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# Mulvihill Premium Yield Fund

Annual Report 2021

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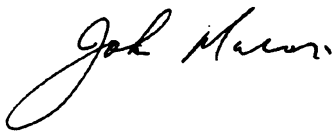
## Letter to Unitholders

We are pleased to present the 2021 annual report containing the management report of fund performance and the audited financial statements for Mulvihill Premium Yield Fund (the “Fund”).

Despite the continued pandemic induced turmoil, the performance of global equity markets in 2021 was impressive to say the least. The S&P 500 Index ushered in 68 new record highs in 2021, the second most ever, as it shook off the emergence of several new COVID-19 variants, surging inflation, near record valuations, and the U.S. Federal Reserve’s (“FED”) commitment to changing course on ultra-accommodative monetary policy. The total return for the S&P/TSX Composite Index for the year was 25.1 percent while the S&P 500 Index was up 28.7 percent, with both ending the year near all-time highs. The strong equity performance did not translate into record gains globally however, as emerging market stocks ended the year down 2.5 percent, driven mainly by Chinese equities and the “tech crackdown” from the Chinese Communist Party. Performance was broadly strong with all eleven sectors in the S&P 500 Index recording double digit returns in the year, while ten of eleven sectors in the S&P/TSX Composite Index were positive for the year. After lagging significantly in 2020, Energy was the best performing group in both countries, up 48.9 percent in Canada and up 54.6 percent in the U.S., driven by rising oil prices and investors positioning towards cheaper and more cyclically oriented stocks. Utilities was the worst performing area in the U.S., but still generated a very respectable return of 17.7 percent, while Health Care was the worst in Canada, down 19.6 percent, on continued weakness in Cannabis stocks. Central banks around the globe grappled with the idea inflation may not be as “transitory” as once believed, with both the Bank of Canada and the FED laying the foundation to raise interest rates in 2022. The U.S. dollar was surprisingly resilient in a year that favoured a risk-on tone, with the U.S. Dollar Index (“DXY”) advancing 6.4 percent. The Canadian dollar was one of the few currencies globally to rise relative to the greenback, gaining 0.8 percent in 2021. The Bloomberg Global Aggregate Index returned negative 4.7 percent for the year, as low yields, rising interest rates and surging inflation presented several headwinds for fixed income investors.

The net asset value per Class I, Class F and Class A unit at December 31, 2021 is \$11.34, \$11.33 and \$11.01 respectively, compared to \$10.51, \$10.51 and \$10.35 respectively at December 31 2020. The return of the Fund, including reinvestment of distributions, for the year ended December 31, 2021 was 13.0 percent for Class I units, 12.9 percent for Class F units and 11.6 percent for Class A units. The Fund paid all unitholders distributions of \$0.52 per unit during the year. The net realized gain on options amounted to \$1.19 per Class I unit, \$1.12 per Class F unit and \$0.77 per Class A unit in 2021 compared to \$1.17 per Class I unit and per Class F unit and \$1.16 per Class A unit in 2020. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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



John Mulvihill  
Chairman & CEO  
Mulvihill Capital Management Inc.

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## The Fund

The Fund is a mutual fund investment trust that seeks to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio’s total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to invest in public investment funds including exchange-traded funds and other Mulvihill Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Funds managed by Mulvihill and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to select securities. The Fund will, from time to time employ various investment strategies, including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

# Mulvihill Premium Yield Fund

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## Management Report of Fund Performance

The management report of fund performance contains the financial highlights for the year ended December 31, 2021 of Mulvihill Premium Yield Fund (the "Fund"). The annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at [info@mulvihill.com](mailto:info@mulvihill.com) or by visiting our website at [www.mulvihill.com](http://www.mulvihill.com). You can also request semi-annual or annual reports at no cost by using one of the above methods.

## Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio's total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to invest in public investment funds including exchange-traded funds and other Mulvihill Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Funds managed by Mulvihill and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to select securities. The Fund will, from time to time employ various investment strategies, including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

## Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund's 2021 annual information form, which is available on the Fund's website at [www.mulvihill.com](http://www.mulvihill.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). There were no changes to the Fund over the period that materially affected the risks associated with an investment in the securities of the Fund.

## Results of Operations

### Distributions

For the year ended December 31, 2021, the Fund paid distributions of \$0.52 per Class I unit, \$0.52 per Class F unit and \$0.52 per Class A unit.

Since the inception of the Fund in December 2019, the Fund has paid total cash distributions of \$1.02 per Class I unit, \$1.02 per Class F unit and \$1.02 per Class A unit.

### Revenue and Expenses

For the year ended December 31, 2021, the Fund's total revenue were \$0.20 per Class I unit, \$0.19 per Class F unit and \$0.13 per Class A unit and total expenses were \$0.29 per Class I unit, \$0.27 per Class F unit and \$0.35 per Class A unit. For the year ended December 31, 2020, the Fund's total revenue were \$0.17 per Class I unit, \$0.17 per Class F unit and \$0.17 per Class A unit and total expenses were \$0.26 per Class I unit, \$0.26 per Class F unit and \$0.37 per Class A unit. The Fund had net realized and unrealized gains of \$1.42 per Class I unit, \$1.35 per Class F unit and \$0.96 per Class A unit during the year, compared to net realized and unrealized gains of \$1.15 per Class I unit, \$1.26 per Class F unit and \$1.26 per Class A unit in 2020.

### Net Asset Value

The net asset value per Class I unit increased 7.9 percent from \$10.51 at December 31, 2020 to \$11.34 at December 31, 2021. The net asset value per Class F unit increased 7.8 percent from \$10.51 at December 31, 2020 to \$11.33 at December 31, 2021. The net asset value per Class A unit increased 6.4 percent from \$10.35 at December 31, 2020 to \$11.01 at December 31, 2021. The total net asset value of the Fund increased \$22.94 million from \$17.35 million at December 31, 2020 to \$40.29 million at December 31, 2021, reflecting an increase in net assets attributable to holders of Class I, Class F and Class A units of \$3.09 million, proceeds from issuance of Class I, Class F and Class A units of \$28.59 million, Class I, Class F and Class A unit reinvestments of \$0.67 million, Class F and Class A unit redemptions of \$8.00 million and Class I, Class F and Class A unit distributions of \$1.41 million.

## Recent Developments

The Manager of Core Canadian Dividend Trust (“CDD”), Top 10 Canadian Financial Trust (“TCT”), Canadian Utilities & Telecom Income Fund (“UTE”) and U.S. Financials Income Fund (“USF”) announced that at a special meeting held on June 18, 2021 unitholders of CDD, TCT and USF approved a proposal to merge CDD, TCT and USF with the Mulvihill Premium Yield Fund (the “Fund”). A meeting of unitholders of UTE to approve the merger of UTE with the Mulvihill Premium Yield Fund was adjourned to June 28, 2021 and at that meeting, all unitholders of UTE approved a proposal to merge UTE with the Fund. The merger for CDD, TCT, and USF unitholders was implemented on July 5, 2021, and for UTE unitholders was implemented on July 6, 2021. A total of 321,093.355 Class F units and 1,821,710.764 Class A units were issued with total proceeds of \$23.5 million.

Commencing July 12, 2021, a management fee of 0.7 percent for Class F, Class I and Class A units was accrued and paid to the Manager.

MPY was launched with a 5 percent annual distribution with a quarterly distribution of \$0.125 per Class I unit, Class F unit and Class A unit. With the increased NAV growth, the December distribution rate was increased to \$0.14 per Class I unit, Class F unit and Class A unit so that the yield will be approximately 5 percent.

The Manager changed its name from Strathbridge Asset Management Inc. back to Mulvihill Capital Management Inc. effective January 1, 2022.

## Related Party Transactions

Mulvihill Capital Management Inc. (“Mulvihill”), as the Investment Manager and Manager of the Fund, manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund and is responsible for providing or arranging for required administrative services to the Fund pursuant to an Trust Agreement made between the Fund and Mulvihill dated September 18, 2019.

Mulvihill is paid the fees described under the Management Fees section of this report.

During the year, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

## Independent Review Committee

National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an 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. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Michael M. Koerner, Robert G. Bertram and R. Peter Gillin.

During the year, the IRC approved the merger proposal of CDD, TCT, USF, and UTE with the Fund.

## 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 December 1, 2019 for the Class I and Class F units and December 12, 2019 for the Class A units. This information is derived from the Fund's audited annual financial statements.

| Periods ended December 31                                      | Class I       | 2021<br>Class F | Class A       | Class I       | 2020<br>Class F | Class A       | Class I <sup>(4)</sup> | 2019<br>Class F <sup>(4)</sup> | Class A <sup>(5)</sup> |
|--|---------------|-----------------|---------------|---------------|-----------------|---------------|------------------------|--------------------------------|------------------------|
| <b>NET ASSETS PER UNIT</b>                                     |               |                 |               |               |                 |               |                        |                                |                        |
| Net Assets, beginning of period <sup>(1)</sup>                 | \$ 10.51      | \$ 10.51        | \$ 10.35      | \$ 9.99       | \$ 9.99         | \$ 9.95       | \$ 10.00               | \$ 10.00                       | \$ 10.00               |
| INCREASE (DECREASE)<br>FROM OPERATIONS                         |               |                 |               |               |                 |               |                        |                                |                        |
| Total revenue  | 0.20          | 0.19            | 0.13          | 0.17          | 0.17            | 0.17          | 0.03                   | 0.03                           | 0.01                   |
| Total expenses   | (0.29)        | (0.27)          | (0.35)        | (0.26)        | (0.26)          | (0.37)        | (0.03)                 | (0.03)                         | (0.03)                 |
| Realized gain (loss) for the period                            | 1.30          | 1.22            | 0.84          | 0.19          | 0.19            | 0.19          | 0.01                   | 0.01                           | –                      |
| Unrealized gain (loss) for the period                          | 0.12          | 0.13            | 0.12          | 0.96          | 1.07            | 1.07          | (0.03)                 | (0.01)                         | (0.09)                 |
| <b>Total Increase (Decrease) from Operations<sup>(2)</sup></b> | <b>1.33</b>   | <b>1.27</b>     | <b>0.74</b>   | <b>1.06</b>   | <b>1.17</b>     | <b>1.06</b>   | <b>(0.02)</b>          | <b>–</b>                       | <b>(0.11)</b>          |
| DISTRIBUTIONS  |               |                 |               |               |                 |               |                        |                                |                        |
| Non-taxable distributions                                      | (0.52)        | (0.52)          | (0.52)        | (0.50)        | (0.50)          | (0.50)        | –                      | –                              | –                      |
| <b>Total Distributions<sup>(3)</sup></b>                       | <b>(0.52)</b> | <b>(0.52)</b>   | <b>(0.52)</b> | <b>(0.50)</b> | <b>(0.50)</b>   | <b>(0.50)</b> | <b>–</b>               | <b>–</b>                       | <b>–</b>               |
| Net Assets, end of period <sup>(1)</sup>                       | \$ 11.34      | \$ 11.33        | \$ 11.01      | \$ 10.51      | \$ 10.51        | \$ 10.35      | \$ 9.99                | \$ 9.99                        | \$ 9.95                |

(1) All per unit figures are derived from the Fund's audited financial statements for the period ended December 31. Net Assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses 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 unitholders are based on the number of units outstanding on the record date for each distribution.

(4) For the period from inception on December 1, 2019 to December 31, 2019.

(5) For the period from inception on December 12, 2019 to December 31, 2019.

| Periods ended December 31                   | Class I       | 2021<br>Class F | Class A       | Class I       | 2020<br>Class F | Class A    | Class I <sup>(7)</sup> | 2019<br>Class F <sup>(7)</sup> | Class A <sup>(8)</sup> |
|---|---------------|-----------------|---------------|---------------|-----------------|------------|------------------------|--------------------------------|------------------------|
| <b>RATIOS/SUPPLEMENTAL DATA</b>             |               |                 |               |               |                 |            |                        |                                |                        |
| Net Asset Value (\$millions) <sup>(1)</sup> | \$ 14.72      | \$ 9.92         | \$ 15.64      | \$ 11.08      | \$ 6.03         | \$ 0.25    | \$ 10.08               | \$ 4.09                        | \$ 0.18                |
| Number of units outstanding <sup>(1)</sup>  | 1,298,326.427 | 876,172.406     | 1,421,005.647 | 1,053,443.134 | 573,380.083     | 24,328.464 | 1,009,369.276          | 409,716.477                    | 18,498.886             |
| Management expense ratio <sup>(2)</sup>     | 2.06%         | 1.97%           | 2.85%         | 2.20%         | 2.17%           | 3.34%      | 2.00% <sup>(5)</sup>   | 1.97% <sup>(5)</sup>           | 4.77% <sup>(5)</sup>   |
| Portfolio turnover rate <sup>(3)</sup>      | 393.06%       | 393.06%         | 393.06%       | 319.33%       | 319.33%         | 319.33%    | 0.00%                  | 0.00%                          | 0.00%                  |
| Trading expense ratio <sup>(4)</sup>        | 0.52%         | 0.49%           | 0.34%         | 0.48%         | 0.47%           | 0.48%      | 0.86% <sup>(5)</sup>   | 0.89% <sup>(5)</sup>           | 0.82% <sup>(5)</sup>   |
| Net Asset Value per unit <sup>(6)</sup>     | \$ 11.34      | \$ 11.33        | \$ 11.01      | \$ 10.51      | \$ 10.51        | \$ 10.35   | \$ 9.99                | \$ 9.99                        | \$ 9.95                |

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

(2) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2021, 2020 and 2019 for the Class I units, excluding withholding taxes, for is 2.01%, 2.09% and 1.88% respectively. The MER for 2021, 2020 and 2019 for the Class F units, excluding withholding taxes, for is 1.92%, 2.06% and 1.84% respectively. The MER for 2021, 2020 and 2019 for the Class A units, excluding withholding taxes, for is 2.81%, 3.22% and 4.66% respectively. The Manager may waive or absorb operating expenses at its discretion or stop waiving or absorbing such expenses at any time without notice. A portion of the management fees have been waived until assets under management reach a discretionary threshold. Commencing July 12, 2021, a management fee of 0.7 percent for Class F, Class I and Class A units was accrued and paid to the Manager. The MER for 2021, 2020 and 2019 for the Class I units, including waived management fees, are 2.79%, 3.33% and 3.13% respectively. The MER for 2021, 2020 and 2019 for the Class F units, including waived management fees, are 2.64%, 3.30% and 3.10% respectively. The MER for 2021, 2020 and 2019 for the Class A units, including waived management fees, are 3.24%, 4.47% and 5.90% respectively.

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

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

(5) Annualized.

(6) Net Asset Value per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities divided by the number of units then outstanding.

(7) For the period from inception on December 1, 2019 to December 31, 2019.

(8) For the period from inception on December 12, 2019 to December 31, 2019.

## Management Fees

Mulvihill, as the Investment Manager and Manager of the Fund, is entitled to fees under the Trust Agreement and is calculated and accrued daily and paid monthly. For Class I and UI units, the management fees are negotiable but will not exceed the management fee payable on the Class A and UA units. The maximum annual rate of the management fee for Class F units and Class UF units is 1.00 percent and for Class A units and Class UA units is 2.00 percent. Services received under the Trust 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 providing or arranging for required administrative services to the Fund. Mulvihill also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

To achieve effective and competitive management fees, Mulvihill may reduce the management fee borne by certain unitholders who have signed an agreement with Mulvihill. Mulvihill will pay out the amount of the reduction in the form of a management fee rebate directly to the eligible unitholder. Management fee rebates are reinvested in units unless otherwise requested. The decision to pay management fee rebates will be in Mulvihill's discretion and will depend on a number of factors, including the size of the investment and a negotiated fee agreement between the unitholder and Mulvihill. Mulvihill reserves the right to discontinue or change management fee rebates at any time.

Mulvihill is entitled to receive a performance fee from the Fund in respect of any calendar quarter equal to 10 percent of the amount by which the Adjusted Net Asset Value ("NAV") per unit at the end of such calendar quarter exceeds the performance of the reference index (the "Performance Fee Index") since the end of the period for which the last performance fee was paid, plus applicable taxes. Notwithstanding the foregoing, no performance fee will be payable with respect to a calendar quarter unless the Adjusted NAV per Unit exceeds both (i) the highest calendar quarter end Adjusted NAV per Unit immediately following the last time a performance fee was paid and (ii) an amount equal to the original issue price (being \$10.00) of the units. In addition, the amount of the performance fee in respect of any calendar quarter will be limited such that the Adjusted NAV per Unit after giving effect to the payment of the performance fee may not be less than either (i) or (ii) above. "Adjusted NAV per Unit" means the NAV per Unit at the end of a calendar quarter without including any accrual for the performance fee plus the aggregate amount of all distributions paid or payable since the last time a performance fee was paid.

The Performance Fee Index for each class is as follows:

Class I units: blended total return of the CBOE S&P 500 BuyWrite Index ("BXM") (in Canadian dollars) and the S&P/TSX 60 Covered Call 2% OTM Monthly Index ("TSXCCM") (in Canadian dollars) (weighted 50 percent as to each index).

Class UI units: blended total return of the BXM (in U.S. dollars) and the TSXCCM (in U.S. dollars) (weighted 50 percent as to each index).

Class F units and Class A units: blended total return of the BXM (in Canadian dollars) and the TSXCCM (in Canadian dollars) (weighted 50 percent as to each index).

Class UI units and Class UF units: blended total return of the BXM (in U.S. dollars) and the TSXCCM (in U.S. dollars) (weighted 50 percent as to each index). The BXM Index is benchmark index designed to track the performance of the hypothetical buy-write strategy on the S&P 500 Index.

The TSXCCM Index is a passive total return index based on selling near-term 2 percent out-of-the-money calls against a long position in the iShares S&P TSX 60 Index ETF ("XIU"). It is designed to reflect the return on a portfolio that consists of a long position in XIU and a short position in the XIU close-to-the-money calls options.

The TSXCCM Index was launched on April 20, 2021.

For any redemption of units of any class of the Fund during a calendar quarter, the prorated performance fee for that class of units of the Fund at the time of redemption of such units will be paid to Mulvihill at the end of the month in which the redemption occurs.

## Past Performance

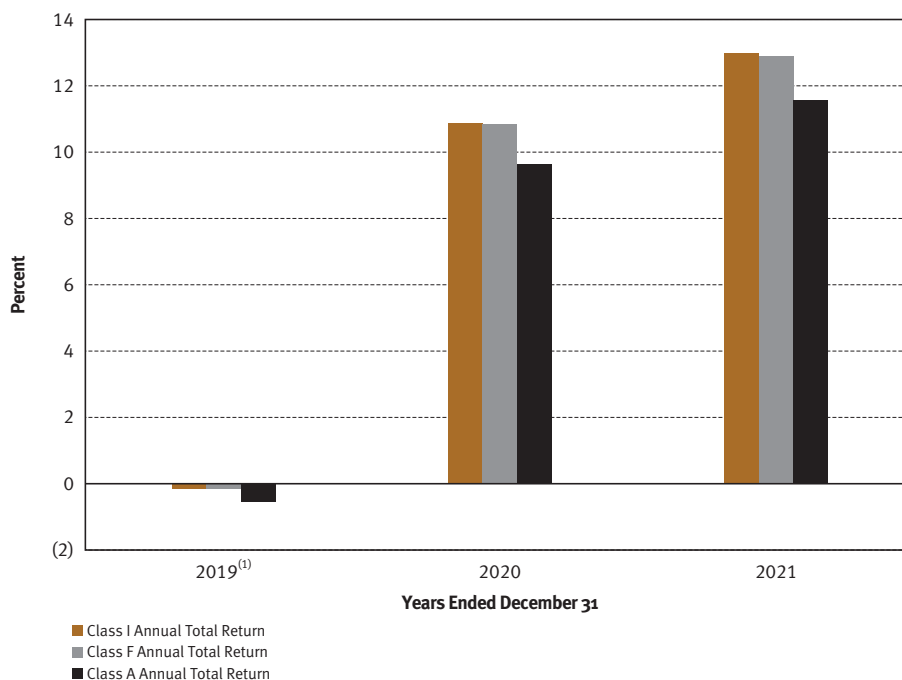
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in Class I, Class F units or Class A units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

## Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past three years. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception on December 1, 2019 for the Class I and F units and December 12, 2019 for the Class A units would have increased or decreased by the end of that fiscal year.

Annual Total Return



<sup>(1)</sup> For the periods from December 1, 2019 (Class I and Class F) and December 12, 2019 (Class A), the inception of each Class of the Fund, to December 31, 2019.

Annual Compound Returns

The following table shows the Fund’s historical annual compound return (net of expenses) for the years ended December 31, 2021 as compared to the performance of the S&P/TSX Composite Index and S&P 500 Index.

| (In Canadian Dollars)                  | One Year       | Since Inception <sup>(1)</sup> |
|--|----------------|--------------------------------|
| Mulvihill Premium Yield Fund – Class I | <b>12.98 %</b> | 11.31 %                        |
| Mulvihill Premium Yield Fund – Class F | <b>12.88 %</b> | 11.25 %                        |
| Mulvihill Premium Yield Fund – Class A | <b>11.56 %</b> | 10.02 %                        |
| S&P/TSX Composite Index <sup>(2)</sup> | <b>25.09 %</b> | 15.00 %                        |
| S&P 500 Index <sup>(3)</sup>           | <b>27.51 %</b> | 21.49 %                        |

<sup>(1)</sup> From the date of inception on December 1, 2019 for the Class I and Class F units and December 12, 2019 for the Class A units.

<sup>(2)</sup> The S&P/TSX Composite Index is a capitalization-weighted index comprised of companies listed on the Toronto Stock Exchange.

<sup>(3)</sup> The S&P 500 Index is comprised of 500 large-cap U.S. equities.

Use of the S&P/TSX Composite Index and the S&P 500 Index as benchmarks is deemed appropriate as the stocks within the two indexes are the ones that the Fund invests in.

The equity performance benchmarks shown here provide 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 these indices; 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 enhance the income generated by the portfolio and reduce volatility.

The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the portfolio.



Portfolio Manager Report

Despite the continued pandemic induced turmoil, the performance of global equity markets in 2021 was impressive to say the least. The S&P 500 Index ushered in 68 new record highs in 2021, the second most ever, as it shook off the emergence of several new COVID-19 variants, surging inflation, near record valuations, and the U.S. Federal Reserve’s (“FED”) commitment to changing course on ultra-accommodative monetary policy. The total return for the S&P/TSX Composite Index for the year was 25.1 percent while the S&P 500 Index was up 28.7 percent, with both ending the year near all-time highs. The strong equity performance did not translate into record gains globally however, as emerging market stocks ended the year down 2.5 percent, driven mainly by Chinese equities and the “tech crackdown” from the Chinese Communist Party. Performance was broadly strong with all eleven sectors in the S&P 500 Index recording double digit returns in the year, while ten of eleven sectors in the S&P/TSX Composite Index were positive for the year. After lagging significantly in 2020, Energy was the best performing group in both countries, up 48.9 percent in Canada and up 54.6 percent in the U.S., driven by rising oil prices and investors positioning towards cheaper and more cyclically oriented stocks. Utilities was the worst performing area in the U.S., but still generated a very respectable return of 17.7 percent, while Health Care was the worst in Canada, down 19.6 percent, on continued weakness in Cannabis stocks. Central banks around the globe grappled with the idea inflation may not be as “transitory” as once believed, with both the Bank of Canada and the FED laying the foundation to raise interest rates in 2022. The U.S. dollar was surprisingly resilient in a year that favoured a risk-on tone, with the U.S. Dollar Index (“DXY”) advancing 6.4 percent. The Canadian dollar was one of the few currencies globally to rise relative to the greenback, gaining 0.8 percent in 2021. The Bloomberg Global Aggregate Index returned negative 4.7 percent for the year, as low yields, rising interest rates and surging inflation presented several headwinds for fixed income investors.

The net asset value of the Fund on December 31, 2021 was \$11.34 per unit (Class I), \$11.33 per unit (Class F) and \$11.01 per unit (Class A) compared to \$10.51 per unit (Class I and F) and \$10.35 per unit (Class A) on December 31, 2020. The quarterly distribution was raised to \$0.14 per unit in the fourth quarter from \$0.13 for total distributions of \$0.52 per unit during 2021.

The annual return of the Fund, including reinvestment of distributions, was 13.0 percent (Class I), 12.9 percent (Class F) and 11.6 percent (Class A). The best performing stocks in the portfolio in 2021 were Alphabet Inc. – Class A rising 64.4 percent followed by CI Financial Corp. rising 59.3 percent. Kinross Gold Corporation and Caesars Entertainment, Inc. were the stocks in the portfolio that had the largest negative impact on the Fund.

Over the course of 2021, The Chicago Board Options Exchange Volatility Index (“VIX”) traded in a wide range between 15 and 37. The average level of the VIX Index in the year was 19.7, down from the average value of 29.2 in 2020. The Fund opportunistically used option writing strategies to generate additional portfolio income. The Fund had on average 22.4 percent of the portfolio subject to covered calls and 3.3 percent to cash covered puts during 2021. The net realized gain on options was \$1.19 per unit (Class I) and \$1.12 per unit (Class F) and \$0.77 per unit (Class A).

The Fund did not hedge any of the U.S. dollar exposure back into Canadian dollars during 2021.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at [www.mulvihill.com](http://www.mulvihill.com).

Asset Mix

December 31, 2021

|                            | % OF<br>NET ASSET VALUE |
|----------------------------|-------------------------|
| Financials                 | 29.8 %                  |
| Industrials                | 20.8 %                  |
| Information Technology     | 8.6 %                   |
| Consumer Staples           | 7.4 %                   |
| Materials                  | 6.2 %                   |
| Real Estate                | 4.6 %                   |
| Cash                       | 4.5 %                   |
| Consumer Discretionary     | 4.4 %                   |
| Exchange-Traded Funds      | 4.2 %                   |
| Utilities                  | 4.2 %                   |
| Energy                     | 4.2 %                   |
| Health Care                | 4.0 %                   |
| Communication Services     | 3.3 %                   |
| Other Assets (Liabilities) | (6.2)%                  |
|                            | 100.0%                  |

## Top 25 Holdings

December 31, 2021

|  | <b>% OF<br/>NET ASSET VALUE</b> |
|--|---------------------------------|
| Waste Connections, Inc.                    | 5.0 %                           |
| Arthur J. Gallagher & Co.                  | 4.9 %                           |
| Simon Property Group, Inc.                 | 4.6 %                           |
| Cash                                       | 4.5 %                           |
| Apple Inc.                                 | 4.4 %                           |
| Genuine Parts Company                      | 4.4 %                           |
| Bank of America Corporation                | 4.3 %                           |
| Sun Life Financial Inc.                    | 4.3 %                           |
| Toromont Industries Ltd.                   | 4.3 %                           |
| Brookfield Asset Management Inc. - Class A | 4.2 %                           |
| Premium Income Corporation - Class A       | 4.2 %                           |
| The Bank of Nova Scotia                    | 4.2 %                           |
| Emera Incorporated                         | 4.2 %                           |
| CDW Corporation                            | 4.2 %                           |
| Imperial Oil Limited                       | 4.2 %                           |
| Royal Bank of Canada                       | 4.1 %                           |
| Thomson Reuters Corporation                | 4.1 %                           |
| The Coca-Cola Company                      | 4.0 %                           |
| Danaher Corporation                        | 4.0 %                           |
| Citizens Financial Group, Inc.             | 3.8 %                           |
| Pentair Public Limited Company             | 3.7 %                           |
| Canadian National Railway Company          | 3.7 %                           |
| Alamos Gold Inc.                           | 3.6 %                           |
| Metro Inc.                                 | 3.4 %                           |
| BCE Inc.                                   | 3.3 %                           |

## 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.

## Mulvihill Premium Yield Fund

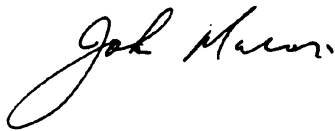
### Management's Responsibility for Financial Reporting

The accompanying financial statements of Mulvihill Premium Yield Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Capital Management Inc. (the "Manager"), and have been approved by the Directors of the Manager (the "Directors").

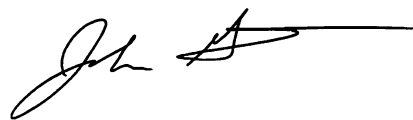
The financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with 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 Directors meet periodically with management and the independent auditor 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 independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Directors.



John Mulvihill  
Director  
Mulvihill Capital Management Inc.  
March 3, 2022



John D. Germain  
Director  
Mulvihill Capital Management Inc.

## To the Unitholders of Mulvihill Premium Yield Fund (the "Fund")

### Opinion

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, changes in net assets attributable to holders of Class I, Class F and Class A units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*


Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
March 21, 2022

## Statements of Financial Position

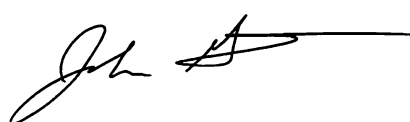
As at December 31

|   | Note | 2021                 | 2020                 |
|---|------|----------------------|----------------------|
| <b>ASSETS</b>   |      |                      |                      |
| Financial assets at fair value through profit or loss                           | 6    | \$ 40,952,768        | \$ 17,289,765        |
| Dividends receivable  |      | 60,745               | 10,896               |
| Cash  |      | 1,834,829            | 238,922              |
| <b>TOTAL ASSETS</b>   |      | <b>42,848,342</b>    | <b>17,539,583</b>    |
| <b>LIABILITIES</b>  |      |                      |                      |
| Due to brokers – investments  |      | 1,622,381            | –                    |
| Derivative liabilities  | 6    | 746,624              | 136,023              |
| Accrued liabilities   |      | 167,597              | 49,621               |
| Accrued management fees   | 8    | 22,647               | –                    |
| <b>TOTAL LIABILITIES</b>  |      | <b>2,559,249</b>     | <b>185,644</b>       |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS</b> |      | <b>\$ 40,289,093</b> | <b>\$ 17,353,939</b> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS</b>                      |      | <b>\$ 14,721,818</b> | <b>\$ 11,075,355</b> |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS</b>                      |      | <b>\$ 9,923,586</b>  | <b>\$ 6,026,806</b>  |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS</b>                      |      | <b>\$ 15,643,689</b> | <b>\$ 251,778</b>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS PER CLASS I UNIT</b>     |      | <b>\$ 11.3391</b>    | <b>\$ 10.5135</b>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS PER CLASS F UNIT</b>     |      | <b>\$ 11.3261</b>    | <b>\$ 10.5110</b>    |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT</b>     |      | <b>\$ 11.0089</b>    | <b>\$ 10.3491</b>    |

On behalf of the Manager,  
Mulvihill Capital Management Inc.



John Mulvihill, Director



John D. Germain, Director

Statements of Comprehensive Income

Years ended December 31

|   | Note | 2021                | 2020                |
|---|------|---------------------|---------------------|
| <b>INCOME</b>   |      |                     |                     |
| Dividend income   |      | \$ 473,107          | \$ 241,188          |
| Interest income   |      | 1,669               | 5,105               |
| Net realized gain/(loss) on investments at fair value through profit or loss                |      | 258,635             | (1,385,258)         |
| Net realized gain on options at fair value through profit or loss                           |      | 2,837,688           | 1,653,484           |
| Net change in unrealized gain/(loss) on investments at fair value through profit or loss    |      | 336,437             | 1,397,525           |
| <b>TOTAL INCOME, NET</b>  |      | <b>3,907,536</b>    | <b>1,912,044</b>    |
| <b>EXPENSES</b>   |      |                     |                     |
| Management fees   | 8    | 137,202             | –                   |
| Service fees  |      | 89,415              | 2,339               |
| Administrative and other expenses   |      | 210,895             | 114,130             |
| Transaction fees  | 9    | 138,079             | 66,194              |
| Custodian fees  |      | 36,879              | 45,794              |
| Audit fees  |      | 75,007              | 38,520              |
| Advisory board fees   | 8    | –                   | 8,400               |
| Independent review committee fees   | 8    | 11,529              | 8,333               |
| Legal fees  |      | 34,847              | 38,003              |
| Unitholder reporting costs  |      | 13,268              | 7,691               |
| Harmonized sales tax  |      | 56,641              | 27,684              |
| Withholding taxes   |      | 15,154              | 15,730              |
| <b>TOTAL EXPENSES</b>   |      | <b>818,916</b>      | <b>372,818</b>      |
| <b>INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS</b> | 10   | <b>\$ 3,088,620</b> | <b>\$ 1,539,226</b> |
| <b>INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS PER CLASS I UNIT</b>     | 10   | <b>\$ 1.3302</b>    | <b>\$ 1.0594</b>    |
| <b>INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS PER CLASS F UNIT</b>     | 10   | <b>\$ 1.2664</b>    | <b>\$ 1.1759</b>    |
| <b>INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT</b>     | 10   | <b>\$ 0.7352</b>    | <b>\$ 1.0624</b>    |

The notes are an integral part of the Financial Statements.

## Statements of Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units

Years ended December 31

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS, BEGINNING OF YEAR |                      |                      |
| Class I   | \$ 11,075,355        | \$ 10,079,879        |
| Class F   | 6,026,806            | 4,091,551            |
| Class A   | 251,778              | 184,021              |
|   | <b>17,353,939</b>    | <b>14,355,451</b>    |
| <b>Increase in Net Assets Attributable to Holders of Class I, Class F and Class A Units</b> |                      |                      |
| Class I   | 1,562,650            | 1,088,251            |
| Class F   | 951,483              | 425,334              |
| Class A   | 574,487              | 25,641               |
|   | <b>3,088,620</b>     | <b>1,539,226</b>     |
| <b>Unit Transactions</b>  |                      |                      |
| <b>Proceeds from issue of units</b>   |                      |                      |
| Class I   | 2,249,000            | —                    |
| Class F   | 5,651,058            | 2,913,261            |
| Class A   | 20,694,499           | 119,459              |
|   | <b>28,594,557</b>    | <b>3,032,720</b>     |
| <b>Reinvestments</b>  |                      |                      |
| Class I   | 451,295              | 420,822              |
| Class F   | 185,907              | 44,376               |
| Class A   | 34,017               | 7,448                |
|   | <b>671,219</b>       | <b>472,646</b>       |
| <b>Value for units redeemed</b>   |                      |                      |
| Class F   | (2,500,480)          | (1,250,174)          |
| Class A   | (5,509,024)          | (72,463)             |
|   | <b>(8,009,504)</b>   | <b>(1,322,637)</b>   |
| <b>Distributions</b>  |                      |                      |
| Class I   |                      |                      |
| Non-taxable distributions   | (616,482)            | (513,597)            |
| Class F   |                      |                      |
| Non-taxable distributions   | (391,188)            | (197,542)            |
| Class A   |                      |                      |
| Non-taxable distributions   | (402,068)            | (12,328)             |
|   | <b>(1,409,738)</b>   | <b>(723,467)</b>     |
| <b>Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units</b>  |                      |                      |
| Class I   | 3,646,463            | 995,476              |
| Class F   | 3,896,780            | 1,935,255            |
| Class A   | 15,391,911           | 67,757               |
|   | <b>22,935,154</b>    | <b>2,998,488</b>     |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS, END OF YEAR       |                      |                      |
| Class I   | \$ 14,721,818        | \$ 11,075,355        |
| Class F   | 9,923,586            | 6,026,806            |
| Class A   | 15,643,689           | 251,778              |
|   | <b>\$ 40,289,093</b> | <b>\$ 17,353,939</b> |

The notes are an integral part of the Financial Statements.



Statements of Cash Flows

Years ended December 31

|   | 2021                | 2020               |
|---|---------------------|--------------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | \$ 238,922          | \$ 3,100,953       |
| <b>Cash Flows Provided by (Used In) Operating Activities</b>                                |                     |                    |
| <b>Increase in Net Assets Attributable to Holders of Class I, Class F and Class A Units</b> | <b>3,088,620</b>    | 1,539,226          |
| <b>Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities</b>         |                     |                    |
| Net realized (gain)/loss on investments at fair value through profit or loss                | (258,635)           | 1,385,258          |
| Net realized gain on options at fair value through profit or loss                           | (2,837,688)         | (1,653,484)        |
| Net change in unrealized (gain)/loss on investments at fair value through profit or loss    | (336,437)           | (1,397,525)        |
| Net change in unrealized (gain)/loss on foreign cash  | 155,789             | (90,525)           |
| (Increase)/decrease in dividends receivable   | (49,849)            | 6,592              |
| Increase in due to brokers - investments, accrued liabilities and accrued management fees   | 1,763,004           | 37,976             |
| Purchase of investment securities   | (129,271,522)       | (46,456,957)       |
| Proceeds from disposition of investment securities  | 109,496,091         | 42,308,146         |
|   | <b>(21,339,247)</b> | <b>(5,860,519)</b> |
| <b>Cash Flows Provided By (Used In) Financing Activities</b>                                |                     |                    |
| Proceeds from issue of Class I units  | 2,249,000           | -                  |
| Proceeds from issue of Class F units  | 5,651,058           | 2,913,261          |
| Proceeds from issue of Class A units  | 20,694,499          | 119,459            |
| Class F unit redemptions  | (2,500,480)         | (1,250,174)        |
| Class A unit redemptions  | (5,509,024)         | (72,463)           |
| Class I unit reinvestments  | 451,295             | 420,822            |
| Class F unit reinvestments  | 185,907             | 44,376             |
| Class A unit reinvestments  | 34,017              | 7,448              |
| Class I unit distributions  | (616,482)           | (513,597)          |
| Class F unit distributions  | (391,188)           | (197,542)          |
| Class A unit distributions  | (402,068)           | (12,328)           |
|   | <b>19,846,534</b>   | <b>1,459,262</b>   |
| <b>Net Increase/(Decrease) in Cash during the Year</b>                                      | <b>1,595,907</b>    | <b>(2,862,031)</b> |
| CASH, END OF YEAR   | \$ 1,834,829        | \$ 238,922         |
| Dividends received, net of withholding taxes  | \$ 408,104          | \$ 232,050         |
| Interest received   | \$ 1,669            | \$ 5,185           |

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at December 31, 2021

|  | Number of Shares | Average Cost  | Fair Value    | % of Net Assets Attributable to Holders of Class I, Class F and Class A Units |
|--|------------------|---------------|---------------|---|
| <b>INVESTMENTS</b>                         |                  |               |               |   |
| <b>Canadian Common Shares</b>              |                  |               |               |   |
| <b>Communication Services</b>              |                  |               |               |   |
| BCE Inc.                                   | 20,500           | \$ 1,331,995  | \$ 1,349,105  | 3.3 %   |
| <b>Consumer Staples</b>                    |                  |               |               |   |
| Metro Inc.                                 | 20,200           | 1,331,780     | 1,359,864     | 3.4 %   |
| <b>Energy</b>                              |                  |               |               |   |
| Imperial Oil Limited                       | 36,800           | 1,501,691     | 1,678,816     | 4.2 %   |
| <b>Financials</b>                          |                  |               |               |   |
| Brookfield Asset Management Inc. – Class A | 22,200           | 1,327,588     | 1,695,858     |   |
| Royal Bank of Canada                       | 12,200           | 1,613,971     | 1,637,850     |   |
| Sun Life Financial Inc.                    | 24,700           | 1,694,854     | 1,739,127     |   |
| The Bank of Nova Scotia                    | 18,800           | 1,596,952     | 1,683,540     |   |
| <b>Total Financials</b>                    |                  | 6,233,365     | 6,756,375     | 16.8 %  |
| <b>Industrials</b>                         |                  |               |               |   |
| Canadian National Railway Company          | 9,600            | 1,596,198     | 1,491,648     |   |
| Thomson Reuters Corporation                | 10,800           | 1,291,272     | 1,633,716     |   |
| Toromont Industries Ltd.                   | 15,200           | 1,670,363     | 1,738,272     |   |
| Waste Connections, Inc.                    | 11,600           | 1,778,615     | 1,999,840     |   |
| <b>Total Industrials</b>                   |                  | 6,336,448     | 6,863,476     | 17.0 %  |
| <b>Materials</b>                           |                  |               |               |   |
| Alamos Gold Inc.                           | 150,000          | 1,653,605     | 1,459,500     |   |
| Interfor Corporation                       | 25,800           | 783,804       | 1,045,158     |   |
| <b>Total Materials</b>                     |                  | 2,437,409     | 2,504,658     | 6.2 %   |
| <b>Utilities</b>                           |                  |               |               |   |
| Emera Incorporated                         | 26,600           | 1,599,938     | 1,681,652     | 4.2 %   |
| <b>Total Canadian Common Shares</b>        |                  | \$ 20,772,626 | \$ 22,193,946 | 55.1 %  |
| <b>Non-North American Common Shares</b>    |                  |               |               |   |
| <b>Industrials</b>                         |                  |               |               |   |
| Pentair Public Limited Company             | 16,400           | \$ 1,628,397  | \$ 1,512,868  | 3.8 %   |
| <b>Total Non-North American Shares</b>     |                  | \$ 1,628,397  | \$ 1,512,868  | 3.8 %   |
| <b>United States Common Shares</b>         |                  |               |               |   |
| <b>Consumer Discretionary</b>              |                  |               |               |   |
| Genuine Parts Company                      | 10,000           | \$ 1,668,427  | \$ 1,770,940  | 4.4 %   |
| <b>Consumer Staples</b>                    |                  |               |               |   |
| The Coca-Cola Company                      | 21,800           | 1,609,201     | 1,630,450     | 4.0 %   |
| <b>Financials</b>                          |                  |               |               |   |
| Arthur J. Gallagher & Co.                  | 9,100            | 1,700,896     | 1,950,304     |   |
| Bank of America Corporation                | 31,000           | 1,698,607     | 1,742,127     |   |
| Citizens Financial Group, Inc.             | 25,600           | 1,648,440     | 1,527,909     |   |
| <b>Total Financials</b>                    |                  | 5,047,943     | 5,220,340     | 13.0 %  |

# Mulvihill Premium Yield Fund

## Schedule of Investments

As at December 31, 2021

|   | Number of<br>Shares/<br>(Contracts) | Average Cost/<br>(Proceeds) | Fair<br>Value | % of Net Assets<br>Attributable<br>to Holders of<br>Class I, Class F<br>and Class A Units |
|---|-------------------------------------|-----------------------------|---------------|---|
| <b>Health Care</b>  |                                     |                             |               |   |
| Danaher Corporation   | 3,900                               | 1,642,422                   | 1,620,800     | 4.0 %   |
| <b>Information Technology</b>   |                                     |                             |               |   |
| Apple Inc.  | 8,000                               | 1,724,710                   | 1,794,384     |   |
| CDW Corporation   | 6,500                               | 1,630,934                   | 1,681,345     |   |
| <b>Total Information Technology</b>   |                                     | 3,355,644                   | 3,475,729     | 8.6 %   |
| <b>Real Estate</b>  |                                     |                             |               |   |
| Simon Property Group, Inc.  | 9,100                               | 1,613,204                   | 1,836,506     | 4.6 %   |
| <b>Total United States Common Shares</b>  |                                     | \$ 14,936,841               | \$ 15,554,765 | 38.6 %  |
| <b>Exchange-Traded Funds</b>  |                                     |                             |               |   |
| Premium Income Corporation - Class A  | 221,650                             | \$ 1,627,831                | \$ 1,691,189  | 4.2 %   |
| <b>Options</b>  |                                     |                             |               |   |
| <b>Written Covered Call Options</b> (100 shares per contract)                   |                                     |                             |               |   |
| Apple Inc. – January 2022 @ \$173   | (40)                                | \$ (25,817)                 | \$ (37,137)   |   |
| Bank of America Corporation – January 2022 @ \$44                               | (155)                               | (25,914)                    | (33,284)      |   |
| Bank of America Corporation – January 2022 @ \$45                               | (155)                               | (26,690)                    | (16,936)      |   |
| Brookfield Asset Management Inc. – Class A – January 2022 @ \$74                | (111)                               | (15,762)                    | (34,188)      |   |
| CDW Corporation – January 2022 @ \$190  | (32)                                | (18,995)                    | (65,078)      |   |
| Citizens Financial Group, Inc. – January 2022 @ \$48                            | (256)                               | (48,053)                    | (39,612)      |   |
| Genuine Parts Company – January 2022 @ \$135                                    | (100)                               | (34,970)                    | (74,526)      |   |
| Imperial Oil Limited – January 2022 @ \$42                                      | (184)                               | (29,440)                    | (72,680)      |   |
| Imperial Oil Limited – January 2022 @ \$44                                      | (184)                               | (22,632)                    | (44,068)      |   |
| Interfor Corporation – January 2022 @ \$35                                      | (258)                               | (25,488)                    | (148,995)     |   |
| Pentair Public Limited Company – January 2022 @ \$70                            | (96)                                | (22,244)                    | (43,958)      |   |
| Pentair Public Limited Company – January 2022 @ \$75                            | (68)                                | (13,801)                    | (6,442)       |   |
| Simon Property Group, Inc. – January 2022 @ \$150                               | (45)                                | (36,488)                    | (63,236)      |   |
| Simon Property Group, Inc. – January 2022 @ \$155                               | (46)                                | (29,620)                    | (41,254)      |   |
| Waste Connections, Inc. – January 2022 @ \$170                                  | (58)                                | (11,774)                    | (25,230)      |   |
| <b>Total Written Covered Call Options</b>                                       |                                     | (387,688)                   | (746,624)     | (1.9)%  |
| <b>Total Options</b>  |                                     | \$ (387,688)                | \$ (746,624)  | (1.9)%  |
| Adjustment for transaction fees   |                                     | (17,270)                    |               |   |
| <b>TOTAL INVESTMENTS</b>  |                                     | \$ 38,560,737               | \$ 40,206,144 | 99.8 %  |
| <b>OTHER NET ASSETS</b>   |                                     |                             | 82,949        | 0.2 %   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS</b> |                                     |                             | \$ 40,289,093 | 100.0 %   |

December 31, 2021 and 2020

## 1. Fund Information

Mulvihill Premium Yield Fund (the “Fund”) was originally established pursuant to a trust agreement dated February 15, 2001, as amended May 23, 2006, April 18, 2008 and December 18, 2012 and was formerly known as Government Strip Bond Trust, a public closed-end fund, until the redemption of the units issued to the public on December 31, 2012. The Fund was not terminated at that time. The Fund began operations on December 1, 2019 for the Class I and F units and December 12, 2019 for the Class A units.

On January 1, 2022, Strathbridge Asset Management Inc. announced a name change back to Mulvihill Capital Management Inc. (“Mulvihill” or the “Manager”). Mulvihill is the Manager of the Fund. During the period subsequent to December 31, 2012, the Manager has provided administrative services to the Fund for which no fees have been charged. The Fund had no operations during this period and incurred minimal charges. The head office of Mulvihill and of the Fund is located at 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario M5H 3T9.

The Fund is authorized to issue an unlimited number of classes divided into an unlimited number of units, each of which represents an equal undivided interest in the property of the Fund.

The Class I units and Class UI units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager and are offered on a private placement basis only.

The Class F units and Class UF units are generally only available to investors who have fee-based accounts with authorized brokers and dealers.

The Class A units and Class UA units are available to all investors.

No Class UI, Class UF and Class UA units have been issued.

The Fund is a mutual fund investment trust that seeks to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio’s total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to invest in public investment funds including exchange-traded funds and other Mulvihill Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Funds managed by Mulvihill and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to select securities. The Fund will, from time to time employ various investment strategies including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

These financial statements were approved by the Directors of the Manager on March 3, 2022.

## 2. Basis of Presentation

The annual financial statements for the Fund have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board.

## 3. Summary of Significant Accounting Policies

### Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the “functional currency”). Despite investments and related income being primarily in U.S. currency, the Manager has determined that the Canadian

dollar is the functional currency as the Fund incurs its expenses, measures its performance and issues and redeems units primarily in Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund’s presentation currency.

### Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition. Purchases and sales of financial assets are recognized at their trade date. The Fund’s investments are classified at fair value through profit or loss (“FVTPL”). The Fund’s obligation for net assets attributable to holders of redeemable units is presented at the redemption amount as of the date of the statement of financial position. All other financial assets and liabilities are measured at amortized cost. The Fund’s accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (“NAV”) for transactions with unitholders.

### Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

#### Classification

#### Financial Assets

The Fund classifies its investments in equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

#### Held for Trading

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

### Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and liabilities measured at amortized cost may include cash, dividends receivable, due from brokers – investments, due to brokers – investments, accrued liabilities, accrued management fees, redemptions payable and the Fund’s obligation for net assets attributable to holders of Class I units, Class F units and Class A units.

IFRS 9 Financial Instruments requires the expected credit loss model (“ECL”) as the impairment model for financial assets carried at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short-term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material.

### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at

the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price as its valuation input for financial assets and liabilities if the last traded price falls within the bid-ask spread. In other circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value for financial reporting purposes.

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques as described in Note 4.

### Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Net realized gain/(loss) on investments at fair value through profit or loss and net change in unrealized gain/(loss) on investments at fair value through profit or loss are determined on an average cost basis. Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. 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 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.

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 net change in unrealized gain/(loss) on investments at fair value through profit or loss. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date.

Interest income is measured using the effective interest method and recorded on a daily basis.

### 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. Realized gains (losses) relating to forward exchange contracts are included in net realized gain/(loss) on forward exchange contracts at fair value through profit or loss. Other foreign exchange gains(losses) are recorded as net realized or unrealized gain/(loss) on investments at fair value through profit or loss, as appropriate.

### Short-Term Investments

Short-term investments are held for investment purposes and consist primarily of money market instruments with original maturities of 90 days or less.

### Classification of Units

IAS 32, Financial Instruments: Presentation ("IAS 32") requires that the Class I, Class F and Class A units (the "units") (which are puttable instruments) be classified as financial liabilities unless all the criteria outlined in IAS 32 paragraph 16A are met. The Fund's units do not meet the definition of IAS 32 paragraph 16A to be classified as equity.

### Increase/(Decrease) in Net Assets Attributable to Holders of Class I, Class F and Class A Units per Unit

The increase/(decrease) in net assets attributable to holders of Class I, units, Class F units and Class A units per unit is calculated by dividing the increase/(decrease) in net assets attributable to holders of Class I, Class F and Class A units by the weighted average number of Class I units, Class F units and Class A units outstanding during the year. Please refer to Note 10 for the calculation.

### Taxation

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 non-refundable income tax.

The Fund currently incurs withholding taxes imposed by certain foreign countries on investment income. Such foreign income is recorded gross of withholding taxes, and the withholding taxes are presented as an expense line item in the Statement of Comprehensive Income.

### IAS 7 Statement of Cash Flows

IAS 7 Statement of Cash Flows ("IAS 7") requires disclosures related to changes in liabilities arising from financing activities. Class I, Class F and Class A units issued by the Fund are classified as financial liabilities in accordance with IAS 32, as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes.

A reconciliation between the opening and closing balances of the Class I units, Class F units and Class A units of the Fund is presented in the Statement of Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units, including changes from cash flows and non-cash changes.

### 4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Manager to use judgment in applying accounting policies and to make estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

The Manager considers the currency of the primary economic environment in which the Fund operates to be Canadian dollars as this is the currency which in the Manager's opinion most faithfully represents the economic effects of underlying transactions, events and conditions. The financial statements of the Fund are presented in Canadian dollars as the Fund's presentation currency.

December 31, 2021 and 2020

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation models and techniques generally recognized as standard within the investment industry. These valuation methods use observable data as practicable as possible. Observable market data are readily available and supplied by independent sources actively involved in the relevant market. However, areas such as credit risk (both own and counterparty) and its correlations require the Manager to make estimates. Significant changes in assumptions about these factors could adversely affect the reported fair values of financial instruments. Please refer to Note 6 for a further analysis of risks associated with financial instruments.

## 5. Capital Disclosures

IAS 1, Presentation of Financial Statements ("IAS 1"), 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 noncompliance. The Fund's objectives, policies and processes are described in Note 1, information on the Fund's units is described in Note 7 and the Fund does not have any externally imposed capital requirements.

## 6. Risks Associated with Financial Instruments

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which the Fund invests. The most important risks include credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk), concentration risk and capital risk management.

### 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 Fund measures credit risk and lifetime ECLs related to the receivables using historical analysis and forward-looking information in determining the ECL.

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed 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. During the years ended December 31, 2021 and 2020, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

The Fund's derivative instruments are subject to offsetting, enforceable netting arrangements and similar agreements. The Fund and its counterparty have elected to settle all transactions on a gross basis; however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. All outstanding derivatives have been presented on a gross basis on the Statement of Financial Position as derivative assets or derivative liabilities, as they do not meet the criteria for offsetting in IAS 32 paragraph 42.

### 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 which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due.

Cash is required to fund redemptions. Class I unitholders must surrender units on or before the 10<sup>th</sup> day of the month, or next business day if the 10<sup>th</sup> day is not a business day. Class F and Class A unitholders can

redeem units daily. Therefore the Fund has a maximum 18 business days for Class I units and 3 business days for Class F and A units and to generate sufficient cash to fund redemptions mitigating liquidity issues.

The amounts in the table are the contractual undiscounted cash flows:

|                              | As at December 31, 2021 |              |               |
|------------------------------|-------------------------|--------------|---------------|
|                              | Financial Liabilities   |              |               |
|                              | On Demand               | < 3 months   | Total         |
| Due to brokers - investments | \$ -                    | \$ 1,622,381 | \$ 1,622,381  |
| Derivative liabilities       | -                       | 746,624      | 746,624       |
| Accrued liabilities          | -                       | 167,597      | 167,597       |
| Accrued management fees      | -                       | 22,647       | 22,647        |
| Class I units                | 14,721,818              | -            | 14,721,818    |
| Class F units                | 9,923,586               | -            | 9,923,586     |
| Class A units                | 15,643,689              | -            | 15,643,689    |
|                              | \$ 40,289,093           | \$ 2,559,249 | \$ 42,848,342 |

|                        | As at December 31, 2020 |            |               |
|------------------------|-------------------------|------------|---------------|
|                        | Financial Liabilities   |            |               |
|                        | On Demand               | < 3 months | Total         |
| Derivative liabilities | \$ -                    | \$ 136,023 | \$ 136,023    |
| Accrued liabilities    | -                       | 49,621     | 49,621        |
| Class I units          | 11,075,355              | -          | 11,075,355    |
| Class F units          | 6,026,806               | -          | 6,026,806     |
| Class A units          | 251,778                 | -          | 251,778       |
|                        | \$ 17,353,939           | \$ 185,644 | \$ 17,539,583 |

### Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The following include sensitivity analyses that show how the net assets attributable to holders of Class I, Class F and Class A units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) 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 may use foreign exchange contracts, from time to time, to hedge all or part of its foreign currency exposure. The table below indicates the foreign currencies to which the Fund had significant exposure to as at December 31, 2021 and 2020 in Canadian dollar terms, and, if any, the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to Class I, Class F and Class A units if the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

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| As at December 31, 2021<br>U. S. Currency Exposure  |                  |               | Impact on Net Assets<br>Attributable to<br>Holders of Class I, Class F and<br>Class A Units |                  |            |
|---|------------------|---------------|---|------------------|------------|
| Monetary  | Non-<br>Monetary | Total         | Monetary  | Non-<br>Monetary | Total      |
| \$ 1,628,677  | \$ 16,646,170    | \$ 18,274,847 | \$ 81,434   | \$ 832,309       | \$ 913,743 |
| % of Net Assets<br>Attributable to<br>Holders of<br>Class I, Class F<br>and Class A Units |                  |               |   |                  |            |
| 4%  | 41%              | 45%           | 0%  | 2%               | 2%         |

| As at December 31, 2020<br>U. S. Currency Exposure  |                  |              | Impact on Net Assets<br>Attributable to<br>Holders of Class I, Class F and<br>Class A Units |                  |            |
|---|------------------|--------------|---|------------------|------------|
| Monetary  | Non-<br>Monetary | Total        | Monetary  | Non-<br>Monetary | Total      |
| \$ 55,230   | \$ 7,061,294     | \$ 7,116,524 | \$ 2,762  | \$ 353,065       | \$ 355,827 |
| % of Net Assets<br>Attributable to<br>Holders of<br>Class I, Class F<br>and Class A Units |                  |              |   |                  |            |
| 0%  | 41%              | 41%          | 0%  | 2%               | 2%         |

**(b) 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.

**(c) Price Risk**

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 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 investment universe.

The Fund's price risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options. Approximately 102 percent (2020 – 100 percent) of the Fund's net assets attributable to holders of Class I, Class F and Class A units held at December 31, 2021 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at December 31, 2021, the net assets attributable to holders of Class I, Class F and Class A units would have increased or decreased by \$2.0 million (2020 – \$0.9 million) or 5.1 percent (2020 – 5.0 percent) of the net assets attributable to holders of Class I, Class F and Class A units with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Manager believes that a portfolio that is subject to covered call option writing or purchased put options should provide a degree of protection against falling share prices in a downward trending market of the Fund by giving instructions to your registered broker or dealer. The Fund may charge a short-term trading fee of up to 2 percent of the NAV of any units redeemed within 31 days of purchase.

**Concentration Risk**

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

|                        | Dec. 31,<br>2021 | Dec. 31,<br>2020 |
|------------------------|------------------|------------------|
| Financials             | 29.2%            | 26.3%            |
| Industrials            | 20.5%            | 10.8%            |
| Information Technology | 8.5%             | 16.6%            |
| Consumer Staples       | 7.3%             | 3.6%             |
| Materials              | 6.1%             | 13.4%            |
| Real Estate            | 4.5%             | –                |
| Exchange-Traded Funds  | 4.3%             | –                |
| Consumer Discretionary | 4.1%             | 11.6%            |
| Utilities              | 4.1%             | 3.9%             |
| Energy                 | 4.1%             | –                |
| Health Care            | 4.0%             | 3.8%             |
| Communication Services | 3.3%             | 10.0%            |
|                        | 100.0%           | 100.0%           |

**Capital Risk Management**

The Class I, UI units are redeemable monthly on the last business day of each month, which will be the effective date (the "Monthly Redemption Date"). In order for a redemption to be effective on a Monthly Redemption Date, a duly completed redemption request must be delivered to the Manager at its registered office by 4:00pm on or before the tenth day of the month (or next business day if the 10<sup>th</sup> day is not a business day).

The Class F, A, UF, UA units are redeemable daily. You may redeem your units of the Fund by giving instructions to your registered broker or dealer. The Fund may charge a short-term trading fee of up to 2 percent of the NAV of any units redeemed within 31 days of purchase.

**Fair Value Measurement**

The Fund classifies fair value of measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs, other than quoted prices 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
- Level 3: Inputs that are based on unobservable market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2021 and 2020.

|                                     | As at December 31, 2021 |         |         |               |
|-------------------------------------|-------------------------|---------|---------|---------------|
|                                     | Level 1                 | Level 2 | Level 3 | Total         |
| Canadian Common Shares              | \$ 22,193,946           | \$ –    | \$ –    | \$ 22,193,946 |
| Non-North American<br>Common Shares | 1,512,868               | –       | –       | 1,512,868     |
| United States Common<br>Shares      | 15,554,765              | –       | –       | 15,554,765    |
| Exchange-Traded Funds               | 1,691,189               | –       | –       | 1,691,189     |
| Options                             | (746,624)               | –       | –       | (746,624)     |
|                                     | \$ 40,206,144           | \$ –    | \$ –    | \$ 40,206,144 |

|                                | As at December 31, 2020 |         |         |               |
|--------------------------------|-------------------------|---------|---------|---------------|
|                                | Level 1                 | Level 2 | Level 3 | Total         |
| Canadian Common Shares         | \$ 10,221,872           | \$ –    | \$ –    | \$ 10,221,872 |
| United States Common<br>Shares | 7,067,893               | –       | –       | 7,067,893     |
| Options                        | (136,023)               | –       | –       | (136,023)     |
|                                | \$ 17,153,742           | \$ –    | \$ –    | \$ 17,153,742 |

December 31, 2021 and 2020

The carrying values of cash, dividends receivable, accrued liabilities, accrued management fees, accrued liabilities, due to brokers – investments and the Fund's obligation for net assets attributable to holders of Class I, Class F and Class A units approximate their fair values due to their short-term nature.

### (a) Equities

The Fund's equity positions are classified as Level 1 as equity securities are actively traded and a reliable quoted price is observable.

### (b) Short-Term Investments

Short-term investments are valued at cost plus accrued interest which approximates fair value. The inputs are observable and therefore short-term investments are classified as Level 2.

### (c) Derivative Assets and Liabilities

Derivative assets and liabilities consist of forward exchange contracts and option contracts.

Listed options are classified as Level 1 as the security is traded in a recognized exchange and a reliable price is readily observable.

Fair value of over-the-counter options is determined using the Black-Scholes Model with observable market data as inputs. Forward exchange contracts are valued on the gain or loss that would be realized if, on the valuation date, the position in the forward exchange contract, as the case may be, was to be closed out. Over-the-counter option and forward exchange contracts, for which the credit risks are determined not to be significant to fair value, have been classified as Level 2.

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during 2021 and 2020.

## 7. Class I, Class UI, Class F, Class UF and Class A, Class UA Units

The Class I and Class UI units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. The Class F and Class UF units are generally available only to investors who have fee-based accounts with authorized brokers or dealers. The Class A and Class UA units are available to all investors through dealers or brokers registered in their province or territory. The Class I, Class F and Class A units are Canadian dollar denominated. The Class UI, Class UF and Class UA units are U.S. dollar denominated. The Fund is authorized to issue an unlimited number of units of an unlimited number of classes.

For the year ended December 31, 2021, cash distributions paid to Class I units, Class F units and Class A units were \$616,482, \$391,188 and \$402,068, respectively, representing a payment of \$0.52 per Class I unit, \$0.52 per Class F unit and \$0.52 per Class A unit. For the year ended December 31, 2020, cash distributions paid to Class I units, Class F units and Class A units were \$513,597, \$197,542 and \$12,328, respectively, representing a payment of \$0.50 per Class I unit, \$0.50 per Class F unit and \$0.50 per Class A unit.

During the year ended December 31, 2021, 221,265.018 (2020 – 124,459.604) Class F units were redeemed with a total retraction value of \$2,500,480 (2020 – \$1,250,174).

During the year ended December 31, 2021, 497,481.394 (2020 – 7,246.094) Class A units were redeemed with a total retraction value of \$5,509,024 (2020 – \$72,463).

During the years ended December 31, 2021 and 2020, unit transactions are as follows:

|                                      | Dec. 31,<br>2021 | Dec. 31,<br>2020 |
|--------------------------------------|------------------|------------------|
| <b>Class I Units</b>                 |                  |                  |
| Units outstanding, beginning of year | 1,053,443.134    | 1,009,369.276    |
| Units issued                         | 204,038.864      | –                |
| Units reinvested                     | 40,844.429       | 44,073.858       |
| Units outstanding, end of year       | 1,298,326.427    | 1,053,443.134    |
| <b>Class F Units</b>                 |                  |                  |
| Units outstanding, beginning of year | 573,380.083      | 409,716.477      |
| Units issued                         | 507,254.985      | 283,791.191      |
| Units redeemed                       | (221,265.018)    | (124,459.604)    |
| Units reinvested                     | 16,802.356       | 4,332.019        |
| Units outstanding, end of year       | 876,172.406      | 573,380.083      |
| <b>Class A Units</b>                 |                  |                  |
| Units outstanding, beginning of year | 24,328.464       | 18,498.886       |
| Units issued                         | 1,891,043.274    | 12,283.516       |
| Units redeemed                       | (497,481.394)    | (7,246.094)      |
| Units reinvested                     | 3,115.303        | 792.156          |
| Units outstanding, end of year       | 1,421,005.647    | 24,328.464       |

## 8. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

### (a) Management Fees and Performance Fees

Mulvihill, as Investment Manager and Manager under the terms of the Trust Agreement, receives fees payable by the Fund which is calculated and accrued daily on the net asset value of each class of units of the Fund and paid monthly plus applicable taxes. For Class I and UI units, the management fees are negotiable but will not exceed the management fee payable on the Class A and UA units. The maximum annual rate of the management fee for Class F units and Class UF units is 1.00 percent and for Class A units and Class UA units is 2.00 percent. 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. A portion of the management fees for the Fund have been waived until assets under management reach a discretionary threshold. Commencing July 12, 2021, a management fee of 0.7 percent for Class F, Class I and Class A units was accrued and paid to the Manager. Total management fees for the year ended December 31, 2021 were \$137,202 (2020 – nil) of which \$22,647 (2020 – nil) were paid subsequent to year-end.

Mulvihill is also entitled to receive a performance fee from the Fund in respect of any calendar quarter equal to 10 percent of the amount by which the Adjusted NAV per Unit at the end of such calendar quarter exceeds the performance of the reference index since the end of the period for which the last performance fee was paid, plus applicable taxes. "Adjusted NAV per Unit" means the NAV per Unit at the end of a calendar quarter without including any accrual for the performance fee plus the aggregate amount of all distributions paid or payable since the last time a performance fee was paid. No performance fee was paid in 2021 and 2020.

### (b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the year ended December 31, 2021 were nil (2020 – \$8,400).

### (c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the year ended December 31, 2021 were \$11,529 (2020 – \$8,333).



(d) Investment in other Mulvihill Funds

The Fund may invest in units of other funds managed by the Manager. The Fund's ownership interest in Premium Income Corporation – Class A was 1.7 percent as at December 31, 2021.

9. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the years ended December 31, 2021 and 2020 is disclosed below:

|                                      | Dec. 31,<br>2021 | Dec. 31,<br>2020 |
|--------------------------------------|------------------|------------------|
| Soft Dollars                         | \$ 42,003        | \$ 38,470        |
| Percentage of Total Transaction Fees | 30.4%            | 58.1%            |

10. Increase in Net Assets Attributable to Holders of Class I, Class F and Class A Units per Unit

The increase in net assets attributable to holders of Class I, Class F and Class A units per unit for the years ended December 31, 2021 and 2020 is calculated as follows:

|  | December 31, 2021 |            |            | December 31, 2020 |            |           |
|--|-------------------|------------|------------|-------------------|------------|-----------|
|  | Class I           | Class F    | Class A    | Class I           | Class F    | Class A   |
| Increase in Net Assets Attributable to Holders of Units          | \$ 1,562,650      | \$ 951,483 | \$ 574,487 | \$ 1,088,251      | \$ 425,334 | \$ 25,641 |
| Weighted Average Number of Units Outstanding during the Year     | 1,174,753         | 751,315    | 781,410    | 1,027,280         | 361,698    | 24,136    |
| Increase in Net Assets Attributable to Holders of Units per Unit | \$ 1.3302         | \$ 1.2664  | \$ 0.7352  | \$ 1.0594         | \$ 1.1759  | \$ 1.0624 |

11. Income Taxes

No amount is payable on account of income taxes in 2021 and 2020.

Accumulated non-capital losses of approximately \$0.1 million (2020 – \$0.1 million) and accumulated capital losses of approximately \$88.3 million (2020 – \$90.5 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire in 2027.

**Directors and Independent Review Committee**

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**John Mulvihill**

Director  
Chairman & CEO  
Mulvihill Capital Management Inc.

**John P. Mulvihill**

Director  
President  
Mulvihill Capital Management Inc.

**John D. Germain**

Director  
Senior Vice-President & Chief Financial Officer  
Mulvihill Capital Management Inc.

**Michael M. Koerner**

Independent Review Committee Member

**Robert G. Bertram**

Independent Review Committee Member

**R. Peter Gillin**

Independent Review Committee Member

**Information**

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8 Adelaide Street West, Suite 200  
Toronto, Ontario  
M5H 0A9

**Registrar:**

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Toronto, Ontario  
M5H 3T9

**Custodian:**

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

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

**Investment Funds Managed by  
Mulvihill Capital Management Inc.**

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**EXCHANGE-TRADED FUNDS**

Mulvihill Canadian Bank Enhanced Yield ETF (CBNK)

**MUTUAL FUNDS**

Mulvihill Premium Yield Fund

**SPLIT SHARES**

Premium Income Corporation (PIC.PR.A/PIC.A)  
S Split Corp. (SBN.PR.A/SBN)  
Top 10 Split Trust (TXT.PR.A/TXT.UN)  
World Financial Split Corp. (WFS.PR.A/WFS)

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