inc. Due to the high volatility over the period, the Fund reduced its investment position and protective put purchases while increasing the amount of call writing to take advantage of the higher volatility.

The S&P/TSX Financials Index declined 11.59 percent during the period underperforming the broader S&P/TSX Composite Index that gained 5.98 percent. The equal weighted total return of the 10 financial services equities that make up the Fund was negative 13.0 percent. All of the 10 companies experienced negative returns during the period with the National Bank of Canada generating the least negative return of negative 0.7 percent while the Sun Life Financial Inc. generated the lowest return of negative 23.5 percent. The financial services sector has continued to experience a very tough operating environment due to decreased liquidity, increased credit spreads and weak equity markets caused by the global credit crunch that started in the summer of 2007. This has resulted in large mark-to-market writedowns to assets as well as a higher cost of funding for the banks that has pressured net interest margins. The strong Canadian dollar and low long term interest rates provided a negative earnings headwind for the insurance companies over the period.

The return for the Fund during the period, including reinvestment of distributions, was negative 11.00 percent. This return is reflective of the cash position as well as the return provided from the covered call writing in a negative market environment for the underlying financial portfolio. The return is also reflective of the difficult operating environment for the underlying financial portfolio due to deteriorating credit, weak equity markets and a strong Canadian dollar.

For more detailed information on the investment returns, please see the Annual Total Return bar graph on page 7.

# Mulvihill Top 10 Canadian Financial Fund

## 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 for the past five years.

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

Information for the period ended June 30, 2008 is derived from the

Six months ended  
June 2008

#### NET ASSETS PER UNIT

|  |                 |
|--|-----------------|
| <b>Net Assets, beginning of period (based on bid prices)<sup>(1)</sup></b> | <b>\$ 14.28</b> |
| INCREASE (DECREASE) FROM OPERATIONS  |                 |
| Total revenue  | 0.25            |
| Total expenses   | (0.12)          |
| Realized gains (losses) for the period                                     | (0.43)          |
| Unrealized gains (losses) for the period                                   | (1.28)          |
| <b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>             | <b>(1.58)</b>   |
| DISTRIBUTIONS  |                 |
| Non-taxable distributions  | (0.50)          |
| <b>Total Distributions<sup>(3)</sup></b>                                   | <b>(0.50)</b>   |
| <b>Net Assets, end of period (based on bid prices)<sup>(1)</sup></b>       | <b>\$ 12.21</b> |

(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 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 new accounting standards set out by the Canadian Institute of Chartered Accountants relating to Financial Instruments. Refer to Note 4 to the annual financial statements for further discussion.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), net of withholding taxes and foreign exchange gains (losses), less expenses and is calculated based on the weighted average number of units outstanding

Six months ended  
June 2008

#### RATIOS/SUPPLEMENTAL DATA

|   |                            |
|---|----------------------------|
| Net Asset Value (\$millions)            | <b>\$ 91.87</b>            |
| Number of units outstanding             | <b>7,505,319</b>           |
| Management expense ratio <sup>(1)</sup> | <b>1.66%<sup>(5)</sup></b> |
| Portfolio turnover rate <sup>(2)</sup>  | <b>12.88%</b>              |
| Trading expense ratio <sup>(3)</sup>    | <b>0.07%<sup>(5)</sup></b> |
| Net Asset Value per unit <sup>(5)</sup> | <b>\$ 12.24</b>            |
| Closing market price <sup>(4)</sup>     | <b>\$ 11.84</b>            |

(1) Management expense ratio is the ratio of all fees and expenses, including goods and services taxes, but excluding transaction fees charged to the Fund to the average net asset value. The management expense ratio for 2005 includes the special resolution expense. The management expense ratio for 2005 excluding the special resolution expense is 1.83%.

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

## Mulvihill Top 10 Canadian Financial Fund

### Management Report on Fund Performance

Fund's unaudited semi-annual financial statements.

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

| Years ended December 31 |                      |                         |                         |         |         |
|-------------------------|----------------------|-------------------------|-------------------------|---------|---------|
|                         | 2007                 | 2006                    | 2005                    | 2004    | 2003    |
| \$                      | 15.95 <sup>(5)</sup> | \$ 15.73 <sup>(4)</sup> | \$ 3.48                 | \$ 4.06 | \$ 3.75 |
|                         | 0.49                 | 0.45                    | 0.40                    | (0.04)  | (0.03)  |
|                         | (0.26)               | (0.26)                  | (0.29)                  | (0.07)  | (0.07)  |
|                         | 0.85                 | 0.94                    | (0.32)                  | (2.21)  | (1.53)  |
|                         | (1.57)               | 0.28                    | 2.75                    | 2.14    | 2.32    |
|                         | (0.49)               | 1.41                    | 2.54                    | (0.18)  | 0.69    |
|                         | (1.17)               | (1.19)                  | (0.78)                  | (0.40)  | (0.40)  |
|                         | (1.17)               | (1.19)                  | (0.78)                  | (0.40)  | (0.40)  |
| \$                      | 14.28                | \$ 15.96                | \$ 15.73 <sup>(4)</sup> | \$ 3.48 | \$ 4.06 |

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 unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

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

(5) Net Assets per unit has been adjusted for the Transition Adjustment - New Accounting Standards (see Note 4 to the annual financial statements).

| Years ended December 31 |           |           |                         |           |           |
|-------------------------|-----------|-----------|-------------------------|-----------|-----------|
|                         | 2007      | 2006      | 2005                    | 2004      | 2003      |
| \$                      | 107.65    | \$ 145.77 | \$ 157.84               | \$ 17.72  | \$ 24.19  |
|                         | 7,524,019 | 9,131,373 | 10,035,145              | 5,098,619 | 5,962,815 |
|                         | 1.64%     | 1.69%     | 1.88%                   | 1.85%     | 1.76%     |
|                         | 75.28%    | 135.44%   | 221.14%                 | 57.16%    | 61.06%    |
|                         | 0.07%     | 0.10%     | 0.41%                   | 0.20%     | 0.25%     |
| \$                      | 14.31     | \$ 15.96  | \$ 15.73 <sup>(4)</sup> | \$ 3.48   | \$ 4.06   |
| \$                      | 14.00     | \$ 15.55  | \$ 17.00                | \$ 3.24   | \$ 3.90   |

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

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

(5) Annualized.

(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.

## **Mulvihill Top 10 Canadian Financial Fund**

### **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 1.00 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 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. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

#### **Recent Developments**

The Canadian banks and life insurance companies continue to demonstrate good fundamentals and profitability relative to U.S. and Global financials with strong capital positions and high returns on equity. The Canadian banks fiscal second quarter operating earnings were down 5 percent year-over-year with an operating return on equity of 19.8 percent, while the Canadian life insurance companies first quarter earnings were down 9 percent year-over-year. The high dividend yield on these companies relative to the 10-year Government of Canada bond yield at 3.7 percent at the end of the second quarter is at a very compelling valuation and the price earnings multiple of the banks and life insurers relative to the broad market is still attractive.

Going forward we continue to view the bank and life insurance companies fundamentals as good with high returns on equity and strong capital ratios relative to other global financial services companies providing the ability to make further acquisitions and continue to return some of their excess capital to shareholders in the form of dividends and modest share repurchases.



## Mulvihill Top 10 Canadian Financial Fund

### Management Report on Fund Performance

#### Past Performance

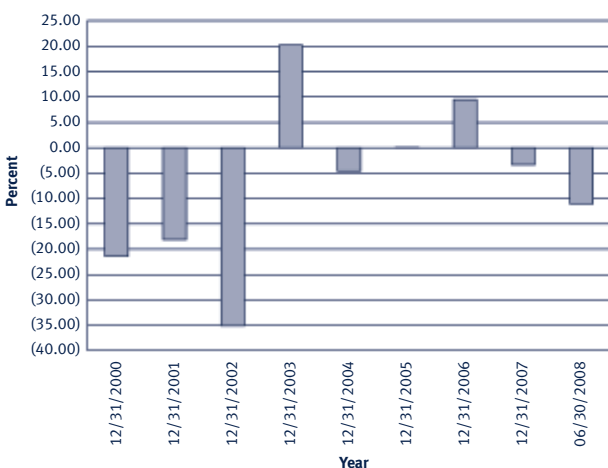
The chart below sets out the Fund's year-by-year past performance. It is important to note that:

- (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 total return for each of the past eight years including the six month period ended June 30, 2008 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2000 would have increased or decreased by the end of that fiscal year, or June 30, 2008 for the six months then ended.

#### Annual Total Return



# Mulvihill Top 10 Canadian Financial Fund

## Management Report on Fund Performance

### 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 February 15, 2000 amended as of August 2, 2005.

Mulvihill Fund Services Inc. (“Mulvihill”) is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill 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. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

### Independent Review Committee

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

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

### 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 Mulvihill Top 10 Canadian Financial Fund (formerly Digital World Trust) (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 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 semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2007.

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

The Board 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 Board.

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.



John P. Mulvihill  
Director  
Mulvihill Fund Services Inc.



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.

August 2008

## Mulvihill Top 10 Canadian Financial Fund

### Financial Statements

#### Statements of Net Assets

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

|   | 2008                 | 2007                  |
|---|----------------------|-----------------------|
| <b>ASSETS</b>   |                      |                       |
| Investments at fair value<br>(cost - \$88,055,687;<br>2007 - \$112,230,074)           | <b>\$ 73,717,472</b> | \$ 107,490,670        |
| Short-term investments at fair value<br>(cost - \$16,300,257;<br>2007 - \$20,978,583) | <b>16,300,257</b>    | 20,979,145            |
| Cash  | <b>931</b>           | 1,138                 |
| Dividends receivable  | <b>330,409</b>       | 435,420               |
| Interest receivable   | <b>57,649</b>        | 76,390                |
| Due from brokers - investments  | <b>1,388,193</b>     | –                     |
| <b>TOTAL ASSETS</b>   | <b>91,794,911</b>    | <b>128,982,763</b>    |
| <b>LIABILITIES</b>  |                      |                       |
| Accrued liabilities   | <b>161,910</b>       | 254,081               |
| Redemptions payable   | –                    | 21,262,555            |
| <b>TOTAL LIABILITIES</b>  | <b>161,910</b>       | <b>21,516,636</b>     |
| <b>NET ASSETS, REPRESENTED<br/>BY UNITHOLDERS' EQUITY</b>                             | <b>\$ 91,633,001</b> | <b>\$ 107,466,127</b> |
| <b>Number of Units Outstanding</b>  | <b>7,505,319</b>     | <b>7,524,019</b>      |
| <b>Net Assets per Unit</b>  | <b>\$ 12.2091</b>    | <b>\$ 14.2831</b>     |

Financial Statements

Statements of Financial Operations

For the six months ended June 30 (Unaudited)

|  | 2008                   | 2007                |
|--|------------------------|---------------------|
| <b>REVENUE</b>   |                        |                     |
| Dividends  | \$ 1,590,148           | \$ 1,998,041        |
| Interest, net of foreign exchange  | 262,389                | 184,742             |
| <b>TOTAL REVENUE</b>   | <b>1,852,537</b>       | <b>2,182,783</b>    |
| <b>EXPENSES</b>  |                        |                     |
| Management fees  | 542,846                | 789,548             |
| Service fees   | 141,190                | 211,442             |
| Administrative and other expenses  | 56,207                 | 68,381              |
| Transaction fees   | 35,095                 | 64,584              |
| Custodian fees   | 18,840                 | 23,326              |
| Audit fees   | –                      | 28,512              |
| Advisory board fees  | 9,733                  | 10,363              |
| Independent review committee fees  | 2,002                  | –                   |
| Legal fees   | 5,623                  | 5,689               |
| Unitholder reporting costs   | 20,780                 | 26,710              |
| Goods and services tax   | 32,531                 | 53,907              |
| <b>TOTAL EXPENSES</b>  | <b>864,847</b>         | <b>1,282,462</b>    |
| <b>Net Investment Income</b>   | <b>987,690</b>         | <b>900,321</b>      |
| Net gain (loss) on sale of investments   | (4,301,239)            | 7,707,203           |
| Net gain (loss) on sale of derivatives   | 1,092,889              | (1,000,579)         |
| Net change in unrealized appreciation/<br>depreciation of investments  | (9,599,373)            | (5,592,999)         |
| <b>Net Gain (Loss) on Investments</b>  | <b>(12,807,723)</b>    | <b>1,113,625</b>    |
| <b>NET INCREASE (DECREASE) IN NET<br/>ASSETS FROM OPERATIONS</b>   | <b>\$ (11,820,033)</b> | <b>\$ 2,013,946</b> |
| <b>NET INCREASE (DECREASE) IN NET<br/>ASSETS FROM OPERATIONS PER UNIT</b><br>(based on the weighted average<br>number of units outstanding<br>during the period of 7,512,820;<br>2007 - 9,091,405) | <b>\$ 1.5733</b>       | <b>\$ 0.2215</b>    |

## Mulvihill Top 10 Canadian Financial Fund

### Financial Statements

#### Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

|  | 2008           | 2007           |
|--|----------------|----------------|
| NET ASSETS, BEGINNING OF PERIOD                          | \$ 107,466,127 | \$ 145,769,732 |
| Transition Adjustment -<br>New Accounting Standards      | -              | (95,101)       |
| Net Increase (Decrease) in Net Assets<br>from Operations | (11,820,033)   | 2,013,946      |
| Unit Transactions  |                |                |
| Amount paid for units redeemed                           | (237,392)      | (1,876,686)    |
| Distributions to Unitholders                             |                |                |
| Non-taxable distributions                                | (3,775,701)    | (5,528,267)    |
| Changes in Net Assets during the Period                  | (15,833,126)   | (5,486,108)    |
| NET ASSETS, END OF PERIOD                                | \$ 91,633,001  | \$ 140,283,624 |
| Net Assets per Unit                                      | \$ 12.2091     | \$ 15.5696     |

#### Statements of Net Gain (Loss) on Sale of Investments

For the six months ended June 30 (Unaudited)

|   | 2008           | 2007          |
|---|----------------|---------------|
| Proceeds from Sale of Investments           | \$ 31,855,961  | \$ 91,296,826 |
| Cost of Investments Sold                    |                |               |
| Cost of investments,<br>beginning of period | 112,230,074    | 134,657,346   |
| Cost of investments purchased               | 10,889,924     | 78,917,322    |
| Cost of Investments, End of Period          | (88,055,687)   | (128,984,466) |
|   | 35,064,311     | 84,590,202    |
| NET GAIN (LOSS) ON<br>SALE OF INVESTMENTS   | \$ (3,208,350) | \$ 6,706,624  |

# Mulvihill Top 10 Canadian Financial Fund

## Financial Statements

### Statement of Investments

June 30, 2008 (Unaudited)

|   | Par Value/<br>Number of Shares | Average<br>Cost      | Fair<br>Value        | % of<br>Portfolio |
|---|--------------------------------|----------------------|----------------------|-------------------|
| <b>SHORT-TERM INVESTMENTS</b>                       |                                |                      |                      |                   |
| <b>Treasury Bills</b>                               |                                |                      |                      |                   |
| Government of Canada, 2.13%<br>- July 24, 2008      | 4,310,000                      | \$ 4,278,052         | \$ 4,278,052         |                   |
| Government of Canada, 2.64%<br>- August 7, 2008     | 6,120,000                      | 6,078,846            | 6,078,846            |                   |
| Government of Canada, 2.70%<br>- September 18, 2008 | 5,790,000                      | 5,749,866            | 5,749,866            |                   |
| Government of Canada, 2.56%<br>- October 16, 2008   | 195,000                        | 193,493              | 193,493              |                   |
| <b>Total Treasury Bills</b>                         |                                | <b>\$ 16,300,257</b> | <b>\$ 16,300,257</b> | <b>99.6%</b>      |
| <b>Accrued Interest</b>                             |                                |                      | <b>57,649</b>        | <b>0.4%</b>       |
| <b>TOTAL SHORT-TERM INVESTMENTS</b>                 |                                | <b>\$ 16,300,257</b> | <b>\$ 16,357,906</b> | <b>100.0%</b>     |

### INVESTMENTS

#### Canadian Common Shares

##### Financials

|  |         |                      |                      |              |
|--|---------|----------------------|----------------------|--------------|
| Bank of Montreal   | 143,000 | \$ 9,184,901         | \$ 6,063,200         |              |
| Canadian Imperial Bank<br>of Commerce                        | 100,000 | 9,293,506            | 5,592,000            |              |
| Great-West Lifeco Inc.                                       | 275,200 | 9,495,754            | 8,019,328            |              |
| Industrial Alliance Insurance<br>and Financial Services Inc. | 223,650 | 8,243,812            | 7,660,012            |              |
| Manulife Financial Corporation                               | 225,900 | 8,695,637            | 7,999,119            |              |
| National Bank of Canada                                      | 151,800 | 9,174,593            | 7,659,828            |              |
| Royal Bank of Canada   | 163,600 | 8,552,547            | 7,440,528            |              |
| Sun Life Financial Inc.                                      | 170,000 | 8,485,851            | 7,097,500            |              |
| The Bank of Nova Scotia                                      | 171,700 | 8,602,315            | 8,013,239            |              |
| The Toronto-Dominion Bank                                    | 123,000 | 8,503,969            | 7,880,610            |              |
| <b>Total Financials</b>                                      |         | <b>88,232,885</b>    | <b>73,425,364</b>    | <b>99.6%</b> |
| <b>Total Canadian Common Shares</b>                          |         | <b>\$ 88,232,885</b> | <b>\$ 73,425,364</b> | <b>99.6%</b> |

## Mulvihill Top 10 Canadian Financial Fund

### Financial Statements

#### Statement of Investments (continued)

June 30, 2008 (Unaudited)

|   | Number of<br>Contracts | Average Cost/<br>Proceeds | Fair<br>Value        | % of<br>Portfolio |
|---|------------------------|---------------------------|----------------------|-------------------|
| <b>INVESTMENTS (continued)</b>            |                        |                           |                      |                   |
| <b>OPTIONS</b>                            |                        |                           |                      |                   |
| <b>Purchased Put Options</b>              |                        |                           |                      |                   |
| (100 shares per contract)                 |                        |                           |                      |                   |
| Bank of Montreal                          |                        |                           |                      |                   |
| - September 2008 @ \$44                   | 153                    | \$ 34,272                 | \$ 47,467            |                   |
| Canadian Imperial Bank of Commerce        |                        |                           |                      |                   |
| - September 2008 @ \$61                   | 100                    | 31,450                    | 64,476               |                   |
| National Bank of Canada                   |                        |                           |                      |                   |
| - September 2008 @ \$52                   | 159                    | 34,503                    | 50,955               |                   |
| Royal Bank of Canada                      |                        |                           |                      |                   |
| - September 2008 @ \$47                   | 179                    | 35,442                    | 47,671               |                   |
| The Bank of Nova Scotia                   |                        |                           |                      |                   |
| - September 2008 @ \$49                   | 176                    | 33,176                    | 61,942               |                   |
| The Toronto Dominion Bank                 |                        |                           |                      |                   |
| - September 2008 @ \$65                   | 130                    | 33,410                    | 41,449               |                   |
| <b>Total Purchased Put Options</b>        |                        | <b>202,253</b>            | <b>313,960</b>       | <b>0.4%</b>       |
| <b>Written Covered Call Options</b>       |                        |                           |                      |                   |
| (100 shares per contract)                 |                        |                           |                      |                   |
| Bank of Montreal - July 2008 @ \$45       | (253)                  | (35,041)                  | (5,757)              |                   |
| Bank of Montreal - July 2008 @ \$51       | (253)                  | (35,926)                  | -                    |                   |
| Canadian Imperial Bank of Commerce        |                        |                           |                      |                   |
| - July 2008 @ \$65                        | (300)                  | (36,750)                  | (4)                  |                   |
| Great-West Lifeco Inc.                    |                        |                           |                      |                   |
| - July 2008 @ \$33                        | (550)                  | (33,000)                  | -                    |                   |
| Manulife Financial Corporation            |                        |                           |                      |                   |
| - July 2008 @ \$38                        | (565)                  | (42,092)                  | (981)                |                   |
| National Bank of Canada                   |                        |                           |                      |                   |
| - July 2008 @ \$55                        | (635)                  | (55,245)                  | (6,519)              |                   |
| Royal Bank of Canada                      |                        |                           |                      |                   |
| - July 2008 @ \$51                        | (468)                  | (45,464)                  | (2,432)              |                   |
| The Bank of Nova Scotia                   |                        |                           |                      |                   |
| - July 2008 @ \$49                        | (500)                  | (32,250)                  | (4,321)              |                   |
| The Bank of Nova Scotia                   |                        |                           |                      |                   |
| - July 2008 @ \$52                        | (100)                  | (7,750)                   | (325)                |                   |
| The Toronto-Dominion Bank                 |                        |                           |                      |                   |
| - July 2008 @ \$71                        | (290)                  | (37,990)                  | (1,513)              |                   |
| <b>Total Written Covered Call Options</b> |                        | <b>(361,508)</b>          | <b>(21,852)</b>      | <b>0.0%</b>       |
| <b>TOTAL OPTIONS</b>                      |                        | <b>\$ (159,255)</b>       | <b>\$ 292,108</b>    | <b>0.4%</b>       |
| Adjustment for transaction costs          |                        | \$ (17,943)               |                      |                   |
| <b>TOTAL INVESTMENTS</b>                  |                        | <b>\$88,005,687</b>       | <b>\$ 73,717,472</b> | <b>100.0%</b>     |



### 1. Basis of Presentation

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

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

### 2. Summary of Significant Accounting Policies

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

### 3. Net Asset Value and Net Assets

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

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

|   | 2008            | 2007     |
|---|-----------------|----------|
| Net Asset Value (for pricing purposes)        | <b>\$ 12.24</b> | \$ 15.59 |
| Difference                                    | <b>(0.03)</b>   | (0.02)   |
| Net Assets (for financial statement purposes) | <b>\$ 12.21</b> | \$ 15.57 |

### 4. Financial Instruments and Risk Management

The Fund’s financial instruments consist of cash, investments and certain derivative contracts. As a result, the Fund is exposed to various types of risks that are associated with its investment

## Mulvihill Top 10 Canadian Financial Fund

### Notes to Financial Statements

June 30, 2008

strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk, short-term investments credit rating and credit risk.

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

#### Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Portfolio consists only of securities of banks and life insurance companies. Net Asset Value (“NAV”) per Unit varies as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, 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 80 percent of the Fund’s net assets held at June 30, 2008 were publicly traded securities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2008, the net assets of the Fund would have increased or decreased by \$7.3M respectively or 8.0 percent of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may from time to time write covered call options in respect of all or part of the common shares 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. The Fund is subject to the full risk of its investment position in 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 full downside risk on invested positions which may be partially mitigated by the use of purchased put options. The risk to the Fund with respect to purchased put options is limited to the premiums paid to purchase the put options.

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

### Liquidity Risk

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

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

### Short-Term Investments Credit Rating

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

| Type of Short-Term Investment | Rating | % of Short-Term Investments |
|-------------------------------|--------|-----------------------------|
| Treasury Bills                | AAA    | 100.0%                      |
| <b>Total</b>                  |        | <b>100.0%</b>               |

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

### Credit Risk

In purchasing call or put options, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its

## Mulvihill Top 10 Canadian Financial Fund

### Notes to Financial Statements

June 30, 2008

obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

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

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

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

#### 5. Normal Course Issuer Bid

Under the terms of the normal course issuer bid renewed in May 2008. The Fund proposes to purchase, if considered advisable, up to a maximum of 747,531 units (2007 - 903,449 units), 10 percent of its public float as determined in accordance with the rules of the Exchange. The purchases would be made in the open market through facilities of the Exchange. The normal course issuer bid will remain in effect until the earlier of May 8, 2009 or until the Fund has purchased the maximum number of units permitted under the bid. As at June 30, 2008, no units (2007 - nil) have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

#### 6. Future Accounting Policy Changes

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

## Mulvihill Top 10 Canadian Financial Fund

### Hybrid Income Funds

#### Managed by Mulvihill Structured Products

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#### Mulvihill Platinum

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

#### Mulvihill Premium

Mulvihill *Core Canadian Dividend Fund*  
Mulvihill *Premium Canadian Fund*  
Mulvihill *Premium 60 Plus Fund*  
Mulvihill *Premium Canadian Bank Fund*  
Mulvihill *Premium Global Plus Fund*  
Mulvihill *Premium Split Share Fund*  
Mulvihill *S Split Fund*  
Mulvihill *Top 10 Canadian Financial Fund*  
Mulvihill *Top 10 Split Fund*  
Mulvihill *World Financial Split Fund*

#### Mutual Funds Managed by Mulvihill Capital Management

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

#### Head Office

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Visit our website at [www.mulvihill.com](http://www.mulvihill.com) for additional information on all Mulvihill Hybrid Income Funds.

## ***Mulvihill Top 10 Canadian Financial Fund***

### **Notes**





**Mulvihill**

[www.mulvihill.com](http://www.mulvihill.com)

**Mulvihill Structured Products**

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