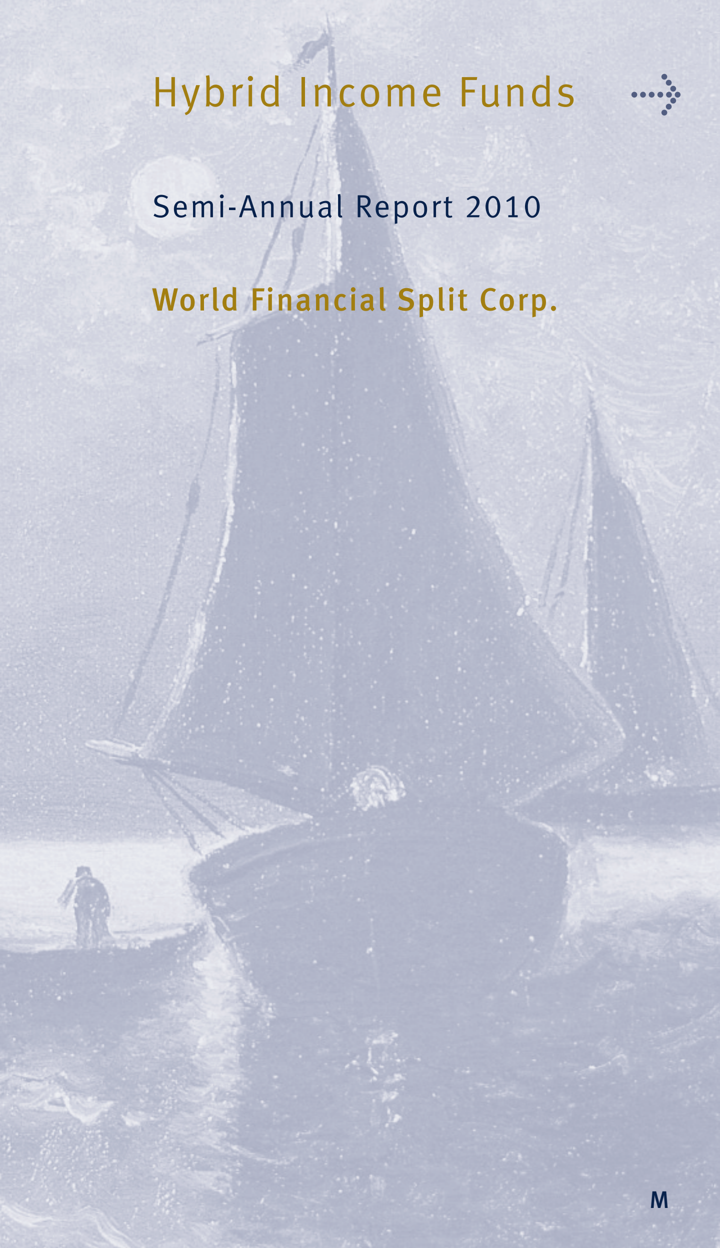
Mulvihill Structured Products

Mulvihill

Hybrid Income Funds

Semi-Annual Report 2010

World Financial Split Corp.



M

Message to Shareholders

We are pleased to present the semi-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 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. 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 six-month period ended June 30, 2010, the Fund's total return was negative 15.99 percent. Distributions amounting to $0.26 per unit were paid during the six-month period, contributing to the overall decline in the net asset value from $13.11 per unit as at December 31, 2009 to $10.77 per unit as at June 30, 2010.

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

		Years ended December 31				
	June 30, 2010	2009	2008	2007	2006	2005
Total Fund Return	(15.99)%	9.57%	(30.04)%	(9.33)%	11.18%	6.31%
Preferred Share Distribution Paid (annual target of $0.131250 per share)	$ 0.262500	$ 0.525000	$ 0.525000	$ 0.525000	$ 0.525000	$ 0.525000
Class A Share Distribution Paid (annual target of $1.20 per share)	$ –	$ –	$ 0.900000	$ 1.200000	$ 1.200000	$ 1.200000
Ending Net Asset Value per Unit (initial issue price was $25.00 per Unit)	$ 10.77	$ 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 semi-annual report.

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

Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the six months ended June 30, 2010 of World Financial Split Corp. (the “Fund”). The June 30, 2010 unaudited semi-annual financial statements of the Fund are attached.

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

Management Report on Fund Performance

Summary of Investment Portfolio

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

Asset Mix

June 30, 2010	% of Net Asset Value*
United States	42 %
International	35 %
Canada	29 %
Cash and Short-Term Investments	8 %
Other Assets (Liabilities)	(14)%
	100 %

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

Portfolio Holdings

June 30, 2010	% of Net Asset Value*
Cash and Short-Term Investments	8 %
Metlife Inc.	8 %
JPMorgan Chase & Co.	7 %
The Toronto-Dominion Bank	7 %
The Bank of Nova Scotia	6 %
China Life Insurance Company Limited ADR	6 %
HSBC Holdings plc ADR	6 %
Wells Fargo Company	6 %
Bank of America Corp.	6 %
Credit Suisse Group - Spon ADR	6 %
UBS AG	6 %
Royal Bank of Canada	6 %
Barclays PLC - Spon ADR	6 %
AFLAC Inc.	6 %
Prudential Financial, Inc.	5 %
Bank of Montreal	5 %
Canadian Imperial Bank of Commerce	5 %
ING Groep N.V. ADR	5 %
PNC Financial Services Group, Inc.	4 %
Prudential plc ADR	0 %
	114 %

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

Management Report on Fund Performance

Results of Operations

For the six-month period ended June 30, 2010, the net asset value of the Fund for pricing purposes based on closing prices was $10.77 per Unit (see Note 2 to the financial statements) compared to $13.11 per Unit at December 31, 2009. The Fund's Preferred Shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on June 30, 2010 at $9.25 per share. The Fund's Class A Shares, listed on the Toronto Stock Exchange as WFS, closed on June 30, 2010 at $1.44 per share. Each Unit consists of one Preferred Share and one Class A Share.

Distributions totalling $0.26 per share were made to the Preferred Shareholders during the period while distributions to the Class A Shareholders remain suspended in accordance with the terms of the offering 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 NAV per unit would be less than $15.00".

The six-month total return of the Fund, including reinvestment of distributions, was negative 16.0 percent versus the total return for the MSCI World Financial Services Index in Canadian dollar terms of negative 10.1 percent. During the period, the Financial Services sector posted negative total returns in all three geographic areas as the S&P/TSX Financials Index declined 2.5 percent while the S&P 500 Financials Index declined by 2.2 percent and the MSCI EAFE Financials Index declined by 16.1 percent. After depreciating for most of 2009, the U.S. dollar gradually strengthened versus the Canadian dollar during the period by approximately 1.5 percent. Our relative underperformance during this period was primarily due to a higher allocation to the International Financial Services stocks.

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

We have begun to redeploy the cash position held at the end of 2009 as our confidence in future earnings has improved. Volatility was subdued for most of the period as North American equity markets rallied to new highs towards the end of April, but has since picked up considerably as equity markets have corrected as the pace of economic recovery is still in question. Due to the increase in volatility, the Fund is taking advantage by increasing our call option-writing program on selected holdings as compared to the fourth quarter of 2009.

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 semi-annual period and ended June 30, 2010 approximately 100 percent hedged.

World Financial Split Corp. 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. During the six-month period ending June 30, 2010, the regional asset mix was altered with an emphasis on increasing exposure to the International Financial Services companies as they have more attractive valuations and also have greater leverage to a global economic recovery. The Fund ended June 30, 2010 with a regional asset mix of 29 percent in Canada, 42 percent in the United States and 35 percent in the Rest of World.

Management Report on Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

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

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

	Six months ended June 30, 2010
NET ASSETS PER UNIT	
Net Assets, beginning of period (based on bid prices)(1)	**$ 13.10**
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	**0.10**
Total expenses	**(0.14)**
Realized gain (loss) for the period	**(0.70)**
Unrealized gain (loss) for the period	**(1.35)**
Total Increase (Decrease) from Operations(2)	**(2.09)**
DISTRIBUTIONS	
Class A Share	
From capital gains	**–**
Non-taxable distributions	**–**
Total Class A Share Distributions	**–**
Preferred Share	
From net investment income	**–**
From capital gains	**–**
Non-taxable distributions	**(0.26)**
Total Preferred Share Distributions	**(0.26)**
Total Distributions(3)	**(0.26)**
Net Assets, end of period (based on bid prices)(1)	**$ 10.77**

(1) Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund excluding the Redeemable Preferred share liability of the Fund on that date and including the valuation of securities at bid prices divided by the number of units then outstanding. 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, realized

	Six months ended June 30, 2010
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding Redeemable Preferred share liability ($millions)	**$ 76.02**
Net Asset Value ($millions)	**$ 5.46**
Number of units outstanding	**7,055,426**
Management expense ratio(1)	**1.82%(4)**
Portfolio turnover rate(2)	**108.89%**
Trading expense ratio(3)	**0.52%(4)**
Net Asset Value per Unit(5)	**$ 10.77**
Closing market price - Class A	**$ 1.44**
Closing market price - Preferred	**$ 9.25**

(1) Management expense ratio ("MER") is the ratio of all fees and expenses, including goods and services 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 share liability. The MER for 2010 and 2009 includes the warrant offering costs and warrant exercise fees. The MER for 2010 and 2009 excluding the warrant offering costs and warrant exercise fees is 1.55% and 1.45% respectively. The MER, including Preferred share distributions, is 5.87%, 5.78%, 4.64%, 3.87%, 3.57% and 3.44% for 2010, 2009, 2008, 2007, 2006 and 2005 respectively.
(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments,

Management Report on Fund Performance

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

Years ended December 31 2009	2008	2007	2006	2005
$ 12.47	**$ 19.48**	**$ 23.29**(4)	**$ 22.60**	**$ 22.96**
0.11	0.81	0.57	0.61	0.59
(0.21)	(0.26)	(0.36)	(0.34)	(0.34)
(3.29)	(5.97)	1.59	1.25	0.68
4.35	(0.18)	(3.88)	0.80	0.31
0.96	**(5.60)**	**(2.08)**	**2.32**	**1.24**
–	–	(0.81)	(0.39)	(0.86)
–	(0.90)	(0.39)	(0.81)	(0.34)
–	**(0.90)**	**(1.20)**	**(1.20)**	**(1.20)**
–	(0.25)	(0.25)	(0.19)	(0.19)
–	–	(0.28)	(0.34)	(0.28)
(0.53)	(0.28)	–	–	(0.06)
(0.53)	**(0.53)**	**(0.53)**	**(0.53)**	**(0.53)**
(0.53)	**(1.43)**	**(1.73)**	**(1.73)**	**(1.73)**
$ 13.10	**$ 12.47**	**$ 19.48**	**$ 23.31**	**$ 22.60**

and unrealized gain (loss), net of withholding taxes and foreign exchange gains (losses), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

(4) Net Assets per unit has been adjusted for the Transition Adjustment.

Years ended December 31 2009	2008	2007	2006	2005
$ 107.26	$ 147.77	$ 269.64	$ 337.41	$ 369.99
$ 25.44	$ 29.41	$ 131.40	$ 192.66	$ 206.30
8,181,810	11,835,359	13,824,263	14,474,579	16,368,811
1.59%	1.43%	1.49%	1.51%	1.48%
148.58%	61.65%	116.48%	189.55%	165.51%
0.41%	0.17%	0.14%	0.23%	0.16%
$ 13.11	$ 12.48	$ 19.50	$ 23.31	$ 22.60
$ 3.07	$ 1.49	$ 8.16	$ 11.50	$ 11.07
$ 9.73	$ 8.99	$ 9.95	$ 10.86	$ 11.05

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.

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

(4) Annualized.

(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 of the Fund on that date and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Report on Fund Performance

Management Fees

Mulvihill Capital Management Inc. ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 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 the writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and the execution of all portfolio and other transactions.

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

Recent Developments

The Global Financial Services companies demonstrated improving fundamentals and profitability in the first half of 2010 mainly due to declining credit losses and stronger capital market revenues. Although credit will continue to be a challenge in 2010 as unemployment remains at elevated levels and the global economy gradually improves, this may be offset somewhat by continued low long-term interest rates, a steep yield curve and better net interest margins. Valuations are also relatively attractive on both an absolute and relative basis. Many of these companies have also issued common and/or preferred equity to rebuild their capital ratios to levels that should help cushion the impact of the challenging credit environment going forward.

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.

The Fund issued warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009. Each warrant entitled the shareholder thereof to acquire one unit upon payment of $13.14 prior to March 31, 2010. During the period, 898,616 warrants were exercised for net proceeds of $11,610,118.

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

Future Accounting Policy Changes

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

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

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

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

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

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

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

World Financial Split Corp.

Management Report on Fund Performance

Past Performance

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

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

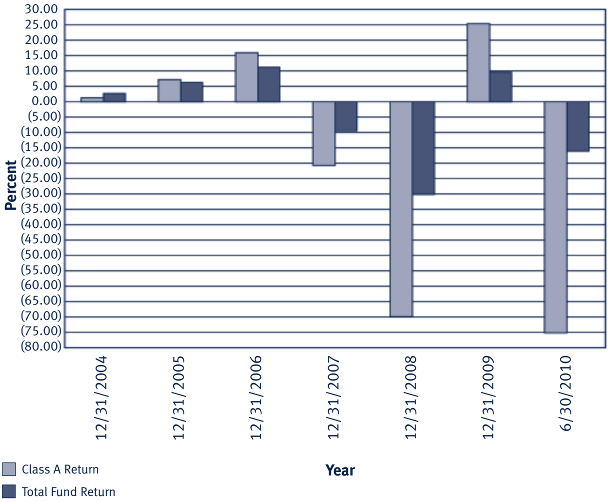
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

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

Year-By-Year Returns

The bar chart below illustrates how the Fund's total return for each of the past six years and for the six month period ended June 30, 2010 has varied from period to period. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2004 would have increased or decreased by the end of that fiscal year, or June 30, 2010 for the six months then ended.

Annual Total Return



Management Report on Fund Performance

Related Party Transactions

Mulvihill Capital Management Inc. ("MCM") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated February 17, 2004.

Mulvihill Fund 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.

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

Independent Review Committee

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

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

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of World Financial Split Corp. (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager") and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2009.

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

The Audit Committee meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. Deloitte & Touche LLP, the Fund's independent auditors, has full and unrestricted access to the Audit Committee and the Board.

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

August 2010

Notice to Shareholders

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

Financial Statements

Statements of Financial Position

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

	2010	2009
ASSETS		
Investments at fair value (cost - $88,953,892; 2009 - $97,904,698)	**$ 77,566,019**	$ 97,644,675
Short-term investments at fair value (cost - $2,798,012; 2009 - $9,645,572)	**2,798,012**	9,624,920
Cash	**3,256,018**	38,736
Interest receivable	**397**	417
Dividends receivable	**212,396**	333,213
Due from brokers - investments	**4,292,608**	–
TOTAL ASSETS	**$ 88,125,450**	**$ 107,641,961**
LIABILITIES		
Redemptions payable	**$ 11,986,228**	$ 201,111
Accrued management fees	**79,647**	100,515
Accrued liabilities	**104,021**	187,635
Redeemable Preferred shares	**70,554,260**	81,818,100
	82,724,156	**82,307,361**
EQUITY		
Class A and Class J shares	**87,974,580**	113,422,791
Deficit	**(82,573,286)**	(88,088,191)
	5,401,294	**25,334,600**
TOTAL LIABILITIES AND EQUITY	**$ 88,125,450**	**$ 107,641,961**
Number of Units Outstanding	**7,055,426**	**8,181,810**
Net Assets per Unit		
Preferred share	**$ 10.0000**	$ 10.0000
Class A share	**0.7656**	3.0965
	$ 10.7656	**$ 13.0965**

Statements of Operations and Deficit

For the six months ended June 30 (Unaudited)

	2010	2009
REVENUE		
Interest, net of foreign exchange	$ **(292,032)**	$ (1,441,876)
Dividends	**1,210,286**	1,840,617
Withholding taxes	**(140,248)**	(107,817)
	778,006	**290,924**
Net realized loss on short-term investments	**–**	(38,832)
Net realized gain on derivatives	**2,107,096**	5,412,494
Net realized loss on investments	**(7,776,568)**	(33,407,724)
Total Net Realized Loss	**(5,669,472)**	**(28,034,062)**
TOTAL REVENUE	**(4,891,466)**	**(27,743,138)**
EXPENSES		
Management fees	**545,584**	722,044
Service fees	**31,425**	35,182
Administration and other expenses	**95,800**	89,578
Transaction fees	**267,837**	161,566
Custodian fees	**28,093**	23,268
Audit fees	**17,226**	16,147
Director fees	**10,445**	10,445
Independent review committee fees	**3,173**	3,437
Legal fees	**5,883**	6,166
Shareholder reporting costs	**31,128**	32,171
Goods and services tax	**34,319**	43,509
Subtotal Expenses	**1,070,913**	–
Warrant offering costs	**80,012**	–
TOTAL EXPENSES	**1,150,925**	**1,143,513**
Net Realized Loss before Distributions	**(6,042,391)**	**(28,886,651)**
Preferred share distributions	**(2,091,008)**	(3,012,518)
Net Realized Loss	**(8,133,399)**	**(31,899,169)**
Net change in unrealized appreciation/ depreciation of short-term investments	**101,333**	176,572
Net change in unrealized depreciation of investments	**(11,127,850)**	27,356,831
Total Net Change in Unrealized Appreciation/Depreciation of Investments	**(11,026,517)**	**27,533,403**
NET LOSS FOR THE PERIOD	$ **(19,159,916)**	$ **(4,365,766)**
NET LOSS PER CLASS A SHARE (based on the weighted average number of Class A shares outstanding during the period of 8,143,409; 2009 - 11,554,005)	$ **(2.3528)**	$ **(0.3779)**
DEFICIT		
Balance, beginning of period	$ **(88,088,191)**	$(134,784,648)
Net allocations on retractions	**24,674,821**	32,759,236
Net loss for the period	**(19,159,916)**	(4,365,766)
BALANCE, END OF PERIOD	$ **(82,573,286)**	**$(106,391,178)**

Financial Statements

Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2010	2009
NET ASSETS, BEGINNING OF PERIOD	**$ 25,334,600**	$ 29,286,560
Net Realized Loss before Distributions	**(6,042,391)**	**(28,886,651)**
Share Capital Transactions		
Proceeds from issuance of Class A shares, net of warrant exercise fees	**2,623,958**	–
Amount paid for Class A shares redeemed	**(3,397,348)**	(5,282,351)
	(773,390)	**(5,282,351)**
Distributions		
Preferred Shares		
Non-taxable distributions	**(2,091,008)**	**(3,012,518)**
Change in Unrealized Depreciation of Investments	**(11,026,517)**	**27,533,403**
Changes in Net Assets during the Period	**(19,933,306)**	**(9,648,117)**
NET ASSETS, END OF PERIOD	**$ 5,401,294**	**$ 19,638,443**

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2010	2009
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	**$ 9,663,656**	**$ 60,790,338**
Cash Flows Provided by (Used In) Operating Activities		
Net Realized Loss before Distributions	**(6,042,391)**	**(28,886,651)**
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	**(102,694,229)**	(43,974,363)
Proceeds from disposition of investment securities	**111,645,035**	74,766,866
(Increase)/decrease in dividends receivable, interest receivable, and due from brokers - investments	**(4,171,771)**	(5,205,866)
Increase/(decrease) in accrued management fees and accrued liabilities	**(104,482)**	(37,291)
Net change in unrealized depreciation of cash and short-term investments	**101,333**	176,572
	4,775,886	**25,725,918**
Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of Units, net of warrant exercise fees	**11,610,118**	–
Distributions to Preferred shares	**(2,091,008)**	(3,012,518)
Class A share redemptions	**(2,583,231)**	(1,616,899)
Preferred share redemptions	**(9,279,000)**	(10,081,820)
	(2,343,121)	**(14,711,237)**
Net Increase/(Decrease) in Cash and Short-Term Investments During the Period	**(3,609,626)**	**(17,871,970)**
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 6,054,030**	**$ 42,918,368**
Cash and Short-Term Investments comprise of:		
Cash	**$ 3,256,018**	$ 277,889
Short-Term Investments	**2,798,012**	42,640,479
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 6,054,030**	**$ 42,918,368**

Statement of Investments

June 30, 2010 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
The Bank of Nova Scotia, 0.58% - August 6, 2010	2,800,000	$ 2,798,012	$ 2,798,012	100.0%
Accrued Interest			397	0.0%
TOTAL SHORT-TERM INVESTMENTS		$ 2,798,012	$ 2,798,409	100.0%
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	67,000	$ 3,854,635	$ 3,868,580	
Canadian Imperial Bank of Commerce	57,000	4,232,657	3,769,980	
Royal Bank of Canada	84,600	4,817,977	4,289,220	
The Bank of Nova Scotia	101,500	5,016,151	4,977,560	
The Toronto-Dominion Bank	74,500	5,051,682	5,139,010	
Total Financials		22,973,102	22,044,350	28.4%
Total Canadian Common Shares		$ 22,973,102	$ 22,044,350	28.4%
Non-North American Common Shares				
Financials				
Barclays PLC - Spon ADR	250,000	$ 5,600,919	$ 4,218,737	
China Life Insurance Company Limited ADR	70,000	4,833,107	4,844,746	
Credit Suisse Group - Spon ADR	110,400	5,532,074	4,385,310	
HSBC Holdings plc ADR	98,000	4,854,732	4,739,416	
ING Groep N.V. ADR	463,000	4,022,226	3,631,025	
Prudential plc ADR	22,000	376,849	349,273	
UBS AG	310,057	5,312,065	4,349,180	
Total Financials		30,531,972	26,517,687	34.2%
Total Non-North American Common Shares		$ 30,531,972	$ 26,517,687	34.2%
United States Common Shares				
Financials				
AFLAC Inc.	92,200	$ 4,301,465	$ 4,179,686	
Bank of America Corp.	290,000	5,420,704	4,425,317	
JPMorgan Chase & Co.	144,500	6,821,494	5,618,523	
Metlife Inc.	147,000	6,638,373	5,895,371	
PNC Financial Services Group, Inc.	53,000	3,671,800	3,182,118	
Prudential Financial, Inc.	70,000	3,992,009	3,990,797	
Wells Fargo Company	163,000	4,861,784	4,427,315	
Total Financials		35,707,629	31,719,127	40.9 %
Total United States Common Shares		$ 35,707,629	$ 31,719,127	40.9 %

Statement of Investments (continued)

June 30, 2010 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Portfolio
Forward Exchange Contracts				
Sold USD $6,500,000, Bought CAD $6,495,450 @ 1.00070 - July 14, 2010			$ (412,215)	
Sold USD $5,800,000, Bought CAD $5,776,278 @ 1.00411 - July 14, 2010			(387,477)	
Sold USD $14,500,000, Bought CAD $14,506,235 @ 0.99957 - July 28, 2010			(904,244)	
Sold USD $12,000,000, Bought CAD $11,955,600 @ 1.00371 - August 11, 2010			(798,686)	
Sold USD $1,000,000, Bought CAD $1,045,250 @ 0.95671 - August 25, 2010			(17,753)	
Sold USD $11,600,000, Bought CAD $12,088,244 @ 0.95961 - September 8, 2010			(243,876)	
Sold USD $10,900,000, Bought CAD $11,576,345 @ 0.94158 - September 22, 2010			(13,504)	
Total Forward Exchange Contracts			$ (2,777,755)	(3.6)%
OPTIONS				
Written Covered Call Options (100 shares per contract)				
Bank of Montreal - July 2010 @ $61	(170)	$ (24,820)	$ (7,763)	
Bank of Montreal - July 2010 @ $58	(170)	(22,440)	(22,578)	
Barclays PLC - Spon ADR - July 2010 @ $16	(625)	(65,672)	(52,623)	
Canadian Imperial Bank of Commerce - July 2010 @ $68	(142)	(25,773)	(18,242)	
Canadian Imperial Bank of Commerce - August 2010 @ $67	(142)	(29,252)	(25,965)	
China Life Insurance Company Limited ADR - August 2010 @ $68	(350)	(76,126)	(66,017)	
Credit Suisse Group - Spon ADR - July 2010 @ $38	(280)	(46,484)	(41,656)	
JPMorgan Chase & Co. - July 2010 @ $38	(720)	(62,035)	(53,558)	
Metlife Inc. - July 2010 @ $38	(370)	(57,149)	(50,524)	
PNC Financial Services Group, Inc. - July 2010 @ $58	(260)	(65,840)	(51,972)	
Prudential Financial, Inc. - August 2010 @ $55	(240)	(89,018)	(83,524)	
Royal Bank of Canada - July 2010 @ $51	(210)	(24,108)	(26,298)	
Royal Bank of Canada - August 2010 @ $51	(210)	(25,830)	(26,557)	

Statement of Investments (continued)

June 30, 2010 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
OPTIONS (continued)				
Written Covered Call Options (continued)				
The Bank of Nova Scotia - July 2010 @ $49	(500)	(42,375)	**(61,427)**	
The Toronto-Dominion Bank - July 2010 @ $69	(186)	(26,970)	**(29,535)**	
The Toronto-Dominion Bank - August 2010 @ $70	(186)	(30,039)	**(27,778)**	
Wells Fargo Company - July 2010 @ $26	(800)	(98,350)	**(81,477)**	
Total Written Covered Call Options		**(812,281)**	**(727,494)**	**(0.9)%**
Purchased Put Options (100 shares per contract)				
Financial Select Sector Index Fund - August 2010 @ $14	8,567	**664,626**	**790,104**	**1.0%**
TOTAL OPTIONS		**$ (147,655)**	**$ 62,610**	**0.1%**
Adjustment for transaction fees		**(111,156)**		
TOTAL INVESTMENTS		**$ 88,953,892**	**$ 77,566,019**	**100.0%**

Notes to Financial Statements

June 30, 2010

1. Basis of Presentation

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

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

2. Net Asset Value

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

	June 30, 2010	Dec. 31, 2009
Net Asset Value (for pricing purposes)	**$ 10.77**	$ 13.11

3. Warrants

The Fund issued 8,557,010 warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009. Class A shareholders received warrants on a basis of one warrant for each share held November 19, 2010. Each warrant entitled the shareholder thereof to acquire one unit upon payment of $13.14 prior to 5:00 p.m. on March 31, 2010 (the "Expiry Date"). Warrants were exercisable commencing December 1, 2009. Warrants not exercised by the Expiry Date were considered void and of no value. During the period, 898,616 warrants were exercised for gross proceeds of $11,807,814.

Upon exercise of a warrant, the Fund paid a fee of $0.22 per warrant to the dealer whose client had exercised the warrant. Such fees were paid by the Fund out of the assets attributable to the units. During the period, warrant exercise fees paid amounted to $197,696.

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

4. Financial Instruments and Risk Management

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	**Total**
Short-Term Investments	$ –	$ 2,798,409	$ –	**$ 2,798,409**
Canadian Common Shares	22,044,350	–	–	**$ 22,044,350**
Non-North American Common Shares	26,517,687	–	–	**$ 26,517,687**
United States Common Shares	31,719,127	–	–	**$ 31,719,127**
Forward Exchange Contracts	–	(2,777,755)	–	**$ (2,777,755)**
Options	(295,279)	357,889	–	**$ 62,610**
Total Investments	**$ 79,985,885**	**$ 378,543**	**$ –**	**$ 80,364,428**

Other Price Risk

Approximately 106 percent (December 31, 2009 - 91 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at June 30, 2010 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2010, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $8.0M (December 31, 2009 - $9.7M) respectively or 10.6 percent (December 31, 2009 - 9.1 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.

Currency Risk

Approximately 87 percent (December 31, 2009 - 70 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at June 30, 2010 were held in securities denominated in U.S. currency. This risk is mitigated by the Fund through the use of forward currency contracts. At June 30, 2010 the Fund had minimal currency risk as a result of its investment in forward currency contracts. 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 $0.02M (December 31, 2009 - nil) respectively or 0.0 percent (December 31, 2009 - nil) of the net assets, excluding the Redeemable Preferred share liability, with all other factors remaining constant.

Notes to Financial Statements

June 30, 2010

Credit Risk

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

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
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 the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the prior year, based on Standard & Poor's credit ratings as of December 31, 2009:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
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 is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of June 30, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1+	100%
Total		100%

The following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit rating 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 carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

5. Future Accounting Policy Changes

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

Notes to Financial Statements

June 30, 2010

6. Subsequent Event

The Fund filed a final prospectus dated August 6, 2010 relating to an offering of warrants to holders of its Class A shares. Each Class A shareholder of record on the record date will receive one warrant for each Class A share held. Each warrant will entitle its holder to acquire one Class A share and one Preferred share upon payment of the subscription price of $11.43.

Hybrid Income Funds
Managed by Mulvihill Structured Products

UNIT SHARES

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

SPLIT SHARES

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

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust
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

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

Notes

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.