

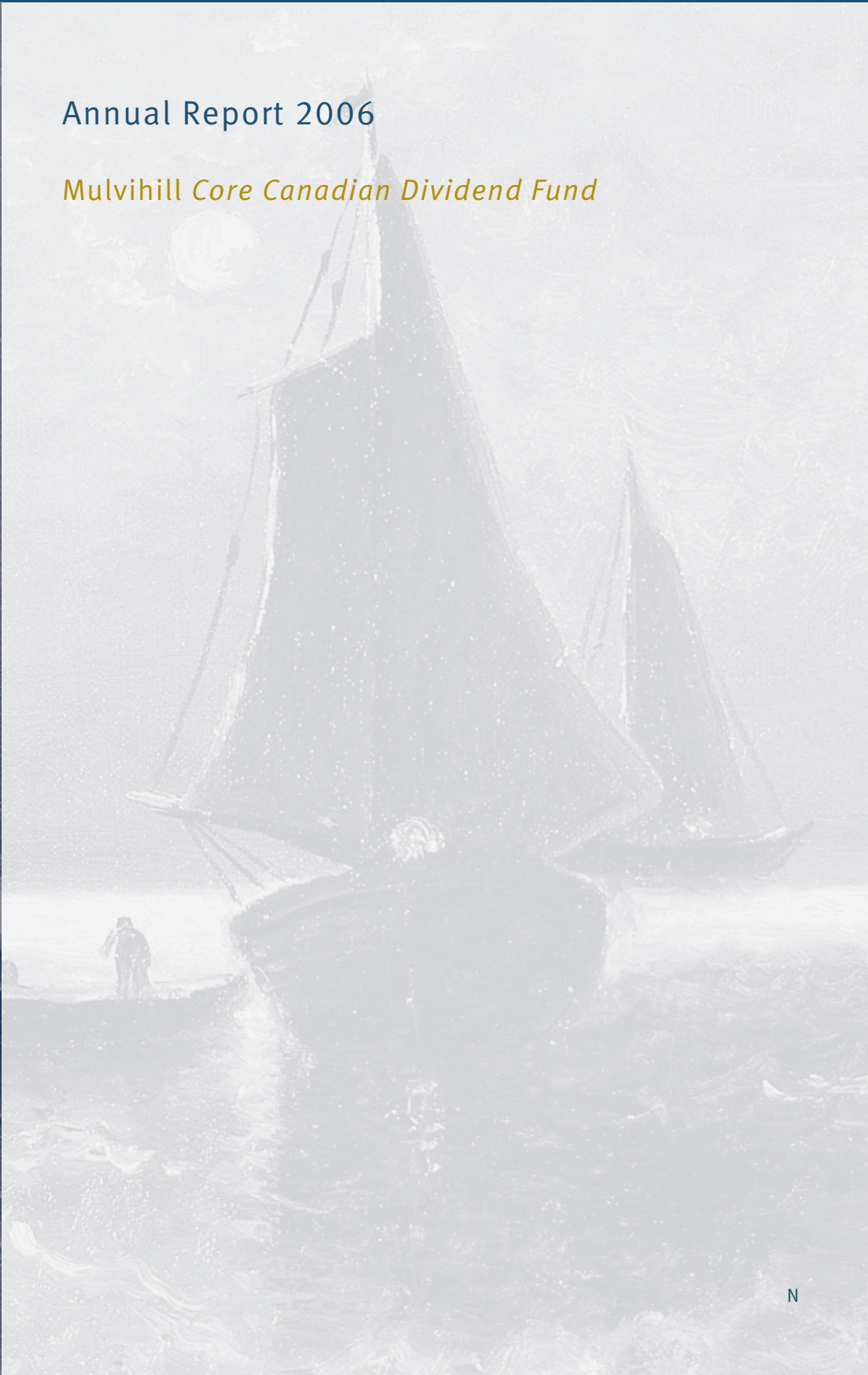


## Hybrid Income Funds



Annual Report 2006

*Mulvihill Core Canadian Dividend Fund*





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## 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, 2006 of Mulvihill Core Canadian Dividend 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](http://www.mulvihill.com).

## Investment Objectives and Strategies

The Fund's investment objectives are:

- (i) to provide unitholders with a stable stream of monthly distributions targeted to be 6.5% per annum on the net asset value (NAV) of the Fund; and
- (ii) to preserve and grow NAV per unit.

The Fund invests in a blue chip portfolio consisting of high quality, large capitalization, dividend paying Canadian companies across multiple industry sectors that have an excellent long term track record of dividend growth and share price appreciation. The Fund will generally invest not less than 4% and not more than 10% of the NAV in each security comprising the Core Canadian Dividend Portfolio, as well as, up to 15% in other securities listed on the TSX.

To generate additional returns above the dividend income generated by the portfolio, the Fund may write covered call options.

## Risk

Investors should be aware that the primary risks associated with the Fund relate to the financial performance of the securities within the investable universe, general market and economic conditions as well as the level of option volatility realized in undertaking the writing of covered call options.

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. Since the inception of the Fund in November 2006, volatility levels were in decline and continued to decline to the end of the year. As a result of the low absolute level of volatility and generally constructive view of the equity markets, the Fund did not write options on any of the securities held. To offset a portion of the equity market risk, the Fund purchased protective put options to mitigate partially the potential impact of a severe market decline and take advantage of the low cost of this protection. While enabling the Fund to participate in market upside, not writing call options increases the risk that the Fund will not generate additional income for distribution.

## Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at [www.mulvihill.com](http://www.mulvihill.com).

## Asset Mix

December 31, 2006

	% OF NET ASSETS		% OF NET ASSETS		% OF NET ASSETS
Financials	52%	Utilities	8%	Industrials	4%
Energy	12%	Telecommunication Services	7%	Cash and Short-Term Investments	4%
Materials	9%	Consumer Discretionary	4%	Other Assets (Liabilities)	0%

### Portfolio Holdings

December 31, 2006

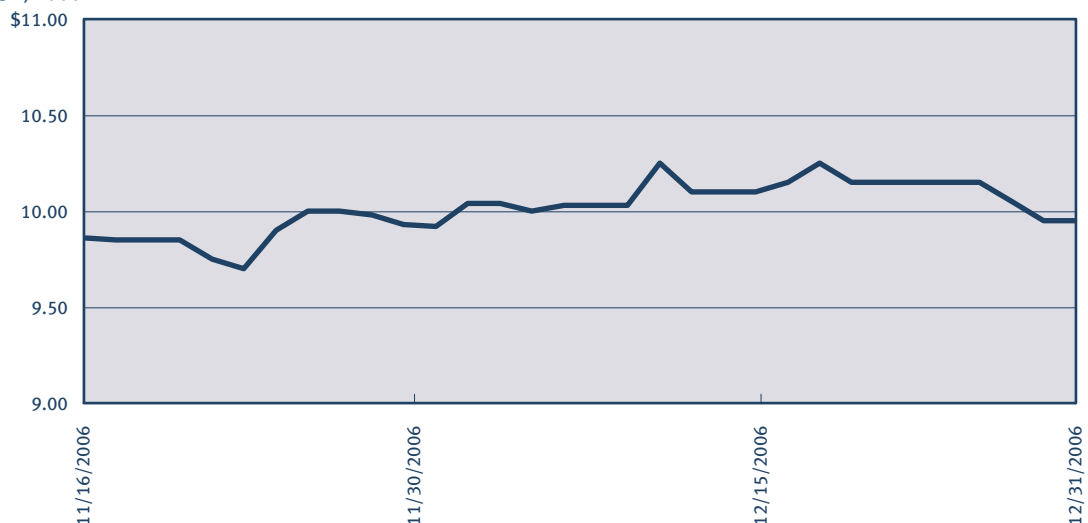
	% OF NET ASSETS		% OF NET ASSETS		% OF NET ASSETS
Royal Bank of Canada	9%	The Toronto-Dominion Bank	6%	Thomson Corporation	4%
Manulife Financial Corporation	8%	National Bank of Canada	5%	Russel Metals Inc.	4%
Canadian Utilities Ltd.	8%	BCE Inc.	5%	Cash and Short-Term Investments	4%
AGF Management Limited	7%	Bank of Montreal	5%	Husky Energy Inc.	3%
Teck Cominco Ltd. Cl B	7%	TransCanada Corp.	5%	Barrick Gold Corp.	2%
Canadian Imperial Bank of Commerce	6%	Enbridge Inc.	4%	TELUS Corporation	2%
The Bank of Nova Scotia	6%				

### Distribution History

INCEPTION DATE: NOVEMBER 2006	REGULAR DISTRIBUTION	SPECIAL DISTRIBUTION	TOTAL DISTRIBUTION
<b>Total for 2006</b>	<b>\$ 0.0510</b>	<b>\$ 0.0000</b>	<b>\$ 0.0510</b>

### Trading History

November 16, 2006 to December 31, 2006



### Results of Operations

For the year ended December 31, 2006, the trading net asset value of the Fund was \$9.67 per unit compared to the initial trading net asset value of \$9.37 per unit at November 16, 2006. The Fund's units, listed on the Toronto Stock Exchange as CDD.UN, closed on December 29, 2006 at \$9.95 per unit, which represents at 2.9 percent premium to the trading net asset value.

This Fund invests primarily in a universe of fifteen names, with holding weights between 4 percent and 10 percent. At Fund inception, the Fund was favorable on Royal Bank of Canada and AGF Management Limited, and therefore held positions at the higher end of the permissible range. The Fund was less favorable on names such as Enbridge Inc. and Russel Metals Inc. and held positions near the lower end of the stated range. The return differential between these securities suggests that this view was correct for this initial period, from inception to year end.

The initial distribution was declared on December 5, 2006 at \$0.051 per unit and paid on December 29, 2006. The total return for the Fund since inception was 3.8 percent including reinvestment of distributions.

While no call options were written on positions during the first six weeks of operation to take advantage of favorable market conditions, the overwriting program will likely commence in the New Year as dictated by market conditions.

## 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 on November 16, 2006.

Year ended December 31

	2006 <sup>(4)</sup>
THE TRADING FUND'S NET ASSET VALUE PER UNIT	
<b>Trading Net Asset Value, beginning of year<sup>(1)</sup></b>	<b>\$ 9.38<sup>(5)</sup></b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.05
Total expenses	(0.03)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	0.32
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>0.34</b>
DISTRIBUTIONS	
From investment income	-
From capital gains	-
Non-taxable distributions	(0.05)
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>(0.05)</b>
<b>Trading Net Asset Value, as at December 31<sup>(1)</sup></b>	<b>\$ 9.67</b>

(1) Trading 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 on that date divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue 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 asset value as calculations are based on the weighted average number of units outstanding during the year.

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

(4) For the period from inception on November 16, 2006 to December 31, 2006.

(5) Net of agent fees and initial issue costs.

### RATIOS/SUPPLEMENTAL DATA

Net Assets (\$millions) <sup>(1)</sup>	\$ 57.93
Number of units outstanding <sup>(1)</sup>	6,000,000
Management expense ratio <sup>(2)</sup>	1.86% <sup>(5)</sup>
Portfolio turnover rate <sup>(3)</sup>	1.82%
Trading expense ratio <sup>(4)</sup>	0.87% <sup>(5)</sup>
Closing market price	\$ 9.95

(1) This information is provided as at December 31.

(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and excluding transaction fees charged to the Fund to average net assets.

(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 an annualized percentage of daily average net assets during the period.

(5) Annualized.

## Management Fees

Mulvihill Capital Management (“MCM”) is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net assets of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net assets of the Fund at each month end. Services received under the Management Agreement include providing or arranging required administrative services to the Fund.

## Recent Developments

This Fund invests primarily in a universe of fifteen names, originally through the analysis of dividend payout ratios and historical price performance. The permissible ranges for each of those securities is between 4 percent and 10 percent per security. This process resulted in approximately half the names originating from within the financial services sector. Canadian financials delivered better than expected fourth quarter earnings. Earnings growth should slow down somewhat in 2007 as credit losses and interest margins normalize, however, balance sheets remain strong as illustrated by the record returns on equity numbers. This strength should enable these companies to continue to return some excess capital to shareholders and certainly support current dividend payouts.

Other names in the Fund provide exposure to the materials, energy, telecommunications, and utilities sectors. Teck Cominco Ltd. is one of the more volatile stocks in our universe due to its correlation with several base metal prices, however, it was a key positive contributor to year end returns for the Fund. Other key contributors include BCE Inc. and Canadian Utilities Ltd. BCE Inc. rebounded nicely from its correction following the announcement by the Canadian government of proposed new Income Trust Tax rules. Canadian Utilities Ltd. was also able to break out of its trading range following its decision to hold on to its mid-stream business.

## Year-By-Year Returns, Annual Total Return and Annual Compound Returns

The Fund has been operational for less than one year. No year-by-year returns, annual total returns or annual compound returns have been calculated.

## 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 October 27, 2006.

Mulvihill Fund Services Inc. (“Mulvihill”) is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated October 27, 2006, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

### Forward-Looking Statements

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

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

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

## Management's Responsibility for Financial Reporting

The accompanying financial statements of Mulvihill Core Canadian Dividend Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager"), and have been reviewed by the Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this 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 financial statements.

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

The Board meets periodically with management and 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 Board.



John P. Mulvihill  
Director  
Mulvihill Fund Services Inc.  
February 22, 2007



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.



## To the Unitholders of Mulvihill Core Canadian Dividend Fund

We have audited the accompanying statement of investments and net assets of Mulvihill Core Canadian Dividend Fund (the "Fund") as at December 31, 2006, and the statement of financial operations, of changes in net assets and of net loss on sale of investments for the period from November 16, 2006 to December 31, 2006. 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 audit.

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

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

*Deloitte & Touche LLP*

Chartered Accountants  
Toronto, Ontario  
February 22, 2007

## Statement of Net Assets

December 31, 2006

	2006
<b>ASSETS</b>	
Investments at market value (cost - \$54,178,729)	\$ 56,022,876
Short-term investments (cost - \$2,199,287)	2,199,287
Cash	3,421
Interest receivable	7,736
Dividends receivable	216,975
<b>TOTAL ASSETS</b>	<b>58,450,295</b>
<b>LIABILITIES</b>	
Issue expense payable	424,108
Accrued liabilities	92,982
<b>TOTAL LIABILITIES</b>	<b>517,090</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 57,933,205</b>
<b>Number of Units Outstanding</b> (Note 4)	<b>6,000,000</b>
<b>Net Asset Value per Unit</b> (Note 5)	<b>\$ 9.6555</b>

On Behalf of the Manager,  
Mulvihill Fund Services Inc.



John P. Mulvihill, Director



Sheila S. Szela, Director

**Statement of Financial Operations**

For the period from inception on November 16, 2006 to December 31, 2006

	2006
<b>REVENUE</b>	
Dividends	\$ 231,033
Interest	52,717
<b>TOTAL REVENUE</b>	<b>283,750</b>
<b>EXPENSES (Note 6)</b>	
Management fees	79,818
Service fees	29,278
Administrative and other expenses	1,235
Transaction fees (Note 9)	59,900
Custodian fees	5,838
Advisory board fees	2,749
Legal fees	21
Unitholder reporting costs	835
Goods and services tax	7,844
<b>TOTAL EXPENSES</b>	<b>187,518</b>
<b>Net Investment Income</b>	<b>96,232</b>
Net loss on sale of investments	(1,319)
Net change in unrealized appreciation of investments	1,844,147
<b>Net Gain on Investments</b>	<b>1,842,828</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS</b>	<b>\$ 1,939,060</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the period of 5,847,826)	<b>\$ 0.3316</b>

**Statement of Changes in Net Assets**

For the period from inception on November 16, 2006 to December 31, 2006

	2006
NET ASSETS, BEGINNING OF PERIOD	\$ -
<b>Total Results of Financial Operations</b>	<b>1,939,060</b>
<b>Unit Transactions</b>	
Proceeds from units issued, net of issue costs (Note 4)	56,300,145
<b>Distributions to Unitholders</b> (Note 7)	
Non-taxable distributions	(306,000)
<b>Changes in Net Assets during the Period</b>	<b>57,933,205</b>
NET ASSETS, END OF PERIOD	\$ 57,933,205

**Statement of Net Loss on Sale of Investments**

For the period from inception on November 16, 2006 to December 31, 2006

	2006
<b>Proceeds from Sale of Investments</b>	\$ 910,176
<b>Cost of Investments Sold</b>	
Cost of investments, beginning of period	-
Cost of investments purchased	55,090,224
	55,090,224
<b>Cost of Investments, End of Period</b>	<b>54,178,729</b>
	911,495
NET LOSS ON SALE OF INVESTMENTS	\$ (1,319)

**Statement of Investments**

December 31, 2006

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
<b>SHORT-TERM INVESTMENTS</b>				
<b>Treasury Bills</b>				
Government of Canada, 4.14% – February 22, 2007	2,220,000	\$ 2,199,287	\$ 2,199,287	99.6%
Accrued Interest			7,736	0.4%
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>\$ 2,199,287</b>	<b>\$ 2,207,023</b>	<b>100.0%</b>
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Consumer Discretionary</b>				
Thomson Corporation	52,900	\$ 2,519,077	\$ 2,555,070	4.6%
<b>Energy</b>				
Enbridge Inc.	66,100	2,595,172	2,644,661	
Husky Energy Inc.	21,900	1,697,623	1,708,638	
TransCanada Corp.	68,000	2,635,086	2,761,480	
<b>Total Energy</b>		<b>6,927,881</b>	<b>7,114,779</b>	<b>12.7%</b>
<b>Financials</b>				
AGF Management Limited	138,300	3,532,234	3,848,889	
Bank of Montreal	41,000	2,915,390	2,829,000	
Canadian Imperial Bank of Commerce	38,083	3,500,165	3,743,559	
Manulife Financial Corporation	117,800	4,498,852	4,635,430	
National Bank of Canada	47,700	3,121,723	3,137,229	
Royal Bank of Canada	89,000	4,781,577	4,939,500	
The Bank of Nova Scotia	70,130	3,675,714	3,653,773	
The Toronto-Dominion Bank	46,700	3,157,683	3,255,924	
<b>Total Financials</b>		<b>29,183,338</b>	<b>30,043,304</b>	<b>53.6%</b>
<b>Industrials</b>				
Russel Metals Inc.	91,800	2,572,534	2,451,060	4.4%
<b>Materials</b>				
Barrick Gold Corp.	39,500	1,317,292	1,412,915	
Teck Cominco Ltd. Cl B	43,700	3,540,821	3,836,860	
<b>Total Materials</b>		<b>4,858,113</b>	<b>5,249,775</b>	<b>9.3%</b>
<b>Telecommunication Services</b>				
BCE Inc.	93,000	2,555,995	2,920,200	
TELUS Corporation	18,500	1,054,050	989,935	
<b>Total Telecommunication Services</b>		<b>3,610,045</b>	<b>3,910,135</b>	<b>7.0%</b>
<b>Utilities</b>				
Canadian Utilities Ltd.	94,200	4,055,969	4,495,224	8.0%
<b>Total Canadian Common Shares</b>		<b>\$53,726,957</b>	<b>\$55,819,347</b>	<b>99.6%</b>

**Statement of Investments (continued)**

December 31, 2006

	Number of Contracts	Average Cost	Market Value	
INVESTMENTS (continued)				
OPTIONS				
<b>Purchased Put Options</b> (100 shares per contract)				
S&P/TSX 60 Index – March 2007 @ \$685	123	\$ 151,597	\$ 44,539	
S&P/TSX 60 Index – March 2007 @ \$693	26	29,640	13,859	
S&P/TSX 60 Index – March 2007 @ \$697	41	44,838	25,144	
S&P/TSX 60 Index – April 2007 @ \$697	33	43,890	27,035	
S&P/TSX Capped Financials Index (iUnits) – February 2007 @ \$50	460	28,520	4,140	
S&P/TSX Capped Financials Index (iUnits) – March 2007 @ \$50	1,860	137,150	40,351	
S&P/TSX Capped Financials Index (iUnits) – April 2007 @ \$51	835	74,165	48,461	
<b>Total Purchased Put Options</b>		<b>509,800</b>	<b>203,529</b>	0.4%
TOTAL OPTIONS		<b>\$ 509,800</b>	<b>\$ 203,529</b>	<b>0.4%</b>
Adjustment for transaction fees		<b>(58,028)</b>	<b>-</b>	
<b>TOTAL INVESTMENTS</b>		<b>\$54,178,729</b>	<b>\$56,022,876</b>	<b>100.0%</b>

## 1. Establishment of the Fund

Mulvihill Core Canadian Dividend Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario on October 27, 2006. The Fund began operations on November 16, 2006.

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 (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

## 2. Investment Objectives of the Fund

The Fund's investment objectives are:

- (i) to provide unitholders with a stable stream of monthly distributions targeted to be 6.5% per annum on the net asset value (NAV) of the Fund; and
- (ii) to preserve and grow NAV per unit.

The Fund invests its assets primarily in dividend-paying shares listed on the TSX. The Fund will generally invest not less than 4% and not more than 10% of the NAV in each of the issuers in the Core Canadian Dividend Portfolio. In addition, up to 15% of the NAV of the Fund may be invested in equity securities of other issuers listed on the TSX which the Investment Manager believes is consistent with the Fund's objectives.

To generate additional returns above the dividend income earned on the portfolio, the Fund may, from time to time, write covered call options in respect of all or part of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of all of the securities in which the Fund is permitted to invest. Additionally, the Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund may enter into trades to close out positions in such permitted derivatives.

## 3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Fund are as follows:

### Valuation of Investments

Investments are recorded in the financial statements at their fair market value at the end of the period which is determined as follows:

Securities are valued at fair market value, which is determined by the bid price on the recognized stock exchange on which the securities are listed or principally traded.

Short-term investments are valued at cost plus accrued interest which approximates market value.

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

### 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 gains (losses) on derivatives.

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

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

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in change in unrealized appreciation (depreciation) of investments. Premiums received on written put options that are exercised are included in the cost of the security purchased.

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

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

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

Transactions, such as brokerage commissions, incurred by the Fund are charged to the statement of operations for the period.

#### 4. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All units have equal voting rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights.

On November 16, 2006, the Fund issued 5,500,000 trust units at a price of \$10.00 per Unit for gross proceeds of \$55,000,000. On November 30, 2006 an additional 500,000 trust units were issued for additional gross proceeds of \$5,000,000 pursuant to the exercise of the over-allotment option granted to the Fund's agents in the initial public offering. Costs of \$3,699,855 were incurred in connection with these offerings and the establishment of the Fund and have been charged to equity.

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Trust's registrar and transfer agent, but will be redeemed only on the monthly Valuation Date (as defined below). Units surrendered for redemption by a Unitholder at least 20 business days prior to the end of the year (the "December Valuation Date") will be redeemed on such December Valuation Date and the Unitholder will receive payment on or before the fifteenth day following such December Valuation Date (the "Redemption Payment Date"). Units surrendered for redemption by a Unitholder at least 10 business days prior to the last day of any other month (a "Valuation Date") will be redeemed on such Valuation Date and the unitholder will receive payment on or before the fifteenth day following such Valuation

Date. If a Unitholder makes such surrender after 5:00 p.m. (Toronto time) on the applicable cut-off date, the Units will be redeemed on the applicable Valuation Date in the following month and the Unitholder will receive payment for the Units on the Redemption Payment Date in respect of such Valuation Date.

Commencing in 2007, Unitholders whose Units are redeemed on the December Valuation Date in each year will be entitled to receive a redemption price per Unit (the "Unit Redemption Price") equal to the NAV per Unit determined as of such Valuation Date.

For Unitholders whose Units are redeemed on any other Valuation Date, the redemption price per Unit will be equal to the lesser of:

- 95% of the Market Price. For such purposes "Market Price" is the weighted average trading price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date, and
- 100% of the Closing Market Price of the Units on the applicable Valuation Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Trust in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

Any unpaid distribution payable on or before the applicable Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the applicable Redemption Payment Date.

Unit transactions during the year are as follows:

	2006
Units issued	6,000,000
Units outstanding, end of period	6,000,000

#### 5. Trading and Accounting NAV

For financial statement reporting purposes, the Fund applies Canadian generally accepted accounting principles which effective October 1, 2006 requires the Fund to value its securities using bid price. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund can calculate its trading NAV using last sales price.



The difference between the trading NAV and the accounting NAV reflected in the financial statements is as follows:

	2006
Trading NAV used for purchases and redemptions	\$ 9.6654
Difference between trading NAV and accounting NAV	(0.0099)
NAV per financial statements	\$ 9.6555

## 6. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the 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 the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10 percent and 1.00 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

The Fund will pay a service fee equal to 0.40 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly. Service fees in the amount of \$29,278 were paid during the year.

## 7. Distributions

The Fund endeavours to make monthly distributions of net income and net realized capital gains to unitholders on the last day of each month at an amount targeted to be 6.5% per annum of the net asset value of the Fund.

## 8. Income Taxes

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

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

Accumulated non-capital losses of approximately \$0.2 million are available for utilization against net investment income in future years.

Issue costs of approximately \$3.6 million remain undeducted for tax purposes at year-end.

## 9. Commissions

Total commissions paid in 2006 in connection with portfolio transactions were \$59,900. Of this amount \$16,347 was directed for payment of trading related goods and services.

## 10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (options).

Risks of these contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement in stock values and interest rates. The maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed on the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

Investments and derivative contracts are carried at fair market values. Other financial instruments are carried at cost, which approximates fair value.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$2.8 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

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

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

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH		LOW	
		For the period January 1, 2006 to December 31, 2006			
<b>MULVIHILL PLATINUM</b>					
Mulvihill <i>Government Strip Bond Fund</i>	GSB.UN	\$ 21.44		\$ 19.20	
Mulvihill <i>Pro-AMS U.S. Fund</i>	PAM.UN	\$ 22.44		\$ 20.44	
Mulvihill <i>Pro-AMS 100 Plus (Cdn \$) Fund</i>	PRC.UN	\$ 19.20		\$ 16.05	
Mulvihill <i>Pro-AMS 100 Plus (U.S. \$) Fund</i>	PRU.U	\$ 15.57		\$ 13.35	
Mulvihill <i>Pro-AMS RSP Split Share Fund</i>	SPL.A/SPL.B	\$ 10.10/\$	15.60	\$ 8.80/\$	13.07
<b>MULVIHILL PREMIUM</b>					
Mulvihill <i>Core Canadian Dividend Fund</i>	CDD.UN	\$ 10.90		\$ 9.70	
Mulvihill <i>Premium Canadian Fund</i>	FPI.UN	\$ 19.99		\$ 16.60	
Mulvihill <i>Premium Oil &amp; Gas Fund</i>	FPG.UN	\$ 14.21		\$ 10.95	
Mulvihill <i>Premium 60 Plus Fund</i>	SIX.UN	\$ 18.75		\$ 16.15	
Mulvihill <i>Premium Global Plus Fund</i>	GIP.UN	\$ 11.80		\$ 10.48	
Mulvihill <i>Premium Canadian Bank Fund</i>	PIC.A/PIC.PR.A	\$ 11.70/\$	16.94	\$ 9.82/\$	15.51
Mulvihill <i>Premium Split Share Fund</i>	MUH.A/MUH.PR.A	\$ 8.65/\$	16.00	\$ 6.87/\$	15.14
Mulvihill <i>Premium Global Telecom Fund</i>	GT.A/GT.PR.A	\$ 0.28/\$	12.70	\$ 0.08/\$	10.75
Mulvihill <i>Top 10 Canadian Financial Fund</i>	TCT.UN	\$ 17.08		\$ 14.28	
Mulvihill <i>Top 10 Split Fund</i>	TXT.UN/TXT.PR.A	\$ 12.74/\$	13.75	\$ 8.45/\$	12.42
Mulvihill <i>World Financial Split Fund</i>	WFS/WFS.PR.A	\$ 12.25/\$	11.30	\$ 10.40/\$	10.41

## **Board of Advisors**

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**John P. Mulvihill**

Chairman & President,  
Mulvihill Capital Management Inc.

**Sheila S. Szela**

Vice President, Finance & CFO,  
Mulvihill Capital Management Inc.

**Michael M. Koerner**

Corporate Director

**Robert W. Korthals**

Corporate Director

**C. Edward Medland**

President, Beauwood Investments Inc.

## **Information**

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Toronto, Ontario M5J 2V1

**Transfer Agent:**

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100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

**Shares Listed:**

Toronto Stock Exchange  
trading under  
CDD.UN

**Trustee:**

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

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

## **Hybrid Income Funds**

### **Managed by Mulvihill Structured Products**

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#### **Mulvihill Platinum**

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

#### **Mulvihill Premium**

Mulvihill *Core Canadian Dividend Fund*  
Mulvihill *Premium Canadian Fund*  
Mulvihill *Premium Oil & Gas Fund*  
Mulvihill *Premium 60 Plus Fund*  
Mulvihill *Premium Global Plus Fund*  
Mulvihill *Premium Canadian Bank Fund*  
Mulvihill *Premium Split Share Fund*  
Mulvihill *Premium Global Telecom Fund*  
Mulvihill *Top 10 Canadian Financial Fund*  
Mulvihill *Top 10 Split Fund*  
Mulvihill *World Financial Split Fund*

#### **Mutual Funds Managed by Mulvihill Capital Management**

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

#### **Head Office:**

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Mulvihill Capital Management Inc.

*Please contact your broker directly for address changes.*