



Hybrid Income Funds



Annual Report 2007

Mulvihill World Financial Split Fund



Message to Shareholders

We are pleased to present the annual financial results of Mulvihill World Financial Split Corp. which operates as Mulvihill World Financial Split Fund (the "Fund").

The following is a brief summary of the financial highlights and results of operations of the Fund. This is intended to provide you with a quick overview of the performance and is not intended to replace the more detailed financial information contained in the annual report.

The Fund was launched in 2004 with the objectives to:

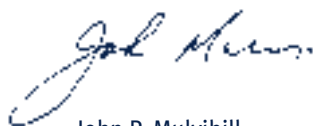
- (1) Provide holders of Preferred shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum; and
- (2) Provide holders of Class A shares with regular quarterly cash distributions targeted to be 8.0 percent per annum and to return the original issue price to holders of both Preferred shares and Class A shares at the time of redemption of such shares on June 30, 2011 (the "Termination Date").

To accomplish these objectives the net proceeds of the offering will be invested by the Fund in a portfolio (the "Portfolio") which will include common equity securities selected from the ten largest financial services companies by market capitalization in each of Canada (at the operating level), the United States and the Rest of the World (the "Portfolio Universe"). In addition, the issuers of the securities in the Fund's Portfolio, other than those of Canadian issuers, must have a minimum local currency issuer credit rating of "A" from Standard & Poor's or a comparable rating from an equivalent agency. 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 fiscal year ended 2007 the Fund earned an annual total return of negative 9.3 percent. Distributions amounting to \$1.725 per unit were paid during the year, resulting in a decline in the net asset value from \$23.31 per unit as at December 31, 2006 to \$19.50 per unit as at December 31, 2007.

The longer-term financial highlights of the Fund for the years ended December 31 are as follows:

	2007	2006	2005	2004
Annual Total Fund Return	(9.33)%	11.18%	6.31%	2.66%
Preferred Share Distribution Paid (target of \$0.131250 per share)	\$ 0.525000	\$ 0.525000	\$ 0.525000	\$ 0.455600
Class A Share Distribution Paid (target of \$1.20 per share)	\$ 1.200000	\$ 1.200000	\$ 1.200000	\$ 1.041237
Ending Net Asset Value per Unit (initial issue price was \$25.00 per Unit)	\$ 19.50	\$ 23.31	\$ 22.60	\$ 22.96

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



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

TABLE OF CONTENTS

Management Report on Fund Performance

- Investment Objectives and Strategies 2
- Risk 2
- Summary of Investment Portfolio 3
- Results of Operations 4
- Financial Highlights 5
- Recent Developments 6
- Past Performance 6
- Related Party Transactions 7

Management’s Responsibility for Financial Reporting 8

Auditors’ Report 9

Financial Statements 10

Notes to Financial Statements 16

Statement of Corporate Governance Practices 20

Mulvihill Capital Management Inc. 21

Board of Directors 22



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 year ended December 31, 2007 of Mulvihill World Financial Split Corp. which operates as Mulvihill World Financial Split Fund (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

The Fund's investment objectives are to provide holders of Preferred shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum, to provide holders of Class A shares with regular quarterly cash distributions targeted to be 8.0 percent per annum and to return the original issue price to holders of both Preferred shares and Class A shares at the time of redemption of such shares on June 30, 2011 (the "Termination Date").

The Fund invests in a portfolio (the "Portfolio") which includes common equity securities selected from the ten largest financial services companies by market capitalization in each of Canada (at the operating company level), the United States and the Rest of the World (the "Portfolio Universe"). In addition, the issuers of the securities in the Fund's Portfolio, other than those of Canadian issuers, must have a minimum local currency issuer credit rating of "A" from Standard & Poor's or a comparable rating from an equivalent rating agency.

In addition, up to 20 percent of the net asset value of the Fund may be invested in common equity securities of financial services companies that are not in the Portfolio Universe as long as such companies have a market capitalization at the time of investment of at least U.S. \$10.0 billion and for non-Canadian issuers, a minimum local currency issuer credit rating of "A" from Standard & Poor's Index or a comparable rating from an equivalent rating agency.

Risk

Investors should be aware that the primary risks associated with the Fund relate to the non-diversified nature of the investment universe, and the level of option volatility realized in undertaking the writing of covered call options. The underlying portfolio holds securities selected from the Portfolio Universe. In addition, the process of writing covered call options on the securities held in the portfolio will tend to lower the volatility of the net asset value of the portfolio.

Any capital appreciation in the value of the portfolio will be for the benefit of the holders of Class A shares. However, any decrease in the value of the portfolio or the dividends paid on the common shares of the corporations held in the portfolio will effectively first be for the account of the holders of Class A shares. The Class A shares will have no value on June 30, 2011 if the net asset value per unit on that date is less than or equal to \$10.00.

In order to generate income the Fund writes covered call options in respect of all or part of the securities held in the portfolio. Volatility remained relatively low for the first half of 2007 but rose considerably during the second half of the year due to increased credit and liquidity risks brought on by the U.S. sub-prime housing crisis. Due to the low volatility in the first part of the year, the Fund maintained its high investment position thereby providing greater income generating capabilities. To offset the risk of added equity exposure the Fund purchased protective put options to partially mitigate the potential impact of a severe market decline as well as to take advantage of the low cost of this protection. As volatility increased during the second half of 2007, the Fund reduced its investment position while increasing the amount of covered call option writing to take advantage of the higher volatility.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2007

	% OF NET ASSET VALUE*
Canada	36 %
United States	29 %
International	27 %
Cash and Short-Term Investments	9 %
Other Assets (Liabilities)	(1)%
	100 %

*The Net Asset Value excludes the Preferred share liability.

Top 25 Holdings

December 31, 2007

	% OF NET ASSET VALUE*		% OF NET ASSET VALUE*		% OF NET ASSET VALUE
Cash and Short-Term Investments	9%	Banco Bilao Vizcaya Argentaria, S.A. ADR	4%	Credit Suisse Group ADR	3%
Metlife Inc.	4%	Manulife Financial Corporation	3%	ING Groep N.V. ADR	3%
Sun Life Financial Inc.	4%	IGM Financial Inc.	3%	Wells Fargo & Company	3%
Great-West Lifeco Inc.	4%	American International Group, Inc.	3%	Morgan Stanley	3%
Goldman Sachs Group Inc.	4%	AXA ADR	3%	American Express Company	3%
The Toronto-Dominion Bank	4%	Deutsche Bank AG ADR	3%	AFLAC Incorporated	3%
The Bank of Nova Scotia	4%	Allianz SE ADR	3%	Barclays PLC ADR	2%
Royal Bank of Canada	4%	Bank of Montreal	3%		
National Bank of Canada	4%	JPMorgan Chase & Co.	3%		

*The Net Asset Value excludes the Preferred share liability.

Distribution History

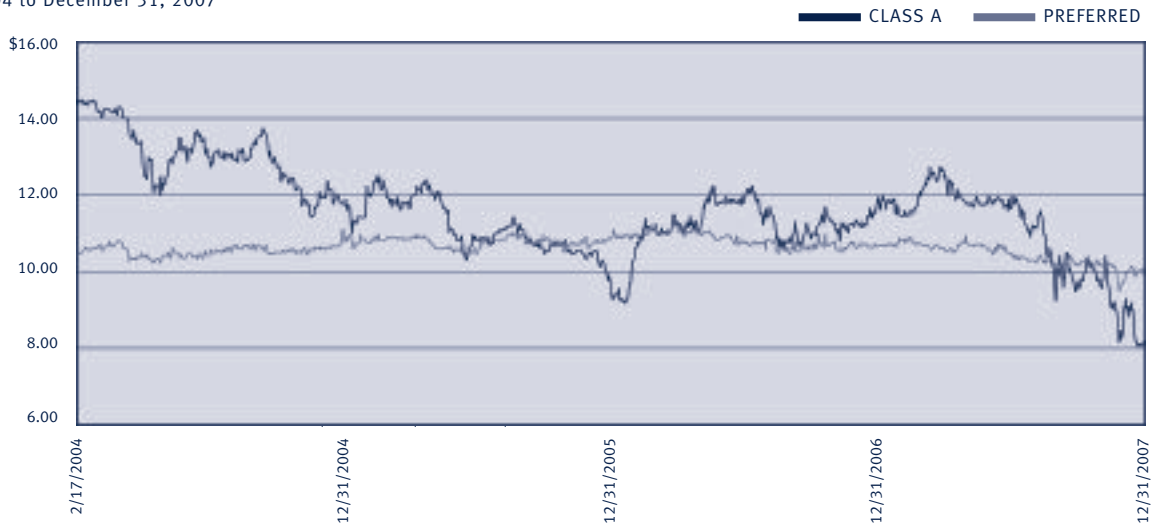
INCEPTION DATE: FEBRUARY 2004

	CLASS A DISTRIBUTION	PREFERRED SHARE DISTRIBUTION
Total for 2004	\$ 1.041237	\$ 0.45560
Total for 2005	1.200000	0.52500
Total for 2006	1.200000	0.52500
Total for 2007	1.200000	0.52500
Total Distributions to Date	\$ 4.641237	\$ 2.03060

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

Trading History

February 17, 2004 to December 31, 2007



Results of Operations

For the fiscal year ended December 31, 2007, the net asset value of the Fund for pricing purposes based on closing prices totalled \$269.6 million, or \$19.50 per unit, after payment of distributions to unitholders, decreasing from \$23.31 per unit on December 31, 2006. The Fund’s Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on December 31, 2007, at \$9.95 per share. The Fund’s Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 31, 2007, at \$8.16 per share. Each unit consists of one Preferred share and one Class A share together.

Distributions amounting to \$0.5250 per Preferred share and \$1.20 per Class A share were made to shareholders during the fiscal year. Based on the initial issue price of \$10.00 and \$15.00 per share, respectively, these distributions represent a 5.25 percent annual yield for Preferred shares and a 8 percent annual yield for Class A shares.

Volatility remained relatively low for the first half of 2007 but rose considerably during the second half of the year due to increased credit and liquidity risks brought on by the U.S. sub-prime housing crisis. Due to the low volatility in the first part of the year, the Fund maintained its high investment position thereby providing greater income generating capabilities. To offset the risk of added equity exposure the Fund purchased protective puts to partially mitigate the potential impact of a severe market decline as well as to take advantage of the low cost of this protection. As volatility increased during the second half of 2007, the Fund reduced its investment position while increasing the amount of covered call option writing to take advantage of the higher volatility.

The total return for the MSCI World/Finance Index in Canadian dollars was negative 21.7 percent. All 3 regions produced negative total returns for the period. In Canada, the S&P/TSX Financial Services Index declined negative 1.6 percent, in the U.S., the S&P 500 Financials Index declined negative 30.7 percent, while the International MSCI EAFE Financials Index dropped negative 15.9 percent. These returns are reflective of the tough market environment for the underlying financial services companies due to increased global liquidity and credit risks associated with the U.S. sub-prime housing crisis and its systemic affect on the asset backed commercial paper market in Canada, as well as the off-balance sheet vehicles of the global financial services companies such as SIV’s (structured investment vehicles) and CDO’s (collateralized debt obligations). Although most central banks have been accommodative by lowering short-term interest rates as well as injecting liquidity into the system, borrowing and lending rates have increased considerably over the year as evidenced by the LIBOR (London-Interbank Offered Rate) rate, B/A (Bankers’ Acceptance) spreads and credit spreads. The strengthening Canadian dollar in 2007, up more than 17 percent vs. the U.S. dollar also provided a headwind for some of the Canadian companies within the Financial Portfolio. These have been offset somewhat by continued low interest rates globally, the high yield and dividend growth of the group relative to the broad market as well as the consolidation of financial services companies that continued in 2007. One of the reasons why the Canadian Financials Index outperformed in 2007 was because of their less significant exposure to the U.S. sub-prime housing market.

The one-year return for the Fund, including reinvestment of distributions, was negative 9.3 percent. This return is reflective of the relative overweight position in the Canadian Financials, which was the best performing group in 2007. It is also reflective of the U.S. dollar hedge and the protective put options purchased in a negative market environment for the underlying Financial Portfolio. The one year compound total return for the Class A shares, including reinvestment of distributions, was negative 20.6 percent. For more detailed information on investment returns, please see the Annual Total Return bar graph on page 6 of this report and the Annual Compound Returns table on page 7 of this report.

World Financial Split Fund ended 2006 with a regional asset mix of 35 percent invested in the Canada, 30 percent in the United States and 30 percent in the Rest of World. During 2007, the regional asset mix changed with an emphasis on increasing exposure to the Canadian Financials and reducing the exposure to the Rest of the World Financials and reducing the exposure to the U.S. market. The Fund ended 2007 with a regional asset mix of 36 percent in Canada, 29 percent in the United States and 27 percent in the Rest of World.

During the course of the year the Fund had varying exposures to the U.S. dollar due to the investments in U.S. Financial Services equities along with International Financial Services equities through the ADR market. The U.S. dollar was actively hedged throughout year and ended 2007 being approximately 100 percent hedged.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception date on February 17, 2004. This information is derived from the Fund's audited annual financial statements.

For December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices (see Notes 4 and 5 to the Financial Statements). All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended December 31

	2007	2006	2005	2004 ⁽⁴⁾
THE FUND'S NET ASSETS PER UNIT				
Net Assets, beginning of year (based on bid prices) ⁽¹⁾	\$ 23.29 ⁽⁶⁾	\$ 22.60	\$ 22.96	\$ 23.87 ⁽⁵⁾
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue	0.57	0.61	0.59	0.49
Total expenses	(0.36)	(0.34)	(0.34)	(0.30)
Realized gains (losses) for the period	1.59	1.25	0.68	0.65
Unrealized gains (losses) for the period	(3.88)	0.80	0.31	(0.24)
Total Increase (Decrease) from Operations⁽²⁾	(2.08)	2.32	1.24	0.60
DISTRIBUTIONS				
Class A Share				
From capital gains	(0.81)	(0.39)	(0.86)	(0.34)
Non-taxable distributions	(0.39)	(0.81)	(0.34)	(0.70)
Total Class A Share Distributions	(1.20)	(1.20)	(1.20)	(1.04)
Preferred Share				
From net investment income	(0.25)	(0.19)	(0.19)	(0.11)
From capital gains	(0.28)	(0.34)	(0.28)	(0.35)
Non-taxable distributions	-	-	(0.06)	-
Total Preferred Share Distributions	(0.53)	(0.53)	(0.53)	(0.46)
Total Distributions⁽³⁾	(1.73)	(1.73)	(1.73)	(1.50)
Net Assets, as at December 31 (based on bid prices)⁽¹⁾	\$ 19.48	\$ 23.31	\$ 22.60	\$ 22.96

(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 excluding Preferred shares of the Fund on that date and including the valuation of securities at bid prices divided by the number of units then outstanding. 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 financial statements for further discussion.

(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, excluding Preferred share distributions, 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 shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

(4) For the period from inception on February 17, 2004 to December 31, 2004.

(5) Net of agent fees.

(6) Net Assets per unit has been adjusted for the Transition Adjustment - New Accounting Standards (see Note 4 to the Financial Statements).

RATIOS/SUPPLEMENTAL DATA

Net Asset Value, excluding liability for Redeemable Preferred shares (millions) ⁽¹⁾	\$ 269.64	\$ 337.41	\$ 369.99	\$ 432.80
Net Asset Value (\$millions) ⁽¹⁾	131.40	\$ 192.66	\$ 206.30	\$ 244.30
Number of units outstanding ⁽¹⁾	13,824,263	14,474,579	16,368,811	18,850,000
Management expense ratio ⁽²⁾	1.49%	1.51%	1.48%	1.51% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	116.48%	189.55%	165.51%	73.63%
Trading expense ratio ⁽⁴⁾	0.14%	0.23%	0.16%	0.17% ⁽⁵⁾
Net Asset Value, per Unit ⁽⁶⁾	\$ 19.50	\$ 23.31	\$ 22.60	\$ 22.96
Closing market price - Preferred	\$ 9.95	\$ 10.86	\$ 11.05	\$ 10.75
Closing market price - Class A	\$ 8.16	\$ 11.50	\$ 11.07	\$ 12.03

(1) This information is provided as at December 31. One Unit consists of one Class A and one Preferred share.

(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and capital taxes but excluding transaction fees and income taxes and Preferred share distributions, charged to the Fund to the average net asset value, excluding the liability for the Redeemable Preferred shares. The management expense ratio for 2004 is annualized.

(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) 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 and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Fees

Mulvihill Capital Management (“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, excluding the Redeemable Preferred shares liability. 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 the execution of all portfolio and other transactions.

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

Recent Developments

The outlook for earnings growth for the Global Financial Services companies may continue to decline due to slowing economic growth, a weaker capital markets environment than the past few years along with an expected increase in credit losses going forward. This may be offset somewhat by relatively strong lending volumes, low long-term interest rates and a rising yield curve along with attractive valuations on both an absolute and relative basis.

Due to the strong balance sheets of the Financial Services Companies, we continue to see further acquisitions within and outside of the domestic markets by these companies due to the excess capital sitting on their balance sheets. We may also see the companies return some of this excess capital to shareholders in the form of increased dividends and share repurchases.

Past Performance

The past performance of the Fund is set out below and illustrates year-by-year returns, overall past performance and annual compound returns.

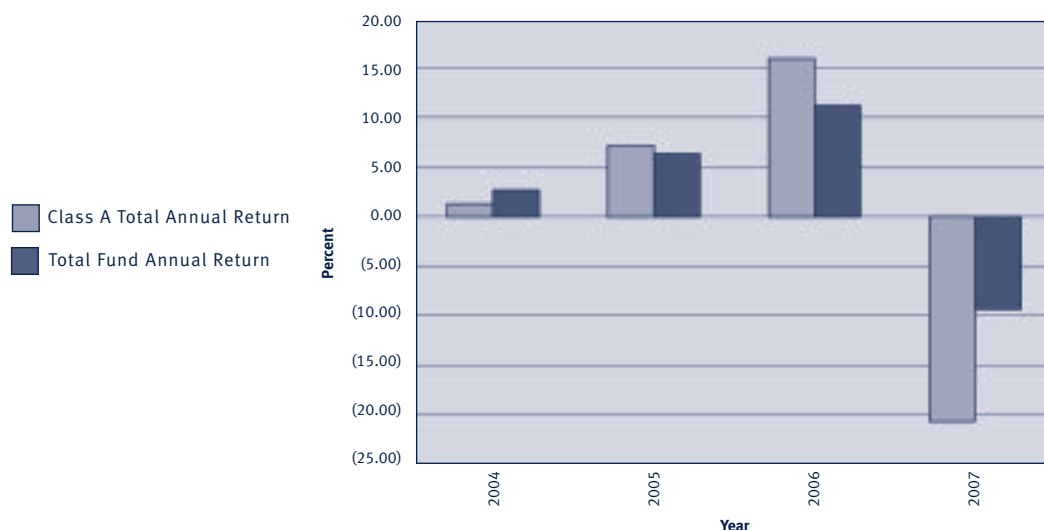
With respect to the charts displayed below, please note the following:

- (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 annual return in each of the past four years has varied from year to year. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2004 would have increased or decreased by the end of fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the periods ended December 31, 2007 as compared to the performance of the MSCI World/Finance Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception*
Mulvihill World Financial Split Fund	(9.33)%	2.33%	2.42%
Mulvihill World Financial Split Fund - Class A	(20.63)%	(0.47)%	(0.03)%
Mulvihill World Financial Split Fund - Preferred Share	5.35%	5.35%	5.17%
In order to meet regulatory requirements, the performance of a broader based market index has been included below.			
MSCI World/Finance Index**	(21.71)%	1.84%	1.44%

* From date of inception on February 17, 2004.

** The MSCI World/Finance Index is a capitalization-weighted index that monitors the performance of financial stocks from around the world excluding the country of Australia.

The equity performance benchmark shown here provides 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 this index; 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.

These investment strategies result in a rate of return for the Fund that differs from that of a conventional, fully-invested portfolio. During periods of strongly rising markets, the Fund's approach will tend to underperform a comparable fully-invested portfolio of the same stocks as the Fund is not fully invested and writing covered call options generally limits portfolio performance to the option premium received. In periods of declining markets, however, the Fund's defensive cash balances help to protect net asset value, and covered option writing income generally provides returns exceeding those of a conventional portfolio.

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 17, 2004.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated February 17, 2004, 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.

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 World Financial Split Corp. (operating as Mulvihill World Financial Split Fund) (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc., (the "Manager"), and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this 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 Audit Committee meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. Deloitte & Touche LLP has full and unrestricted access to the Audit Committee and the Board.



John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 21, 2008



Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Shareholders of Mulvihill World Financial Split Corp.

We have audited the accompanying statement of investments of Mulvihill World Financial Split Corp. (the "Fund") as at December 31, 2007, the statements of financial position as at December 31, 2007 and 2006 and the statements of operations and deficit, of changes in net assets and of changes in investments for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006, and the results of its operations, the changes in its net assets, and its investments for the years then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 21, 2008

Statements of Financial Position

December 31, 2007 and 2006

	2007	2006
ASSETS		
Investments - at fair value (cost - \$289,572,139; 2006 - \$305,495,247) (Note 4)	\$ 247,342,196	\$ 318,986,426
Short-term investments at fair value (cost - \$23,963,343; 2006 - \$18,654,612)	23,899,914	18,617,669
Cash	-	3,474
Dividends receivable	500,798	718,461
Interest receivable	227,023	63,608
TOTAL ASSETS	\$ 271,969,931	\$ 338,389,638
LIABILITIES		
Redemptions payable	\$ 2,284,850	\$ 409,960
Accrued management fees	254,426	316,117
Accrued liabilities	187,195	255,728
Bank indebtedness	10,547	-
Redeemable Preferred shares (Note 6)	138,242,630	144,745,790
	140,979,648	145,727,595
EQUITY		
Class A and Class J shares (Note 6)	191,642,985	200,658,185
Deficit	(60,652,702)	(7,996,142)
	130,990,283	192,662,043
TOTAL LIABILITIES AND EQUITY	\$ 271,969,931	\$ 338,389,638
Number of Units Outstanding (Note 6)	13,824,263	14,474,579
Net Assets per Unit		
Preferred Share (Note 6)	\$ 10.0000	\$ 10.0000
Class A Share	9.4754	13.3104
	\$ 19.4754	\$ 23.3104

On Behalf of the Board of Directors,



John P. Mulvihill, Director



Robert W. Korthals, Director

Statements of Operations and Deficit

For the years ended December 31, 2007 and 2006

	2007	2006
REVENUE		
Interest, net of foreign exchange	\$ 890,731	\$ 1,918,820
Dividends	7,987,455	8,344,736
Withholding taxes	(732,076)	(781,451)
	8,146,110	9,482,105
Net realized losses on short-term investments	(43,488)	(60,722)
Net realized gains on derivatives	28,474,514	10,052,336
Net realized gains (losses) on investments	(5,678,171)	9,361,454
Total Net Realized Gains	22,752,855	19,353,068
TOTAL REVENUE	30,898,965	28,835,173
EXPENSES (Note 7)		
Management fees (Note 7)	3,440,009	3,882,308
Service fees	645,083	789,238
Administrative and other expenses	198,573	151,039
Transaction fees (Notes 3 and 9)	434,473	-
Custodian fees	71,004	94,874
Audit fees	35,035	29,948
Director fees	20,727	20,427
Independent review committee fees	739	-
Legal fees	6,082	7,005
Shareholder reporting costs	54,590	74,356
Goods and services tax	221,297	272,571
TOTAL EXPENSES	5,127,612	5,321,766
Net Realized Income before Income Taxes and Distributions	25,771,353	23,513,407
Income tax recovery/(expense)	-	35,000
Net Realized Income before Distributions	25,771,353	23,548,407
Preferred share distributions	(7,480,293)	(8,095,633)
Net Realized Income	18,291,060	15,452,774
Net change in unrealized appreciation/depreciation of investments	(55,418,318)	12,349,903
Net change in unrealized appreciation/depreciation of short-term investments	(26,486)	(25,994)
Total Net Change in Unrealized Appreciation/Depreciation of Investments	(55,444,804)	12,323,909
NET INCOME (LOSS) FOR THE YEAR	\$ (37,153,744)	\$ 27,776,683
NET INCOME (LOSS) PER CLASS A SHARE		
(based on the weighted average number of Class A shares outstanding during the year of 14,297,740; 2006 - 15,490,910)	\$ (2.5986)	\$ 1.7931
DEFICIT		
Balance, beginning of year	\$ (7,996,142)	\$ (20,617,886)
Transition Adjustment - New Accounting Standards (Note 4)	(302,804)	-
Net allocations on retractions	1,897,799	3,349,365
Net income (loss) for the year	(37,153,744)	27,776,683
Distributions on Class A Shares	(17,097,811)	(18,504,304)
BALANCE, END OF YEAR	\$ (60,652,702)	\$ (7,996,142)

Statements of Changes in Net Assets

For the years ended December 31, 2007 and 2006

	2007	2006
NET ASSETS - CLASS A AND J SHARES, BEGINNING OF YEAR	\$ 192,662,043	\$ 206,299,658
Transition Adjustment - New Accounting Standards (Note 4)	(302,804)	-
Net Realized Income before Distributions	25,771,353	23,548,407
Class A Share Capital Transactions		
Amount paid for units redeemed	(7,117,401)	(22,909,994)
Distributions		
Preferred Shares		
From net investment income	(3,553,871)	(2,986,737)
From net realized gain on investments	(3,926,422)	(5,108,896)
Class A Shares		
From net realized gain on investments	(11,506,408)	(5,991,352)
Non-taxable distributions	(5,591,403)	(12,512,952)
	(24,578,104)	(26,599,937)
Net Change in Unrealized Appreciation/Depreciation of Investments	(55,444,804)	12,323,909
Changes in Net Assets during the Year	(61,671,760)	(13,637,615)
NET ASSETS - CLASS A AND J SHARES, END OF YEAR	\$ 130,990,283	\$ 192,662,043

The statement of changes in net assets excludes cash flows pertaining to the Preferred shares as they are reflected as liabilities. During the year, amounts paid for the redemption of 650,316 Preferred shares (2006 - 1,894,232) totalled \$6,503,160 (2006 - \$18,942,320) (see Note 6).

Statements of Changes in Investments

For the years ended December 31, 2007 and 2006

	2007	2006
INVESTMENTS AT FAIR VALUE, BEGINNING OF YEAR	\$ 318,986,426	\$ 341,631,240
Transition Adjustment - New Accounting Standards (Note 4)	(302,804)	-
Unrealized Appreciation of Investments, Beginning of Year	(13,188,375)	(1,141,276)
Investments at Cost, Beginning of Year	305,495,247	\$ 340,489,964
Cost of Investments Purchased during the Year	338,642,695	586,617,358
Cost of Investments Sold during the Year		
Proceeds from sales	377,362,146	641,025,865
Net realized gains on sales	22,796,343	19,413,790
	354,565,803	621,612,075
Investments at Cost, End of Year	289,572,139	305,495,247
Unrealized Appreciation/Depreciation of Investments, End of Year	(42,229,943)	13,491,179
INVESTMENTS AT FAIR VALUE, END OF YEAR	\$ 247,342,196	\$ 318,986,426

Statement of Investments

December 31, 2007

	Par Value/ Number of Shares		Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS					
Bankers' Acceptances					
Canadian Imperial Bank of Commerce, 4.70% - February 19, 2008	6,000,000	\$	5,868,540	\$ 5,868,540	
Royal Bank of Canada, 4.68% - February 11, 2008	1,140,000		1,116,242	1,116,242	
The Bank of Nova Scotia, 4.63% - February 1, 2008	6,000,000		5,883,600	5,883,600	
Total Bankers' Acceptances			12,868,382	12,868,382	53.3%
Discount Commercial Paper					
Canadian Wheat Board, USD, 4.12% - January 10, 2008	340,000		337,474	334,601	1.4%
Treasury Bills					
Government of Canada, 3.83% - March 6, 2008	6,075,000		6,023,366	6,023,366	
United States Treasury Bill, USD, 2.82% - January 24, 2008	3,025,000		3,036,365	2,975,171	
Total Treasury Bills			9,059,731	8,998,537	37.3%
Bonds					
Government of Canada, 3.750% - June 1, 2008	1,700,000		1,697,756	1,698,394	7.1%
			23,963,343	23,899,914	99.1%
Accrued Interest				227,023	0.9%
TOTAL SHORT-TERM INVESTMENTS		\$	23,963,343	\$ 24,126,937	100.0%
INVESTMENTS					
Canadian Common Shares					
Financials					
Bank of Montreal	144,600	\$	10,062,893	\$ 8,133,750	
Canadian Imperial Bank of Commerce	85,000		8,246,194	5,996,750	
Great-West Lifeco Inc.	331,700		11,027,936	11,768,716	
IGM Financial Inc.	184,000		9,232,566	9,205,520	
Manulife Financial Corporation	230,000		8,937,778	9,303,500	
National Bank of Canada	193,000		11,926,945	10,068,810	
Royal Bank of Canada	201,800		10,785,843	10,229,242	
Sun Life Financial Inc.	216,000		10,914,027	12,007,440	
The Bank of Nova Scotia	209,000		10,720,002	10,483,440	
The Toronto-Dominion Bank	152,000		10,601,666	10,556,400	
Total Financials			102,455,850	97,753,568	39.5%
Total Canadian Common Shares		\$	102,455,850	\$ 97,753,568	39.5%
Non-North American Common Shares					
Financials					
Allianz SE ADR	400,000	\$	9,525,619	\$ 8,385,148	
Allied Irish Banks PLC (AIB) ADR	100,000		6,526,424	4,500,503	
AXA ADR	220,000		10,567,319	8,622,214	
Banco Bilbao Vizcaya Argentina, S.A. ADR	420,000		11,692,975	10,052,111	
Barclays PLC ADR	165,000		11,230,677	6,559,484	
Credit Suisse Group ADR	128,800		10,833,987	7,634,796	
Deutsche Bank AG ADR	66,000		9,696,743	8,417,244	
ING Groep N.V. ADR	198,000		9,866,753	7,603,660	
Kookmin Bank ADR	75,000		7,759,790	5,427,252	
Mitsubishi UFJ Financial Group, Inc. (MUFG) ADR	500,000		7,974,239	4,589,329	
Total Financials			95,674,526	71,791,741	29.0%
Total Non-North American Common Shares		\$	95,674,526	\$ 71,791,741	29.0%

Statement of Investments

December 31, 2007

	Number of Shares	Average Cost	Fair Value	% of Portfolio
INVESTMENTS (continued)				
United States Common Shares				
Financials				
AFLAC Incorporated	110,100	\$ 6,175,073	\$ 6,789,294	
American Express Company	136,000	8,222,142	6,982,412	
American International Group, Inc.	150,500	11,168,855	8,641,845	
Goldman Sachs Group Inc.	55,000	11,778,567	11,654,428	
JPMorgan Chase & Co.	177,800	9,989,250	7,659,709	
Metlife Inc.	198,000	12,239,175	12,018,120	
Morgan Stanley	143,500	10,990,173	7,506,267	
Northern Trust Corp.	53,000	4,010,267	4,005,783	
The Hartford Financial Services Group, Inc.	63,000	7,028,397	5,411,974	
Wells Fargo & Company	254,500	9,261,063	7,565,524	
Total Financials		90,862,962	78,235,356	31.6 %
Total United States Common Shares		\$ 90,862,962	\$ 78,235,356	31.6 %
Forward Exchange Contracts				
Sold USD \$23,545,000, Bought CAD \$23,591,948 @ 0.99801 - January 9, 2008			\$ 356,903	
Sold USD \$18,474,000, Bought CAD \$18,368,747 @ 1.00573 - January 16, 2008			139,745	
Sold USD \$5,375,000, Bought CAD \$5,202,989 @ 1.03306 - January 16, 2008			(100,729)	
Bought USD \$11,417,000, Sold CAD \$11,452,618 @ 0.99689 - January 16, 2008			(187,027)	
Sold USD \$22,585,000, Bought CAD \$22,032,857 @ 1.02506 - January 23, 2008			(250,648)	
Sold USD \$6,160,000, Bought CAD \$5,873,827 @ 1.04872 - January 31, 2008			(203,281)	
Sold USD \$21,825,000, Bought CAD \$19,922,046 @ 1.09552 - February 6, 2008			(1,608,417)	
Sold USD \$20,270,000, Bought CAD \$19,357,858 @ 1.04712 - February 13, 2008			(637,604)	
Sold USD \$25,875,000, Bought CAD \$26,224,308 @ 0.98668 - February 20, 2008			701,019	
Total Forward Exchange Contracts			(1,790,039)	(0.7)%

Statement of Investments

December 31, 2007

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
INVESTMENTS (continued)				
OPTIONS				
Purchased Put Options (100 shares per contract)				
Financial Select Sector SPDR - January 2008 @ \$31	6,700	\$ 1,274,849	\$ 1,811,299	
Financial Select Sector SPDR - January 2008 @ \$32	1,800	306,909	509,007	
S&P/TSX Capped Financial Index (iUnits) - January 2008 @ \$51	3,162	634,998	193,462	
S&P/TSX Capped Financial Index (iUnits) - January 2008 @ \$52	1,120	198,240	48,320	
Total Purchased Put Options		2,414,996	2,562,088	1.0 %
Written Cash Covered Put Options (100 shares per contract)				
Manulife Financial Corporation - January 2008 @ \$41	(700)	(61,600)	(56,713)	
Metlife Inc. - January 2008 @ \$65	(440)	(102,737)	(178,046)	
Total Written Covered Call Options		(164,337)	(234,759)	(0.1)%
Written Covered Call Options (100 shares per contract)				
AFLAC Incorporated - January 2008 @ \$62	(734)	(107,583)	(149,790)	
Allianz SE ADR - January 2008 @ \$21	(1,000)	(53,565)	(94,937)	
American International Group, Inc. - January 2008 @ \$60	(750)	(186,834)	(98,224)	
AXA Spons ADR - January 2008 @ \$43	(770)	(99,275)	(25,601)	
Banco Bilbao Vizcaya Argentaria, S.A. ADR - January 2008 @ \$24	(2,100)	(111,572)	(112,360)	
Deutsche Bank AG - January 2008 @ \$140	(220)	(56,014)	(8,685)	
Great-West Lifeco Inc. - January 2008 @ \$36	(500)	(28,500)	(20,289)	
JPMorgan Chase & Co. - January 2008 @ \$47	(889)	(123,418)	(18,981)	
Kookmin Bank ADR - January 2008 @ \$75	(375)	(53,183)	(125,836)	
Manulife Financial Corporation - January 2008 @ \$42	(460)	(30,360)	(3,718)	
Mitsubishi UFJ Financial Group, Inc. (MUFG) ADR - January 2008 @ \$11	(1,250)	(51,898)	(5,900)	
Northern Trust Corp. - January 2008 @ \$77	(530)	(140,804)	(127,644)	
Royal Bank of Canada - January 2008 @ \$54	(500)	(62,500)	(13,940)	
Sun Life Financial Services Inc. - January 2008 @ \$56	(540)	(53,460)	(51,330)	
Sun Life Financial Services Inc. - February 2008 @ \$56	(540)	(54,270)	(60,909)	
The Bank of Nova Scotia - January 2008 @ \$53	(280)	(20,960)	(4,084)	
The Bank of Nova Scotia - January 2008 @ \$54	(280)	(18,480)	(254)	
The Bank of Nova Scotia - February 2008 @ \$51	(225)	(25,987)	(25,875)	
The Hartford Financial Services Group, Inc. - January 2008 @ \$96	(315)	(97,464)	(1,926)	
The Toronto-Dominion Bank - January 2008 @ \$75	(427)	(57,884)	(9,094)	
The Toronto-Dominion Bank - February 2008 @ \$73	(138)	(19,941)	(16,382)	
Total Written Covered Call Options		(1,453,952)	(975,759)	(0.4)%
TOTAL OPTIONS		\$ 796,707	\$ 1,351,570	0.6 %
Adjustment for transaction fees (Note 3)		\$ (217,906)		
TOTAL INVESTMENTS		\$ 289,572,139	\$247,342,196	100.0 %

1. Corporate Information

Mulvihill World Financial Split Corp. (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 5, 2003. The Fund began operations on February 17, 2004. All shares outstanding on June 30, 2011 (the "Termination Date") will be redeemed by the Fund on that date unless otherwise determined by a majority vote of each class of shareholders.

The manager of the Fund is Mulvihill Fund Services Inc. (the "Manager") and the Fund's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). RBC Dexia Investor Services is the custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are to provide holders of Preferred shares with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum, to provide holders of Class A shares with regular quarterly cash distributions targeted to be 8.0 percent per annum and to return the original issue price to holders of both Preferred shares and Class A shares at the time of redemption of such shares on the termination date of June 30, 2011.

Foreign exchange forward contracts may be used to hedge the Fund's exposure to potential fluctuations in foreign exchange. The hedging strategy can include the hedging of all or a portion of the currency exposure of an existing investment or group of investments and will vary based upon the manager's assessment of market conditions. There can be no assurance that the use of foreign exchange forward contracts will be effective. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results may differ from estimates. 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 including applicable foreign exchange translations. 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.

The value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract, as the case may be, was to be closed out.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Operations and Deficit. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers. Prior to adoption of CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement" and Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" (see Note 4), transaction fees were capitalized and included in the cost of purchases or proceeds from sale of investments. There is no impact on net assets or results of operations as a result of this change in accounting policy for the transaction fees.

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) Settlement of purchased put options whereby realized gains are equivalent to the difference between the exercise price of the option less the premium paid; and
- (iii) Sale of purchase put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

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 the 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.

Redeemable Preferred Shares

Each Redeemable Preferred share is valued for financial statement purposes at the lesser of: (i) \$10.00; and (ii) the net asset value of the Fund divided by the number of Preferred shares outstanding.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) on short-term investments are reflected as interest income (loss). Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

Cash Flow Statements

Cash flow statements have not been prepared as all relevant information has been included in the Statement of Changes in Net Assets, Statement of Changes in Investments and elsewhere in these financial statements.

4. New Accounting Standards

The Fund has adopted, effective January 1, 2007, the Canadian Institute of Chartered Accountants new accounting standards relating to Financial Instruments. The new standards require that the fair value of securities which are traded in active markets be measured based on bid price and transaction fees, such as brokerage commissions, incurred in the purchase or sale of securities by the Fund be charged to net income in the period incurred. These new standards have been adopted retroactively with no restatement of prior periods' comparative amounts.

As a result of the adoption of these new standards, the Fund recorded a transition adjustment to the opening net assets in the amount of \$302,804. This transition adjustment represents the adjustment to fair value of investments from the closing sale price to the closing bid price as of December 31, 2006.

As a result of regulatory relief received from the Canadian Securities Administrators, on implementation of the new standards, the above changes will not impact the net asset value per unit used to transact units of the Fund which will continue to be based upon securities valued at the last sale price. The relief is effective until September 2008.

5. 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:

	2007
Net Asset Value (for pricing purposes)	\$19.50
Difference	(0.02)
Net Assets (for financial statement purposes)	\$19.48

6. Share Capital

The Fund is authorized to issue an unlimited number of Preferred shares, Class A shares and 100 Class J shares. Together, a Preferred share and a Class A share constitutes a Unit

Preferred Shares

Preferred shares may be surrendered at any time for retraction, but will be retracted only on the monthly valuation date. Preferred shares whose shares are surrendered for retraction will be entitled to receive a price per share equal to 96% of the lesser of (i) the net asset value per Unit determined as of such valuation date less the cost of the purchase of a Class A share in the market for cancellation; and (ii) \$10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A share. Preferred shares also have an annual retraction right under which a shareholder may concurrently retract one Preferred share and one Class A share on the June month-end valuation date. The price paid will be equal to the net asset value per Unit.

The Fund's Preferred shares have been classified as liabilities in accordance with the accounting requirements of the Canadian Institute of Chartered Accountants. Accordingly, net income for the period is stated after Preferred share distributions.

Class A Shares

The policy of the Board of Directors of the Fund will be to pay quarterly non-cumulative distributions to the holders of Class A shares in an amount targeted to be at least 8.0% per annum. There can be no assurance that the Company will be able to pay distributions to the holders of Class A shares. No distributions will be paid to Class A shares if (i) the distributions payable on the Preferred shares are in arrears; or (ii) after the payment of the distribution by the Fund, the net asset value per unit would be less than \$15.00. In addition, the Fund will not pay special distributions, meaning distributions in excess of the targeted 8.0% quarterly distribution, on the Class A shares if after payment of the distribution the net asset value per Unit would be less than \$23.50 unless the Fund would need to make such distribution so as to fully recover refundable taxes.

Class A shares may be surrendered at any time for retraction, but will be retracted only on the monthly valuation date. Class A shares whose shares are surrendered for retraction will be entitled to receive a price per share equal to 96% of the difference between (i) the net asset value per Unit determined as of such valuation date, and (ii) the cost to the

Fund of the purchase of a Preferred share in the market for cancellation. The cost of the purchase of a Preferred share will include the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred share. If the net asset value per Unit is less than \$10.00 the retraction price of a Class A share will be nil. Class A shares also have an annual retraction right under which a shareholder may concurrently retract one Preferred share and one Class A share on the June month-end valuation date. The price paid will be equal to the net asset value per unit.

Class J Shares

Holders of Class J shares are not entitled to receive dividends and are entitled to one vote per share. Class J shares are redeemable and retractable at a price of \$1.00 per share. The Class J shares rank subsequent to both the Preferred shares and the Class A shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

During the year, 650,316 Units (2006 - 1,894,232) were redeemed by the Fund.

Issued and Outstanding

	2007	2006
13,824,263 Preferred shares (2006 - 14,474,579)	\$ 138,242,630	\$ 144,745,790
13,824,263 Class A shares (2006 - 14,474,579)	\$ 191,642,885	\$ 200,658,085
100 Class J shares (2006 - 100)	100	100
	\$ 191,642,985	\$ 200,658,185

Under the terms of the normal course issuer bid that was renewed in November 2007, the Fund proposes to purchase, if considered advisable, up to a maximum of 1,414,293 Class A shares (2006 - 1,457,587) and up to a maximum of 1,414,293 Preferred shares (2006 - 1,457,587), 10 percent of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of November 12, 2008 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2007, no shares (2006 - nil) have been purchased by the Fund.

Shareholders 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: Mulvihill World Financial Split Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

7. Management Fees and Expenses

The Fund is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the custodian and Manager in the ordinary course of business relating to

the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Fees are payable to the Manager under the terms of a management 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, excluding the Redeemable Preferred shares liability, calculated and payable monthly, plus applicable taxes.

The Manager will pay a service fee (the "Service Fee") to each dealer whose clients hold Class A shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40 percent annually of the value of the Class A shares held by clients of the dealer. For these purposes, the value of the Class A share will be the NAV per Unit less \$10.00.

8. Income Taxes

The Fund is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to a tax of 33 1/3 percent under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fund is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses and share issue expenses.

The Fund is also a "financial intermediary corporation" as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received.

Under the dividend policy of the Fund, premiums received in respect of written options that are still outstanding at year end are not to be distributed in the year to the shareholders. The premiums retained by the Fund are subject to a refundable tax.

The Fund has offset the future tax liability for refundable taxes payable with the refund expected upon payment of capital gains or ordinary dividends. As a result, the future tax liability for refundable taxes payable is eliminated.

Issue costs of approximately \$4.8 million (2006 - \$9.0 million) remain undeducted for tax purposes at year-end.

9. Transaction Fees

Total transaction fees paid for the year ended December 31, 2007 in connection with portfolio transactions were \$434,473 (2006 - \$818,106). In 2006, transaction fees were recorded in unrealized and realized gains and losses on investments. Of this amount 101,045 (2006 - \$136,050) was directed for payment of trading related goods and services.

10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (options and foreign exchange forward contracts). As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, derivative financial instruments risk and foreign currency risk.

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

Market Risk

The Fund's equity, debt securities and trading derivatives are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Portfolio consists only of securities in the financial services industry selected from Canada, the United States and the Rest of the World. Net Asset Value 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 the companies in the global financial services industry. The Fund's market risk is managed by taking a long-term perspective while focusing on quality businesses that consistently deliver strong returns for shareholders and utilizing an option writing program.

Interest Rate Risk

The market price of the Preferred Shares and Class A Shares may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Preferred Shares or Class A Shares. To mitigate this risk, excess cash and cash equivalents are invested at short-term market interest rates.

Use of Options and Other Derivative Instruments

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. To mitigate risk due to market declines the Fund writes options to expire at varied points in time to reduce the risk associated with all options expiring on the same date.

In purchasing call or put options or entering into forward or future contracts, 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 maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed in the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

The following are credit ratings for the counterparties to derivative instruments the Fund deals with during the year, based on Standard & Poor's credit rating as at December 31, 2007:

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

Foreign Currency Exposure

The Portfolio includes securities and options denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of these foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge a portion of its foreign currency exposure.

11. Future Accounting Policy Changes

On December 1, 2006, the CICA issued two new accounting standards: Handbook Section 3862, "Financial Instruments - Disclosures", and Handbook Section 3863, "Financial Instruments - Presentation" which replaces Handbook Section 3861, "Financial Instruments - Disclosure and Presentation". These new standards became effective for the Fund on January 1, 2008. These two new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Statement of Corporate Governance Practices

The Board of Directors of the Fund is responsible for the overall stewardship of the Fund's business and affairs. The Fund has investment objectives and investment strategies that are set out in the prospectus of the Fund. The Fund's manager, Mulvihill Fund Services Inc. (the "Manager"), administers many functions associated with the operations of the Fund pursuant to a management agreement entered into at the time the Fund issued its shares to the public. Under this agreement the Manager is responsible for day to day operations of the Fund including the payment of distributions on its shares and attending to the retraction or redemption of its shares in accordance with their terms.

The Board consists of five directors, three of whom are independent of the Fund. The Board believes that the number of directors is appropriate for the Fund and only directors independent of the Fund are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective director. Individual directors may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has an Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the annual financial statements and the annual audit performed by the external auditor, and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditor to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, is evolving a best practices governance procedure.

The Fund maintains an Investor Relations line and web site to respond to inquiries from shareholders.

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.

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$2.6 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

- Mulvihill Institutional Asset Management → provides asset growth management of pension funds, corporations, management companies, endowment foundations and mutual funds with a wide variety of investment mandates. Our reputation has been built on the ability to provide customized portfolios that meet the stated needs of our clients.
- Mulvihill Wealth Management → offers a comprehensive specialized approach tailored to a client's personal investment strategies. Personalized service and customized reporting ensure that our clients are fully aware of the progress they are making.
- Mulvihill Structured Products → is responsible for the development and management of Mulvihill Hybrid Income Funds tailored to meet very specific investment objectives. Assets are generally managed to meet absolute rather than relative returns.

Mulvihill's Hybrid Income Funds are exchange-traded, equity-based funds that are enhanced by virtue of their broad distribution, special structure and performance characteristics. The Hybrid Income Funds are prime examples of our customized approach to asset management.

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH		LOW	
		For the period January 1, 2007 to December 31, 2007			
MULVIHILL PLATINUM					
Mulvihill Government Strip Bond Fund	GSB.UN	\$ 22.40		\$ 19.40	
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 22.62		\$ 20.70	
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.40		\$ 17.30	
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 16.50		\$ 14.01	
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.95/\$ 15.50		\$ 8.02/\$ 13.31	
MULVIHILL PREMIUM					
Mulvihill Core Canadian Dividend Fund	CDD.UN	\$ 10.25		\$ 7.63	
Mulvihill Premium Canadian Fund	FPI.UN	\$ 18.75		\$ 15.32	
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 17.99		\$ 15.05	
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 12.00		\$ 9.87	
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 11.68/\$ 16.32		\$ 8.00/\$ 14.41	
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 7.87/\$ 15.55		\$ 5.40/\$ 14.77	
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 0.30/\$ 14.10		\$ 0.10/\$ 12.40	
Mulvihill S Split Fund	SBN/SBN.PR.A	\$ 15.00/\$ 10.61		\$ 9.25/\$ 9.55	
Mulvihill Top 10 Canadian Financial Fund	TCT.UN	\$ 15.80		\$ 13.40	
Mulvihill Top 10 Split Fund	TXT.UN/TXT.PR.A	\$ 10.99/\$ 14.25		\$ 7.75/\$ 12.47	
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 12.93/\$ 10.95		\$ 7.87/\$ 9.40	

Board of Directors

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

Sheila S. Szela
Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

Michael M. Koerner*
Corporate Director

Robert W. Korthals*
Corporate Director

C. Edward Medland*
President, Beauwood Investments Inc.

**Audit Committee/Independent Review Committee*

Information

Auditors:

Deloitte & Touche LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario M5J 2V1

Transfer Agent:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

Shares Listed:

Toronto Stock Exchange
trading under
WFS/WFS.PR.A

Custodian:

RBC Dexia Investor Services
Royal Trust Tower
77 King Street West, 11th Floor
Toronto, Ontario M5W 1P9

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

Hybrid Income Funds

Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill 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 Global Plus Fund
Mulvihill Premium Canadian Bank Fund
Mulvihill Premium Split Share Fund
Mulvihill Premium Global Telecom Fund
Mulvihill S Split Fund
Mulvihill Top 10 Canadian Financial Fund
Mulvihill Top 10 Split Fund
Mulvihill World Financial Split Fund

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian Money Market Fund
Mulvihill Canadian Bond Fund
Mulvihill Global Equity Fund
Premium Global Income Fund

Head Office:

Mulvihill Capital Management Inc.
121 King St. W., Suite 2600
Toronto, Ontario
M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: hybrid@mulvihill.com

Contact your broker directly for address changes.





www.mulvihill.com

Mulvihill Structured Products

Investor Relations

121 King St. W., Suite 2600

Toronto, Ontario

M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: hybrid@mulvihill.com

Mulvihill Capital Management Inc.

Please contact your broker directly for address changes.