Mulvihill

Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2009

World Financial Split Corp.

M

Message to Shareholders

We are pleased to present the annual financial results of World Financial Split Corp. (the “Fund”).

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

The Fund was launched in 2004 with the objectives to:

(1) provide holders of Preferred shares with fixed cumulative preferential quarterly cash distributions in the amount of $0.131250 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 are invested by the Fund 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, the United States and the Rest of the World. 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 Rating Services or a comparable rating from an equivalent 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 Rating Services or a comparable rating from an equivalent rating 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 2009, the Fund earned an annual total return of 9.57 percent. Distributions amounting to $0.52500 per unit were paid during the year. The net asset value increased from $12.48 per unit as at December 31, 2008 to $13.11 per unit as at December 31, 2009.

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

	2009	2008	2007	2006	2005
Annual Total Fund Return	9.57%	(30.04)%	(9.33)%	11.18%	6.31%
Preferred Share Distribution Paid (annual target of $0.131250 per share)	$ 0.52500	$ 0.52500	$ 0.52500	$ 0.52500	$ 0.52500
Class A Share Distribution Paid (annual target of $1.20 per share)	$ –	$ 0.90000	$ 1.20000	$ 1.20000	$ 1.20000
Ending Net Asset Value per Unit (initial issue price was $25.00 per Unit)	$ 13.11	$ 12.48	$ 19.50	$ 23.31	$ 22.60

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.

World Financial Split Corp. [WFS/WFS.PR.A]

TABLE OF CONTENTS

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, 2009 of World Financial Split Corp. (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 $0.131250 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 suspended payment of distributions to holders of Class A shares effective December 2008 in accordance with terms of the prospectus which states "No distribution will be paid to the 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.

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, 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 Rating Services 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 Rating Services 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 may write covered call options in respect of all or part of the securities held in the portfolio. During the course of 2009, volatility levels changed dramatically. Volatility remained at an elevated level at the early part of the year as investor fears mounted that financial markets were collapsing and markets globally were making new lows in the early part of March. However, since then, volatility has declined considerably as equity markets have rallied and liquidity has increased significantly as the cumulative efforts of government and central banks around the world to stabilize the financial system have taken hold.

Due to this decline in volatility, the Fund increased its investment position materially in order to provide upside for the net asset value while reducing the amount of covered call writing. Realized gains earned from options amounted to approximately $10.7M. As a result of adding to our invested position, the overall level of risk of an investment in the Fund has increased.

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, 2009

	% OF NET ASSET VALUE*
United States	39%
International	27%
Canada	25%
Cash and Short-Term Investments	9%
	100%

*The Net Asset Value excludes the Redeemable Preferred share liability.

Top 25 Holdings

December 31, 2009

	% OF NET ASSET VALUE*		% OF NET ASSET VALUE*		% OF NET ASSET VALUE*
Cash and Short-Term Investments	9 %	Credit Suisse Group AG - SPON ADR	4 %	Great-West Lifeco Inc.	3 %
HSBC Holdings PLC ADR	5 %	Canadian Imperial Bank of Commerce	4 %	Metlife Inc.	3 %
Banco Bilbao Vizcaya Argentaria, SA ADR	5 %	IGM Financial Inc.	4 %	Bank of America Corp.	3 %
AXA ADR	5 %	Deutsche Bank AG GRS	4 %	US Bancorp.	2 %
Banco Santander SA-Spon ADR	5 %	Franklin Resources, Inc.	4 %	Royal Bank of Canada	2 %
JPMorgan Chase & Co.	5 %	Wells Fargo Company	4 %	The Bank of Nova Scotia	2 %
Goldman Sachs Group, Inc.	4 %	American Express Company	3 %	The Toronto-Dominion Bank	2 %
Bank of Montreal	4 %	AFLAC Inc.	3 %		
The Travelers Companies, Inc.	4 %	Bank of New York Mellon Corp.	3 %		

*The Net Asset Value excludes the Redeemable Preferred share liability.

Distribution History

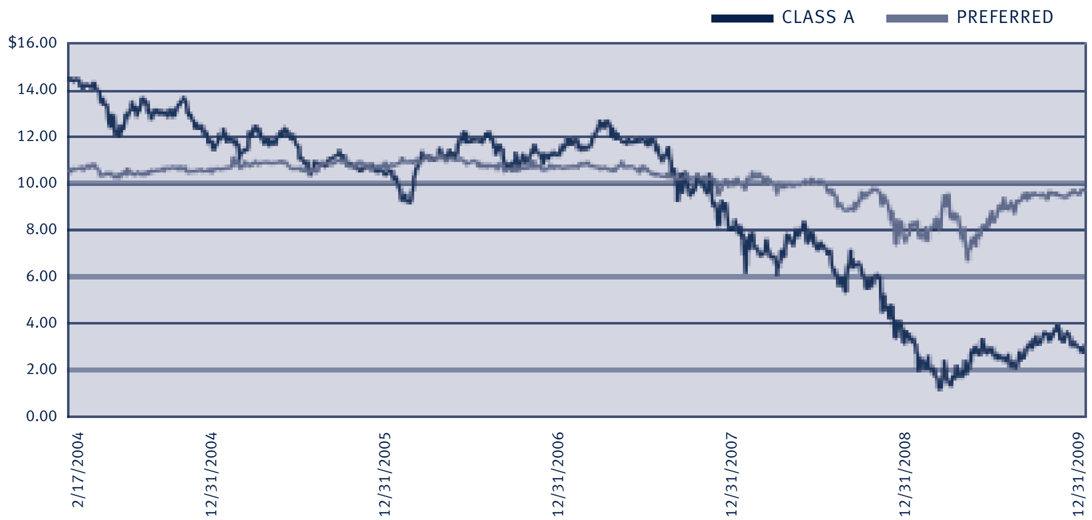
INCEPTION DATE: FEBRUARY 2004	CLASS A DISTRIBUTION	PREFERRED SHARE DISTRIBUTION
Total for 2004	$ 1.041237	$ 0.45560
Total for 2005	1.200000	0.52500
Total for 2006	1.200000	0.52500
Total for 2007	1.200000	0.52500
Total for 2008	0.900000 (1)	0.52500
Total for 2009	0.000000	0.52500
Total Distributions to Date	**$ 5.541237**	**$ 3.08060**

(1) Distributions to Class A shares were suspended effective December 2008.

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

Trading History

February 17, 2004 to December 31, 2009



Results of Operations

For the fiscal year ended December 31, 2009, the net asset value of the Fund for pricing purposes based on closing prices totaled $107.3 million, or $13.11 per Unit (see Note 4 to the financial statements), after payment of distributions to shareholders, compared to $12.48 per Unit on December 31, 2008.

Distributions amounting to $0.53 per Preferred share were paid during the period while distributions to Class A shareholders remain suspended in accordance with the terms of the prospectus which states "No distribution will be paid to the 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.

The Fund's Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on December 31, 2009, at $9.73 per share. The Fund's Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 31, 2009, at $3.07 per share. Each Unit consists of one Preferred share and one Class A share.

The total return for the MSCI World/Finance Index in Canadian dollars was 12.8 percent. All 3 regions produced flat to positive total returns in Canadian dollar terms for the period. In Canada, the S&P/TSX Financial Services Index total return was up 45.6 percent, in the U.S., the S&P 500 Financials Index total return was up 0.7 percent, while the International MSCI EAFE Financials Index total return was up by 19.15 percent. These returns are reflective of the improving economic environment for the underlying Financial Services companies as stronger global equity market's, falling credit spreads and a steep yield curve have helped them stabilize earnings while common and/or preferred equity issuance to the market or the government through the Troubled Asset Relief Program ("TARP") have helped rebuild their capital positions.

The one-year compound total return for the Fund, including reinvestment of distributions, was 9.57 percent. Our relative underperformance during the year was primarily due to higher than normal cash holdings. We became more constructive about the market recovery after second quarter earnings results were released. At this time, we started to redeploy cash back into the financial services companies as the market continued to rebound off its lows. The covered call writing activity is down significantly since last year with no calls written at year-end. For more detailed information on investment returns, please see the Annual Total Return bar graph and the Annual Compound Returns table on page 7 of this report.

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 exposure was actively hedged back into Canadian dollars throughout the year and ended 2009 being approximately 100 percent hedged.

The Fund ended 2008 with a regional asset mix of 30 percent invested in Canada, 26 percent in the United States and 9 percent in the Rest of World. During 2009, the regional asset mix changed with an emphasis on reducing the cash position and increasing the exposure to the Financials. The Fund ended 2009 with a regional asset mix of 25 percent in Canada, 39 percent in the United States and 27 percent in the Rest of World.

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, 2009, December 31, 2008 and December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices (see Notes 3 and 4 to the Financial Statements). All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended December 31

	2009	2008	2007	2006	2005
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)[1]	**$ 12.47**	**$ 19.48**	**$ 23.29[4]**	**$ 22.60**	**$ 22.96**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.11**	0.81	0.57	0.61	0.59
Total expenses	**(0.24)**	(0.26)	(0.36)	(0.34)	(0.34)
Realized gains (losses) for the period	**(3.29)**	(5.97)	1.59	1.25	0.68
Unrealized gains (losses) for the period	**4.35**	(0.18)	(3.88)	0.80	0.31
Total Increase (Decrease) from Operations[2]	**0.93**	**(5.60)**	**(2.08)**	**2.32**	**1.24**
DISTRIBUTIONS					
Class A Share					
From capital gains	**–**	–	(0.81)	(0.39)	(0.86)
Non-taxable distributions	**–**	(0.90)	(0.39)	(0.81)	(0.34)
Total Class A Share Distributions	**–**	**(0.90)**	**(1.20)**	**(1.20)**	**(1.20)**
Preferred Share					
From net investment income	**–**	(0.25)	(0.25)	(0.19)	(0.19)
From capital gains	**–**	–	(0.28)	(0.34)	(0.28)
Non-taxable distributions	**(0.53)**	(0.28)	–	–	(0.06)
Total Preferred Share Distributions	**(0.53)**	**(0.53)**	**(0.53)**	**(0.53)**	**(0.53)**
Total Distributions[3]	**(0.53)**	**(1.43)**	**(1.73)**	**(1.73)**	**(1.73)**
Net Assets, as at December 31 (based on bid prices)[1]	**$ 13.10**	**$ 12.47**	**$ 19.48**	**$ 23.31**	**$ 22.60**

(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 accounting standards set out by the Canadian Institute of Chartered Accountants adopted January 1, 2007 relating to Financial Instruments.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), realized and unrealized gains (losses), less expenses, 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) Net Assets per unit has been adjusted for the Transition Adjustment.

RATIOS/SUPPLEMENTAL DATA

	2009	2008	2007	2006	2005
Net Asset Value, excluding liability for Redeemable Preferred shares (millions)[1]	**$ 107.26**	$ 147.77	$ 269.64	$ 337.41	$ 369.99
Net Asset Value ($millions)[1]	**$ 25.44**	$ 29.41	$ 131.40	$ 192.66	$ 206.30
Number of units outstanding[1]	**8,181,810**	11,835,359	13,824,263	14,474,579	16,368,811
Management expense ratio[2]	**1.59%**	1.43%	1.49%	1.51%	1.48%
Portfolio turnover rate[3]	**148.58%**	61.65%	116.48%	189.55%	165.51%
Trading expense ratio[4]	**0.41%**	0.17%	0.14%	0.23%	0.16%
Net Asset Value per Unit[5]	**$ 13.11**	$ 12.48	$ 19.50	$ 23.31	$ 22.60
Closing market price - Preferred	**$ 9.73**	$ 8.99	$ 9.95	$ 10.86	$ 11.05
Closing market price - Class A	**$ 3.07**	$ 1.49	$ 8.16	$ 11.50	$ 11.07

(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 2009 includes the warrant offering costs. The management expense ratio for 2009 excluding the warrant offering costs is 1.45%.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Fees

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

Recent Developments

The Global Financial Services companies demonstrated mixed fundamentals and profitability in 2009 as the first half of the year was weak due to liquidity issues, rising credit losses, and fragile global equity markets. The second half of 2009 did show some stabilization and improvement as global equity markets continued to recover from their March lows. Volatility as measured by the VIX (Chicago Board Options Exchange Volatility Index), which had previously set all time highs in 2008, returned to normalized levels by the end of 2009 and short-term interest rates were maintained at record low levels providing the banks with a steep yield curve.

Many of the Financial Services companies that received government funding earlier in 2009 have recently raised additional capital and repaid the Troubled Asset Relief Program (“TARP”) or their respective government program, allowing those companies to focus on their business going forward without government interference. Asset quality and regulatory reform will be overriding factors for these companies in 2010.

Due to the uncertain environment currently surrounding the economy and financial markets, the Global Financial Services companies are likely to maintain their capital ratios to deal with unforeseen events rather than make large acquisitions or return capital to shareholders in the form of increased dividends and share repurchases.

In November of 2009, the Fund issued to holders of its Class A shares warrants to subscribe for Class A shares and Preferred shares of the Fund. Warrants are exercisable commencing on December 1, 2009 and expiring on March 31, 2010. The exercise of warrants by Class A shareholders will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities and is also expected to increase the trading liquidity of the Class A shares and the Preferred shares and to reduce the management expense ratio of the Fund.

Future Accounting Policy Changes

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

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative impact of the changeover to IFRS in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives.

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

As at December 31, 2009, some anticipated changes to financial reporting include:

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

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the full impact of the transition to IFRS on the Fund’s financial results at this time. Based on the Manager’s current understanding and analysis of IFRS as compared to the current accounting policies under Canadian GAAP, the Manager does not anticipate that the transition to IFRS will have a material impact on the Fund’s net assets per share, nor systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

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

Past Performance

The 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,

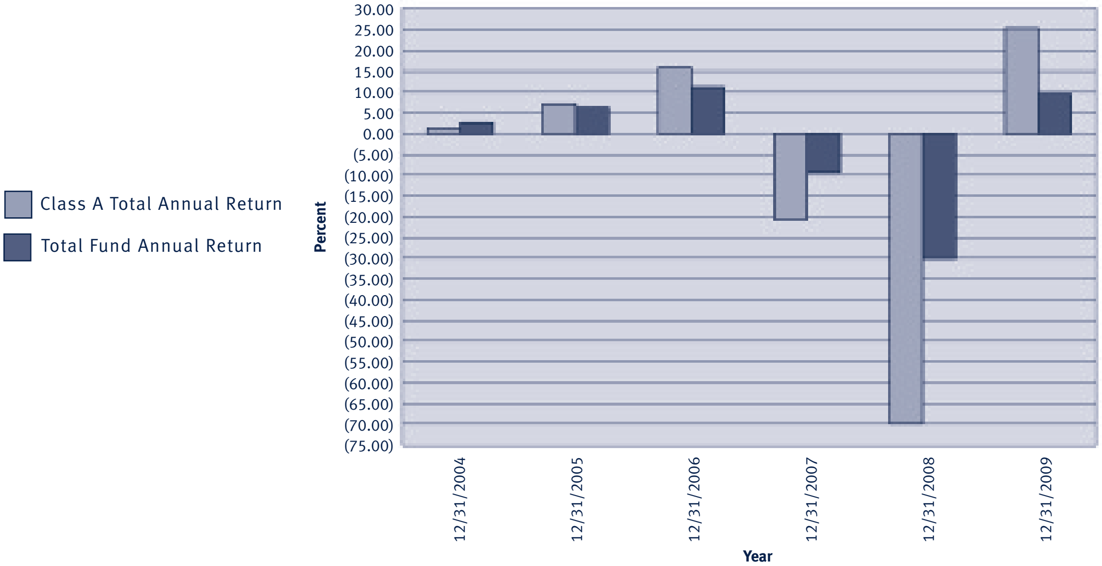
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 six 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, 2009 as compared to the performance of the MSCI World/Finance Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Since Inception*
World Financial Split Corp.	**9.57%**	(11.42)%	(3.85)%	(2.80)%
World Financial Split Corp. - Class A	**25.40%**	(33.08)%	(17.93)%	(15.00)%
World Financial Split Corp. - Preferred Share	**5.35%**	5.35 %	5.35 %	5.23 %
In order to meet regulatory requirements, the performance of a broader based market index has been included below.				
MSCI World/Finance Index**	**12.80%**	(20.23)%	(7.29)%	(6.07)%

* 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 distributions 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 World Financial Split Corp. (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 12, 2010

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Shareholders of World Financial Split Corp.

We have audited the statement of investments of World Financial Split Corp. (the "Fund") as at December 31, 2009, the statements of financial position as at December 31, 2009 and 2008 and the statements of operations and deficit, of changes in net assets and of cash flows 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 the Fund's 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, 2009 and 2008, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 12, 2010

Statements of Financial Position

December 31, 2009 and 2008

	2009	2008
ASSETS		
Investments at fair value (cost - $97,904,698; 2008 - $136,803,603)	**$ 97,644,675**	$ 92,247,681
Short-term investments at fair value (cost - $9,645,572; 2008 - $60,410,322)	**9,624,920**	60,260,881
Cash	**38,736**	529,457
Dividends receivable	**333,213**	567,509
Interest receivable	**417**	680,455
TOTAL ASSETS	**$ 107,641,961**	**$ 154,285,983**
LIABILITIES		
Redemptions payable	**$ 201,111**	$ 6,426,347
Accrued liabilities	**187,635**	75,657
Accrued management fees	**100,515**	143,829
Redeemable Preferred shares (Note 5)	**81,818,100**	118,353,590
	82,307,361	**124,999,423**
EQUITY		
Class A and Class J shares (Note 5)	**113,422,791**	164,071,208
Deficit	**(88,088,191)**	(134,784,648)
	25,334,600	**29,286,560**
TOTAL LIABILITIES AND EQUITY	**$ 107,641,961**	**$ 154,285,983**
Number of Units Outstanding (Note 5)	**8,181,810**	**11,835,359**
Net Assets per Unit (Note 4)		
Preferred Share (Note 5)	**$ 10.0000**	$ 10.0000
Class A Share - Basic	**3.0965**	2.4745
Net Assets per Unit	**$ 13.0965**	**$ 12.4745**
Net Assets per Class A Share - Diluted (Note 5)	**$ 3.0063**	**n/a**

On Behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

The notes are an integral part of the Financial Statements.

Statements of Operations and Deficit

Years ended December 31, 2009 and 2008

	2009	2008
REVENUE		
Interest, net of foreign exchange	$ (2,050,453)	$ 4,087,786
Dividends	3,362,189	7,207,750
Withholding taxes	(207,022)	(610,889)
	1,104,714	10,684,647
Net realized loss on investments	(44,205,074)	(77,324,228)
Net realized gain (loss) on short-term investments	(38,832)	2,244
Net realized gain (loss) on derivatives	10,688,168	(992,462)
Total Net Realized Loss	(33,555,738)	(78,314,446)
TOTAL REVENUE	(32,451,024)	(67,629,799)
EXPENSES (Note 6)		
Management fees	1,358,947	2,314,226
Service fees	91,297	277,589
Administrative and other expenses	113,374	122,034
Transaction fees (Note 8)	506,221	368,868
Custodian fees	49,614	75,994
Audit fees	34,736	35,137
Director fees	19,631	17,317
Independent review committee fees	6,514	4,267
Legal fees	15,410	9,848
Shareholder reporting costs	39,647	46,436
Capital tax	–	672
Goods and services tax	79,012	128,343
Subtotal Expenses	2,314,403	3,400,731
Warrant offering costs (Note 5)	181,785	–
TOTAL EXPENSES	2,496,188	3,400,731
Net Realized Loss before Distributions	(34,947,212)	(71,030,530)
Preferred share distributions	(5,235,331)	(6,811,437)
Net Realized Loss	(40,182,543)	(77,841,967)
Net change in unrealized appreciation/depreciation of investments	44,295,899	(2,325,979)
Net change in unrealized appreciation/depreciation of short-term investments	122,929	(80,185)
Total Net Change in Unrealized Appreciation/Depreciation of Investments	44,418,828	(2,406,164)
NET INCOME (LOSS) FOR THE YEAR	$ 4,236,285	$ (80,248,131)
NET INCOME (LOSS) PER CLASS A SHARE - BASIC (based on the weighted average number of Class A shares outstanding during the year of 10,206,413; 2008 - 13,110,249)	$ 0.4151	$ (6.1210)
NET INCOME PER CLASS A SHARE - DILUTED	$ 0.4070	n/a
DEFICIT		
Balance, beginning of year	$ (134,784,648)	$ (60,652,702)
Net allocations on retractions of Class A shares (Note 5)	42,460,172	17,978,400
Net income (loss) for the year	4,236,285	(80,248,131)
Distributions on Class A Shares	–	(11,862,215)
BALANCE, END OF YEAR	$ (88,088,191)	$ (134,784,648)

The notes are an integral part of the Financial Statements.

Statements of Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
NET ASSETS - CLASS A AND J SHARES, BEGINNING OF YEAR	$ 29,286,560	$ 130,990,283
Net Realized Loss before Distributions	(34,947,212)	(71,030,530)
Class A Share Capital Transactions		
Proceeds from issuance of Units	1,314	–
Amount paid for Class A shares redeemed	(8,189,559)	(9,593,377)
	(8,188,245)	(9,593,377)
Distributions		
Preferred Shares		
From net investment income	–	(3,175,110)
Non-taxable distributions	(5,235,331)	(3,636,327)
Class A Shares		
Non-taxable distributions	–	(11,862,215)
	(5,235,331)	(18,673,652)
Net Change in Unrealized Appreciation/Depreciation of Investments	44,418,828	(2,406,164)
Changes in Net Assets during the Year	(3,951,960)	(101,703,723)
NET ASSETS - CLASS A AND J SHARES, END OF YEAR	$ 25,334,600	$ 29,286,560

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	$ 60,790,338	$ 23,899,914
Cash Flows Provided by (Used In) Operating Activities		
Net Realized Loss before Distributions	(34,947,212)	(71,030,530)
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Purchase of investment securities	(137,074,026)	(105,064,613)
Proceeds from disposition of investment securities	175,972,931	257,833,149
(Increase)/decrease in dividends receivable and interest receivable	914,334	(520,143)
Increase/(decrease) in accrued management fees and accrued liabilities	68,664	(232,682)
Net change in unrealized depreciation of cash and short-term investments	122,929	(80,185)
	40,004,832	151,935,526
Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of Units	1,314	–
Distributions to Class A shares	–	(11,862,215)
Distributions to Preferred shares	(5,235,331)	(6,811,437)
Class A share redemptions	(9,363,975)	(9,463,700)
Preferred share redemptions	(41,586,310)	(15,877,220)
	(56,184,302)	(44,014,572)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Year	(51,126,682)	36,890,424
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 9,663,656	$ 60,790,338
Cash and Short-Term Investments comprise of:		
Cash	$ 38,736	$ 529,457
Short-Term Investments	9,624,920	60,260,881
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 9,663,656	$ 60,790,338

The notes are an integral part of the Financial Statements.

Statement of Investments

December 31, 2009

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 0.16% - March 4, 2010	5,350,000	$ 5,348,502	$ **5,348,502**	
Province of Ontario, USD, 0.12% - January 29, 2010	3,500,000	3,689,143	**3,668,491**	
Province of Ontario, USD, 0.10% - March 9, 2010	580,000	607,927	**607,927**	
Total Treasury Bills		**9,645,572**	**9,624,920**	**100.0%**
Accrued Interest			**417**	**0.0%**
TOTAL SHORT-TERM INVESTMENTS		$ **9,645,572**	$ **9,625,337**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	82,000	$ 4,393,186	$ **4,574,780**	
Canadian Imperial Bank of Commerce	60,000	4,296,967	**4,077,000**	
Great-West Lifeco Inc.	122,200	3,678,788	**3,277,404**	
IGM Financial Inc.	93,500	4,199,999	**3,948,505**	
Manulife Financial Corporation	53,000	1,533,424	**1,022,900**	
National Bank of Canada	30,000	1,806,729	**1,804,800**	
Royal Bank of Canada	40,000	2,102,580	**2,254,400**	
The Bank of Nova Scotia	43,000	2,097,382	**2,115,170**	
Sun Life Financial Inc.	50,000	1,502,150	**1,508,500**	
The Toronto-Dominion Bank	30,000	2,007,780	**1,978,200**	
Total Financials		**27,618,985**	**26,561,659**	**27.2%**
Total Canadian Common Shares		$ **27,618,985**	$ **26,561,659**	**27.2%**
Non-North American Common Shares				
Financials				
AXA ADR	203,500	$ 5,057,186	$ **5,036,939**	
Banco Santander SA-Spon ADR	290,000	4,835,803	**4,998,113**	
Banco Bilbao Vizcaya Argentaria, SA ADR	290,000	5,204,302	**5,478,467**	
Credit Suisse Group AG - SPON ADR	80,000	3,850,602	**4,122,112**	
Deutsche Bank AG GRS	52,000	3,965,679	**3,865,602**	
HSBC Holdings PLC ADR	97,000	5,721,375	**5,798,360**	
Total Financials		**28,634,947**	**29,299,593**	**30.0%**
Total Non-North American Common Shares		$ **28,634,947**	$ **29,299,593**	**30.0%**

The notes are an integral part of the Financial Statements.

Statement of Investments

December 31, 2009

	Number of Shares	Average Cost	Fair Value	% of Portfolio
United States Common Shares				
Financials				
AFLAC Inc.	77,000	$ 3,479,536	$ **3,733,436**	
American Express Company	88,500	3,197,289	**3,756,620**	
Bank of America Corp.	200,000	3,787,484	**3,157,630**	
Bank of New York Mellon Corp.	122,000	3,993,151	**3,576,047**	
Franklin Resources, Inc.	35,000	3,076,571	**3,865,528**	
Goldman Sachs Group, Inc.	26,000	4,370,941	**4,595,001**	
JPMorgan Chase & Co.	113,000	5,374,945	**4,936,376**	
Metlife Inc.	86,000	3,221,882	**3,187,089**	
The Travelers Companies, Inc.	80,000	4,421,637	**4,180,819**	
US Bancorp.	109,000	2,839,897	**2,568,793**	
Wells Fargo Company	135,000	4,008,658	**3,812,744**	
Total Financials		**41,771,991**	**41,370,083**	**42.4%**
Total United States Common Shares		$ **41,771,991**	$ **41,370,083**	**42.4%**
Forward Exchange Contracts				
Sold USD $3,500,000, Bought CAD $3,769,500 @ 0.92851 - January 6, 2010			$ **100,284**	
Sold USD $1,000,000, Bought CAD $1,092,500 @ 0.91533 - January 6, 2010			**44,151**	
Sold USD $6,500,000, Bought CAD $6,934,200 @ 0.93738 - January 6, 2010			**119,950**	
Sold USD $13,700,000, Bought CAD $14,701,539 @ 0.93188 - January 20, 2010			**339,324**	
Sold USD $17,400,000, Bought CAD $17,895,900 @ 0.97229 - February 3, 2010			**(344,738)**	
Sold USD $6,250,000, Bought CAD $6,701,875 @ 0.93257 - February 17, 2010			**149,745**	
Sold USD $13,500,000, Bought CAD $14,168,925 @ 0.95279 - March 3, 2010			**16,429**	
Sold USD $9,800,000, Bought CAD $10,261,972 @ 0.95498 - March 17, 2010			**(11,805)**	
Total Forward Exchange Contracts			$ **413,340**	**0.4%**
Adjustment for transaction fees		**(121,225)**		
TOTAL INVESTMENTS		$ **97,904,698**	$ **97,644,675**	**100.0%**

The notes are an integral part of the Financial Statements.

1. Corporate Information

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 Trust 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 $0.131250 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 Canadian generally accepted accounting principles (“Canadian GAAP”), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

New Accounting Standards

The Fund has adopted, effective January 1, 2009, Canadian Institute of Chartered Accountants (“CICA”) amendments to Handbook Section 3862, “Financial Instruments - Disclosures”. The revised disclosure requirements are intended to improve disclosures about fair value and liquidity risk. See additional note disclosures in Note 10.

The Fund has adopted, effective January 1, 2009, EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” (“EIC-173”). EIC-173 clarifies how the Fund’s own credit risk and counterparty credit risk should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. Management has completed its analysis and determined that the new guidance did not have material impact on the valuation of the Fund's financial assets and financial liabilities, or its net assets.

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.

Investment Transactions and Income

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

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

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

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

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

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

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

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

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

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.

4. Net Asset Value

The Net Asset Value of the Fund is calculated using the fair value of investments using the close or last trade price (“Net Asset Value”), this will be referred to as the Basic Net Asset Value. The Net Assets per Unit for financial reporting purposes and Net Asset Value per Unit for pricing purposes will not be the same due to the use of different valuation techniques. The Net Asset Value per Unit at December 31 is as follows:

	2009	2008
Net Asset Value (for pricing purposes)	**$13.11**	$12.48

5. 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 percent 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 Canadian GAAP. 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 percent per annum. There can be no assurance that the Fund 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 the fourth quarter of 2008, the Fund suspended distributions on its Class A shares as the net asset value per Unit at November 30, 2008 was $12.81, which is below the $15.00 suspension threshold. In addition, the Fund will not pay special distributions, meaning distributions in excess of the targeted 8.0 percent 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 percent 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. Net allocations on retractions represent gains on retractions where the price paid upon retraction is less than the carrying value of the retracted shares.

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, 3,653,549 Units (2008 - 1,988,904) were redeemed by the Fund.

Issued and Outstanding

	2009	2008
8,181,810 Preferred shares (2008 - 11,835,359)	**$ 81,818,100**	$ 118,353,590
8,181,810 Class A shares (2008 - 11,835,359)	**$ 113,422,691**	$ 164,071,108
100 Class J shares (2008 - 100)	**100**	100
	$ 113,422,791	$ 164,071,208

Under the terms of the normal course issuer bid that was renewed in December 2009, the Fund proposes to purchase, if considered advisable, up to a maximum of 855,701 Class A Shares (2008 - 1,275,271) and 855,701 Preferred Shares (2008 – 1.275,271), 10 percent of its public float as determined in accordance with the rules of the Toronto Stock Exchange. The purchases would be made in the open market through the facilities of the Toronto Stock Exchange. The normal course issuer bid will remain in effect until the earlier of December 7, 2010, the termination of the bid by the Fund or the Fund purchasing the maximum number of units permitted under the bid. As at December 31, 2009, no shares (2008 – nil) have been purchased by the Fund.

Warrants

The Fund issued 8,557,010 warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009 ("the Offering"). Class A shareholders received warrants on a basis of one warrant for each share held November 19, 2009. Each warrant will entitle the shareholder thereof to acquire one Unit upon payment of $13.14 (the "Subscription Price") prior to 5:00 p.m. (Toronto time) on March 31, 2010 (the "Expiry Date"). Warrants can be exercised commencing on December 1, 2009. Warrants not exercised by the Expiry Date will be void and of no value. During the year, 100 warrants were exercised.

Upon exercise of a warrant, the Fund pays a fee of $0.22 per warrant to the dealer whose client has exercised the warrant. Such fees are paid by the Fund out of the assets attributable to the Units. During the year warrant exercise fees paid amounted to $22.

No amount will be required to be included in computing the income of a shareholder as a consequence of acquiring warrants under the Offering. Fair market value of a warrant acquired under the Offering is nil, as of the date the warrant was issued. The cost of a warrant received under the Offering was nil.

The Diluted Net Assets per Unit refers to the Net Assets of the Fund plus the net proceeds that would have been received by the Fund if all outstanding warrants were exercised, divided by the number of units outstanding plus the additional units that would be outstanding if all of the outstanding warrants had been exercised on the applicable valuation date. The Diluted Net Assets per unit will be calculated when the Basic Net Assets per unit exceeds $12.92 per unit, equivalent to the subscription price of $13.14 less the dealer fees of $0.22, on the applicable valuation date.

6. 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 share liability, calculated and payable monthly, plus applicable taxes.

The Manager pays a service fee (the "Service Fee") to each dealer whose clients hold Class A shares. The Service Fee is calculated and paid at the end of each calendar quarter and is 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 is the NAV per Unit less $10.00.

7. 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.

Accumulated non-capital losses of approximately $3.5M (2009 - nil) and accumulated capital losses of approximately $111.8M (2008 - $77.1M) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	Amount
2028	$ 0.6
2029	2.9
Total	**$ 3.5**

Issue costs of nil (2008 - approximately $0.5M) remain undeducted for tax purposes at year-end.

8. Transaction Fees

Total transaction fees paid for the year ended December 31, 2009 in connection with portfolio transactions were $506,221 (2008 - $368,868). Of this amount $97,458 (2008 - $113,568) was directed for payment of trading related goods and services.

9. Capital Disclosures

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

10. Financial Instruments and Risk Management

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

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

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

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

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's investments and derivatives carried at fair values:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 9,625,337	$ –	**$ 9,625,337**
Canadian Common Shares	26,561,659	–	–	**$ 26,561,659**
Non-North American Common Shares	29,299,593	–	–	**$ 29,299,593**
United Stated Common Shares	41,370,083	–	–	**$ 41,370,083**
Forward Exchange Contracts	–	413,340	–	**$ 413,340**
Total Investments	**$ 97,231,335**	**$ 10,038,677**	**$ –**	**$ 107,270,012**

As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk, currency risk and credit risk.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to other price risk arises from its investments in equity securities. Net Assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all the companies in the global financial services industry. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program.

Approximately 91 percent (2008 - 64 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2009 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2009, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $9.7M (2008 - $9.5M) respectively or 9.1 percent (2008 - 6.4 percent) of the net assets, excluding the Redeemable Preferred share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may from time to time write covered call options in respect of all or part of the common shares in the Fund. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the 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.

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 short-term investments to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year except the Redeemable Preferred Share liability which matures on June 30, 2011 (see Note 5).

Cash is required to fund redemptions. Shareholders must surrender shares at least 5 business days prior to the last day of the month and receive payment on or before 8 business days following the month end valuation date. Therefore the Fund has a maximum of 13 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short term fixed income securities. The Fund has minimal sensitivity to changes in rates since securities are usually held to maturity and are short-term in nature.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 the foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge the majority of its foreign currency exposure.

Approximately 70 percent (2008 - 33 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2009 were held in securities denominated in U.S. currency. This risk is mitigated by the Fund through the use of forward contracts. At December 31, 2009, the Fund had no currency risk as a result of its investment in foreign currency contracts. At December 31, 2008, if the Canadian dollar strengthened or weakened by 1 percent in relation to the U.S. currency, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have decreased or increased, by approximately $0.4M or 0.3 percent of the net assets, excluding the Redeemable Preferred share liability, with all other factors remaining constant.

Credit Risk

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

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

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

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

The following are credit ratings for the counterparties to derivative instruments that the Fund dealt with during the prior year, based on Standard & Poor's credit rating as of December 31, 2008:

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

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	56%
Province of Ontario Treasury Bills	AA	44%
Total		**100%**

The following are credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2008:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	68%
Bonds	AAA	18%
Discount Commercial Papers	A-1+	14%
Total		**100%**

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

11. Future Accounting Policy Changes

The Fund is required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. The IFRS compliant financial statements will be on a comparative basis.

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, Michael M. Koerner and Robert G. Bertram.

Mulvihill Capital Management Inc.

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, 2009 to December 31, 2009	
UNIT TRUSTS			
Core Canadian Dividend Trust	CDD.UN	$ 7.39	$ 4.80
First Premium Income Trust	FPI.UN	$ 12.22	$ 10.06
Gold Participation and Income Fund	GPF.UN/GPF.WT	$ 12.25/$ 0.50	$ 10.12/$ 0.21
Premier Canadian Income Fund	GIP.UN	$ 6.71	$ 4.06
Top 10 Canadian Financial Trust	TCT.UN	$ 10.87	$ 7.27
SPLIT SHARES			
MCM Split Share Corp.	MUH.A/MUH.PR.A	$ 1.79/$14.95	$ 0.07/$12.00
Premium Income Corporation	PIC.A/PIC.PR.A	$ 5.48/$15.20	$ 1.42/$10.87
S Split Corp.	SBN/SBN.PR.A	$ 8.85/$10.66	$ 3.03/$ 7.77
Top 10 Split Trust	TXT.UN/TXT.PR.A	$ 4.17/$13.10	$ 0.89/$ 8.61
World Financial Split Corp.	WFS/WFS.PR.A	$ 3.98/$ 9.95	$ 1.29/$ 6.58
PRINCIPAL PROTECTED FUNDS			
Government Strip Bond Trust	GSB.UN	$ 24.95	$ 22.90
Mulvihill Pro-AMS RSP Split Share Corp.	SPL.A/SPL.B	$ 9.60/$18.55	$ 7.60/$17.00
Pro-AMS U.S. Trust	PAM.UN	$ 24.62	$ 23.10

Board of Directors

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

Sheila S. Szela[3]
Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

Michael M. Koerner[1,4]
Corporate Director

Robert W. Korthals[1,4]
Corporate Director

Robert G. Bertram[2,4]
Corporate Director

[1] *Audit Committee Member*
[2] *Audit Committee Member effective December 3, 2009*
[3] *Audit Committee Member until December 3, 2009*
[4] *Independent Review Committee Member*

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 Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario M5V 3L3

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

Hybrid Income Funds
Managed by Mulvihill Structured Products

UNIT TRUSTS

Core Canadian Dividend Trust
First Premium Income Trust
Gold Participation and Income Fund
Premier Canadian Income Fund
Top 10 Canadian Financial Trust

SPLIT SHARES

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

PRINCIPAL PROTECTED FUNDS

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

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.

Mulvihill

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.