



Hybrid Income Funds



Annual Report 2004

Mulvihill World Financial Split Fund





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Message to Shareholders

Equity markets continued the positive performance they established in 2003, outperforming both bonds and cash instruments through 2004. In U.S. dollars, the S&P 500 Index recorded a 10.9 percent return for the year, while the NASDAQ advanced by 9.2 percent. However, the declining value of the U.S. dollar during the year reduced these gains to 2.8 and 1.2 percent respectively in Canadian currency. The S&P/TSX Composite Index rose by 14.5 percent.

Rising commodity prices and the prospect of higher interest rates depressed markets somewhat during the first half of the year, causing them to hit lows in August. However, conditions improved in the second half as interest rates remained low and oil prices eased down from their peak of US\$56 a barrel, allowing markets in both Canada and the U.S. to rebound strongly. The Canadian economy has performed well despite the rising U.S. dollar, though it is now showing some signs of deceleration.

Huge federal budget and current account deficits are continuing to undermine the foreign exchange value of U.S. currency, making commodities priced in U.S. dollars progressively cheaper in other world markets, such as Japan and Europe. China and India are now major influences on global commodity demand, and pressure is growing for China to revalue its currency, which is now pegged to the declining U.S. dollar.

Energy stocks were the strongest performers in both Canadian and U.S. equity markets, but there were major differences between the two countries in other sectors. In the U.S., utilities, telecommunications and industrial stocks were the next best performers, while in Canada, the leading sectors after energy were financial services, telecommunications and information technology. Health care was the weakest sector in both countries. Volatility declined to an eight year low throughout the year, but remained sufficient to maintain option-writing programs.

Looking ahead, moderate economic growth and continuing low inflation should maintain a positive environment for equities through 2005. Corporate profits will continue to improve, but not by as large a margin as they did in 2004. The Canadian economy will benefit from the strong U.S. recovery, but the relative strength of the Canadian dollar will have a dampening effect in some sectors. Since the positive expectations of investors are already reflected in many stock prices, equity markets are unlikely to make gains in 2005 as large as those of last year. Bond yields will likely head higher in the U.S., where the Federal Reserve is expected to continue gradually raising interest rates. By contrast, the Bank of Canada may have to cut rates here to help moderate the strength of the Canadian dollar.

Financial statements and a summary of the Fund's investments are included in this annual report. We would like to take this opportunity to thank all the Fund's shareholders for their continuing support.



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

Investment Objectives

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

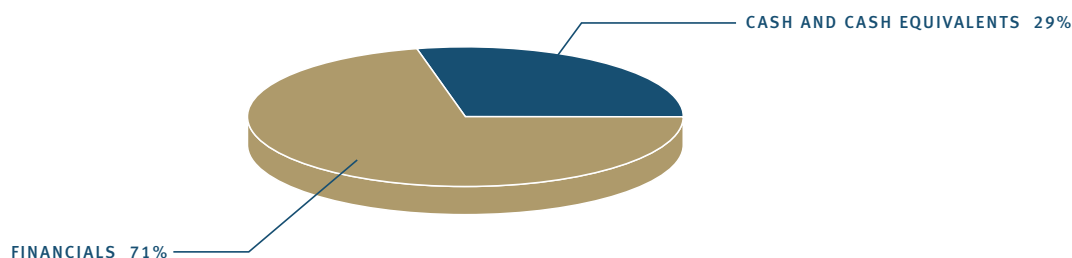
Investment Strategy

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

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

Asset Mix

December 31, 2004



Distribution History

INCEPTION DATE: FEBRUARY 2004

	CLASS A DISTRIBUTION	PREFERRED SHARE DISTRIBUTION
June 2004	\$ 0.44137	\$ 0.19310
September 2004	0.30000	0.13125
December 2004	0.30000	0.13125
Total for 2004	1.04137	0.45560
Total Distributions to Date	\$ 1.04137	\$ 0.45560

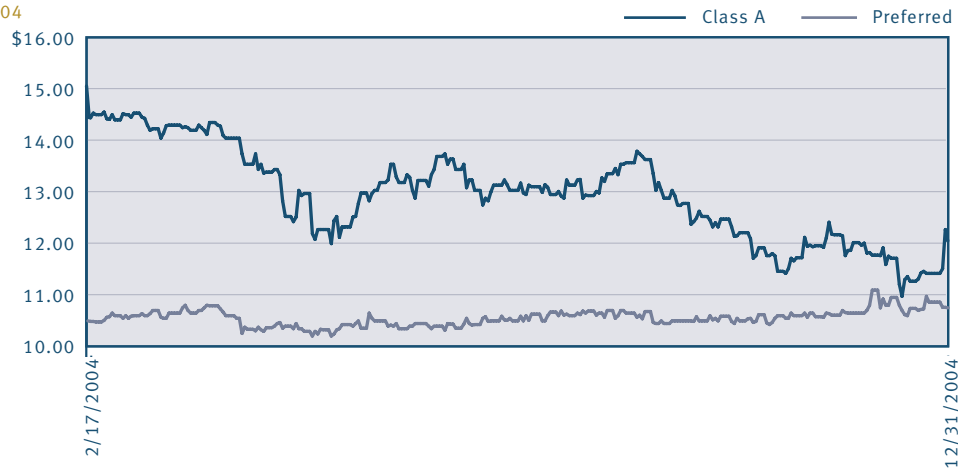
For complete distribution history and income tax information, please see our website www.mulvihill.com.

Top 10 Holdings

- The Bank of Nova Scotia
- Citigroup Inc.
- Manulife Financial Corporation
- Morgan Stanley
- Bank of Montreal
- Canadian Imperial Bank of Commerce
- American International Group Inc.
- HSBC Holdings PLC ADR
- American Express Company
- J.P. Morgan Chase & Co.

Trading History

February 17, 2004 to December 31, 2004



Commentary

Mulvihill World Financial Split Fund was launched on February 17, 2004, with initial prices of \$15.00 for Class A shares and \$10.00 for Preferred shares. As of December 31, 2004, the net assets of the Fund were \$432.8 million, or \$22.96 per unit, compared to the unit value at inception of \$23.87. Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 31 at \$12.03, while Preferred shares, listed as WFS.PR.A, closed at \$10.75.

Distributions amounting to \$1.04137 per Class A share and \$0.4556 per Preferred share were made to unitholders during 2004. Based on the initial prices of units, these distributions represent an eight percent annual distribution yield for Class A shares and a 5.25 percent annual distribution yield for preferred shares.

While net assets declined, the total return on the Fund’s investments, including distributions for the period was 2.5 percent. This compares with the MSCI World Financials Index, which rose only 1.7 percent in Canadian dollar terms. The main cause of the decline was the continuing weakness of the U.S. dollar, although some of this exposure was hedged to moderate the impact of currency conversion, along with the poor performance of certain stocks, such as American International Group Inc. and Morgan Stanley in the U.S. and Aegon N.V. ADR in the international portion of the portfolio. Volatility levels have been low, though they remain sufficient to maintain option writing programs.

The global economy is continuing to show signs of recovery. The U.S. Federal Reserve raised interest rates by 125 basis points in a series of measured steps during 2004, as the U.S. economy gathered momentum. Meanwhile, the rising loonie slowed Canada’s economic expansion, and the Bank of Canada ended the year with rates eased 25 basis points lower than they were earlier in the year. A continuing relatively low interest rate environment in both countries should provide support for financial equities, which are sensitive to rate changes.

The Fund’s portfolio of financial service equities is well diversified by country, with roughly 43 percent invested in the U.S., 34 percent in Canada and 18 percent in international markets. A defensive cash position is also being maintained.

The following table presents the financial highlights of the Fund for the most recent period since inception.

Financial Highlights

Period ended December 31, 2004

Unaudited

	2004*
DATA PER CLASS A SHARE*	
Net Asset Value, Beginning of Period	\$ 13.87**
INCOME (LOSS) FROM INVESTMENT OPERATIONS	
Net investment loss	(0.28)
Net gain on sale of investments	0.41
Total from Investment Operations	0.13
DISTRIBUTIONS TO CLASS A SHAREHOLDERS	
From net gain on sale of investments	(0.34)
Non-taxable distributions	(0.70)
Total Distributions	(1.04)
Net Asset Value, End of Period	\$ 12.96
RATIOS/SUPPLEMENTAL DATA	
Total net assets, end of period (\$millions)	\$ 244.30
Total net assets, excluding liability for Redeemable Preferred shares, end of period (\$millions)	\$ 432.80
Average net assets (\$millions)	\$ 245.26
Management expense ratio	1.51%***
Portfolio turnover rate	73.6%
Annual rate of return on Class A shares	N/A
Annual yield on Preferred shares	N/A
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS	
From net realized gain on sale of investments	\$ 0.35
From taxable income	0.11
Total Distributions	\$ 0.46

* For the period from inception on February 17, 2004 to December 31, 2004.

** Net of agent fees.

*** Annualized

Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date divided by the number of units then outstanding.

Net investment income (loss) per Class A share consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), less expenses, including Preferred share distributions, and is calculated based on the weighted average number of Class A shares outstanding during the period.

Net gain (loss) on investments per Class A share includes the impact of timing of shareholder transactions.

Distributions to Class A shareholders are based on the number of Class A shares outstanding on the record date for each distribution.

Management expense ratio is the ratio of all fees and expenses, including GST and capital taxes but excluding income taxes and Preferred share distributions, charged to the Fund to average net assets, excluding the liability for the Redeemable Preferred shares.

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.

Annual rate of return represents the historical annual total rate of return of an investment in a Class A share for the year, assuming reinvestment of current year distributions. Annual yield on Preferred shares represents the cumulative preferential quarterly cash distributions. Returns are not reported in the year that the Fund was established.

Management's Responsibility for Financial Reporting

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

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

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

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



John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 25, 2005



Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Shareholders of Mulvihill World Financial Split Fund

We have audited the accompanying statement of investments of Mulvihill World Financial Split Corp. (the "Fund") as at December 31, 2004, the statements of financial position as at December 31, 2004 and the statements of operations and deficit, of changes in net assets and of changes in investments for the period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, and the changes in its investments for the period indicated above, in accordance with Canadian generally accepted accounting principles.

The logo for Deloitte & Touche LLP is written in a stylized, cursive script. The word "Deloitte" is on the top line, "Touche" is on the middle line, and "LLP" is on the bottom line. A horizontal line is drawn above the word "Touche".

Chartered Accountants
Toronto, Ontario
February 25, 2005

Statement of Financial Position

December 31, 2004

	2004
ASSETS	
Investments - at market value (cost - \$313,244,774)	\$ 308,703,884
Short-term investments (cost - \$123,671,637)	123,615,635
Cash	119,533
Interest receivable	592,221
Dividends receivable	608,617
TOTAL ASSETS	\$ 433,639,890
LIABILITIES	
Accrued management fees	\$ 432,139
Accounts payable and accrued liabilities	408,929
Redeemable Preferred shares (Note 4)	188,500,000
	189,341,068
EQUITY	
Class A and Class J shares (Note 4)	261,313,769
Deficit	(17,014,947)
	244,298,822
TOTAL LIABILITIES AND EQUITY	\$ 433,639,890
Number of Units Outstanding (Note 4)	18,850,000
Net Asset Value per Unit	
Preferred Share (Note 3)	\$ 10.0000
Class A Share	12.9601
	\$ 22.9601

On Behalf of the Board of Directors,


John P. Mulvihill, Director


Robert W. Korthals, Director

Statement of Operations and Deficit

For the period from inception on February 17, 2004 to December 31, 2004

	2004
REVENUE	
Interest	\$ 2,767,476
Dividends	7,313,337
Withholding taxes	(795,628)
	<u>9,285,185</u>
Net realized gains on investments	12,217,544
Net realized losses on short-term investments	(3,164)
	<u>12,214,380</u>
TOTAL REVENUE	21,499,565
EXPENSES (Note 5)	
Management fees	4,140,136
Service fees	842,903
Custodian and other expenses	270,346
Goods and services tax and capital tax	443,882
	<u>5,697,267</u>
Net Realized Income before Distributions	15,802,298
Preferred share distributions	(8,588,060)
Net Realized Income	7,214,238
Unrealized depreciation of short-term investments during the period	(58,470)
Unrealized depreciation of investments during the period	(4,540,890)
	<u>(4,599,360)</u>
NET INCOME FOR THE PERIOD	\$ 2,614,878
NET INCOME PER CLASS A SHARE (based on weighted average number of Class A shares outstanding during the period of 18,850,000)	\$ 0.1288
DEFICIT	
Balance, beginning of period	\$ -
Net income for the period	2,614,878
Distributions on Class A Shares	(19,629,825)
BALANCE, END OF PERIOD	\$ (17,014,947)

Statement of Changes in Net Assets

For the period from inception on February 17, 2004 to December 31, 2004

	2004
NET ASSETS, BEGINNING OF PERIOD	\$ -
Net Realized Income before Distributions	15,802,298
Share Capital Transactions	
Proceeds from Class B and Class J shares issued, net of issue costs (Note 4)	261,313,769
Distributions	
Preferred shares	(8,588,060)
Class A shares	(19,629,825)
	(28,217,885)
Unrealized Depreciation of Investments during the Period	(4,599,360)
Changes in Net Assets during the Period	244,298,822
NET ASSETS, END OF PERIOD	\$ 244,298,822

The statement of changes in net assets excludes cash flows pertaining to the Preferred shares as they are reflected as liabilities. During the year proceeds from Preferred shares issued amounted to \$188,500,000. (see Note 3)

Statement of Changes in Investments

For the period from inception on February 17, 2004 to December 31, 2004

	2004
Cost of Investments Purchased during the Period	\$ 513,596,167
Cost of Investments Sold during the Period	
Proceeds from sales	212,568,937
Net realized gains on investments	12,217,544
	200,351,393
Investments at Cost, End of Period	313,244,774
Unrealized Depreciation of Investments, End of Period	(4,540,890)
INVESTMENTS AT MARKET VALUE, END OF PERIOD	\$ 308,703,884

Statement of Investments

December 31, 2004

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
Treasury Bills				
U.S. Treasury Bills, USD - February 3, 2005	3.6 %	3,700,000	\$ 4,524,790	\$ 4,418,747
Term Deposit				
Royal Bank of Canada Term Deposit 2.3% - January 4, 2005	1.0 %	1,300,000	1,300,000	1,300,000
Bonds				
Canada Mortgage & Housing Corporation - December 1, 2005	94.9 %	114,088,815	117,846,847	117,896,888
	99.5 %		123,671,637	123,615,635
Accrued Interest	0.5 %			592,221
TOTAL SHORT-TERM INVESTMENTS	100.0 %		\$ 123,671,637	\$ 124,207,856

INVESTMENTS

Canadian Common Shares

Financials

Bank of Montreal		230,000	\$ 12,939,572	\$ 13,284,800
Canadian Imperial Bank of Commerce		180,000	12,626,240	13,001,400
Great-West Lifeco Inc.		210,000	5,294,773	5,607,000
IGM Financial Inc.		200,000	6,766,253	7,328,000
Manulife Financial Corporation		260,000	13,483,365	14,404,000
National Bank of Canada		100,000	4,649,770	4,956,000
Royal Bank of Canada		150,000	9,272,586	9,637,500
Sun Life Financial Services of Canada Inc.		278,000	10,373,742	11,161,700
The Bank of Nova Scotia		360,000	13,118,003	14,652,000
The Toronto-Dominion Bank		232,500	11,046,290	11,606,400
Total Financials	34.2 %		99,570,594	105,638,800
Total Canadian Common Shares	34.2 %		\$ 99,570,594	\$ 105,638,800

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
Non-North American Common Shares				
Financials				
ABN Amro Holdings N.V. ADR		216,000	\$ 6,789,663	\$ 6,884,091
Aegon N.V. ADR		390,000	7,616,736	6,406,389
Banco Santander Central Hispano SA. ADR		300,000	4,431,099	4,446,335
Banco Bilbao Vizcaya ADR		238,600	4,427,813	5,071,486
Bank of Ireland ADR		67,000	5,136,935	5,357,624
Credit Suisse Group ADR		102,500	5,099,014	5,181,370
HSBC Holdings PLC ADR		127,000	13,014,423	12,955,333
UBS AG ADR		33,500	3,404,159	3,365,172
Westpac Banking Corp. ADR		77,000	6,728,915	7,005,116
Total Financials	18.3 %		56,648,757	56,672,916
Total Non-North American Common Shares	18.3 %		\$ 56,648,757	\$ 56,672,916

United States Common Shares

Financials				
American Express Company		190,000	\$ 13,511,690	\$ 12,832,546
American International Group Inc.		165,000	15,579,899	12,982,615
Bank of America Corporation		200,000	11,251,199	11,260,214
Citigroup Inc.		250,000	16,124,656	14,431,717
Fannie Mae		50,000	4,510,026	4,266,013
Fifth Third Bancorp		135,000	8,251,999	7,647,552
Goldman Sachs Group Inc.		50,000	6,432,473	6,232,777
J.P. Morgan Chase & Co.		270,000	13,743,700	12,619,755
Merrill Lynch & Co.		169,400	13,545,910	12,131,315
Metlife, Inc.		94,300	4,330,817	4,577,045
Morgan Stanley		203,000	15,942,270	13,503,822
The Allstate Corporation		140,000	8,633,339	8,675,565
The Bank of New York Company, Inc.		230,000	9,600,363	9,209,700
The Charles Schwab Corporation		263,000	4,435,149	3,768,757
Wachovia Corp.		51,900	3,264,112	3,270,878
Wells Fargo & Company		140,000	10,624,651	10,425,104
Total Financials	47.9 %		159,782,253	147,835,375
Total United States Common Shares	47.9 %		\$ 159,782,253	\$ 147,835,375

Statement of Investments

December 31, 2004

	% of Portfolio	Market Value
INVESTMENTS (continued)		
Forward Exchange Contracts		
Sold USD \$10,875,000, Bought CAD \$13,792,710 @ 0.788460 - January 5, 2005		\$ 762,360
Sold USD \$12,052,000, Bought CAD \$14,718,562 @ 0.818830 - January 12, 2005		277,246
Sold USD \$2,263,000, Bought CAD \$2,827,619 @ 0.800320 - January 19, 2005		115,848
Sold USD \$10,000,000, Bought CAD \$12,075,545 @ 0.828120 - January 19, 2005		92,465
Sold USD \$7,000,000, Bought CAD \$8,453,290 @ 0.828080 - January 26, 2005		64,731
Sold USD \$8,310,000, Bought CAD \$10,084,951 @ 0.824000 - January 26, 2005		126,535
Sold USD \$8,341,000, Bought CAD \$9,977,750 @ 0.835960 - February 2, 2005		(18,175)
Sold USD \$10,309,000, Bought CAD \$12,390,327 @ 0.832020 - February 9, 2005		35,786
Sold USD \$10,309,000, Bought CAD \$12,391,370 @ 0.831950 - February 16 2005		36,680
Sold USD \$10,00,000, Bought CAD \$11,903,345 @ 0.840100 - February 23 2005		(81,315)
Sold USD \$12,118,000, Bought CAD \$14,398,764 @ 0.841600 - March 2, 2005		(124,420)
Sold USD \$756,000, Bought CAD \$929,855 @ 0.813030 - March 9, 2005		23,804
Sold USD \$8,071,000, Bought CAD \$9,923,157 @ 0.813350 - March 9, 2005		250,222
Sold USD \$4,535,000, Bought CAD \$5,603,677 @ 0.809290 - March 16, 2005		168,634
Total Forward Exchange Contracts	0.6 %	\$ 1,730,401

	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
Barclays PLC ADR - January 2005 @ \$41		(850)	\$ (79,186)	\$ (1)
Great-West Lifeco Inc. - January 2005 @ \$26		(1,050)	(32,550)	(22)
Manulife Financial Corporation - January 2005 @ \$55		(400)	(25,200)	(5,931)
Metlife, Inc. - January 2005 @ \$40		(952)	(81,817)	(57,391)
National Bank of Canada - January 2005 @ \$46		(1,050)	(68,250)	-
UBS AG ADR - January 2005 @ \$80		(435)	(38,434)	(7,818)
Total Written Cash Covered Put Options	0.0 %		(325,437)	(71,163)

Written Covered Call Options (100 shares per contract)

ABN Ambro Holdings - January 2005 @ \$25	(2,160)	(74,327)	(374,049)
American Express Company - January 2005 @ \$56	(1,450)	(110,272)	(40,964)
Bank of America Corporation - January 2005 @ \$47	(1,320)	(67,467)	(42,324)
Bank of Montreal - January 2005 @ \$57	(800)	(36,800)	(116,406)
Bank of Montreal - January 2005 @ \$58	(1,000)	(61,750)	(71,280)
Canadian Imperial Bank of Commerce - January 2005 @ \$71	(300)	(22,500)	(64,223)
Canadian Imperial Bank of Commerce - January 2005 @ \$73	(350)	(27,475)	(24,654)

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Contracts	Proceeds	Market Value
INVESTMENTS (continued)				
OPTIONS (continued)				
Written Covered Call Options (100 shares per contract) (continued)				
Canadian Imperial Bank of Commerce - January 2005 @ \$74		(200)	(19,900)	(9,514)
Canadian Imperial Bank of Commerce - February 2005 @ \$74		(150)	(16,050)	(19,068)
Citigroup Inc. - January 2005 @ \$47		(1,250)	(92,172)	(259,960)
Credit Suisse Group ADR - January 2005 @ \$40		(1,025)	(87,468)	(282,265)
Fannie Mae - January 2005 @ \$70		(325)	(70,872)	(87,615)
Fannie Mae - January 2005 @ \$75		(175)	(21,017)	(6,290)
Fifth Third Bancorp - January 2005 @ \$48		(1,000)	(75,155)	(99,070)
Goldman Sachs Group Inc. - January 2005 @ \$105		(500)	(145,994)	(89,861)
Great-West Lifeco Inc. - January 2005 @ \$26		(1,050)	(33,075)	(51,171)
HSBC Holdings PLC ADR - January 2005 @ \$86		(850)	(112,000)	(37,209)
J.P. Morgan Chase & Co. - January 2005 @ \$40		(675)	(29,807)	(15,111)
Manulife Financial Corporation - January 2005 @ \$56		(550)	(41,855)	(12,530)
Manulife Financial Corporation - January 2005 @ \$57		(1,100)	(70,400)	(32,567)
Merrill Lynch & Co. - January 2005 @ \$61		(705)	(101,590)	(18,978)
Metlife, Inc. - January 2005 @ \$40		(943)	(92,621)	(73,513)
National Bank of Canada - January 2005 @ \$47		(1,000)	(46,000)	(261,642)
Royal Bank of Canada - January 2005 @ \$63		(320)	(21,600)	(45,456)
Royal Bank of Canada - January 2005 @ \$64		(350)	(25,375)	(32,742)
Royal Bank of Canada - February 2005 @ \$64		(500)	(25,000)	(46,473)
Sun Life Financial Services of Canada Inc. - January 2005 @ \$41		(2,085)	(100,080)	(74,870)
The Allstate Corporation - January 2005 @ \$51		(1,400)	(118,925)	(122,109)
The Bank of Nova Scotia - January 2005 @ \$38		(550)	(30,800)	(153,100)
The Bank of Nova Scotia - January 2005 @ \$39		(300)	(20,055)	(39,979)
The Bank of Nova Scotia - January 2005 @ \$40		(800)	(43,050)	(98,721)
The Bank of Nova Scotia - February 2005 @ \$41		(1,000)	(42,000)	(60,976)
The Bank of New York Company, Inc. - January 2005 @ \$34		(1,300)	(57,945)	(13,828)
The Bank of New York Company, Inc. - January 2005 @ \$33		(700)	(44,635)	(39,702)
The Charles Schwab Corporation - January 2005 @ \$12		(2,000)	(48,678)	(29,807)
The Toronto-Dominion Bank - January 2005 @ \$49		(750)	(49,250)	(92,318)
The Toronto-Dominion Bank - January 2005 @ \$50		(250)	(10,500)	(12,532)
The Toronto-Dominion Bank - February 2005 @ \$51		(375)	(18,000)	(15,143)
UBS AG ADR - January 2005 @ \$85		(335)	(21,489)	(28,097)
Wachovia Corp. - January 2005 @ \$54		(519)	(49,677)	(10,709)
Wachovia Corp. - January 2005 @ \$52		(831)	(69,108)	(57,280)
Wells Fargo & Company - January 2005 @ \$63		(1,400)	(178,659)	(38,339)
Total Written Covered Call Options	(1.0)%		(2,431,393)	(3,102,445)
TOTAL OPTIONS	(1.0)%		\$ (2,756,830)	\$ (3,173,608)
TOTAL INVESTMENTS	100.0 %		\$313,244,774	\$308,703,884

1. Corporate Information

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

The manager of the Fund is Mulvihill Fund Services Inc. (the "Manager") and the Fund's investment manager is Mulvihill Capital Management Inc. (the "Investment Manager"). The Royal Trust Company is the custodian of the assets of the Fund.

2. Investment Objectives of the Fund

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

3. Summary of Significant Accounting Policies

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

Valuation of Investments

Investments and short-term bonds are recorded in the financial statements at their fair market value at the end of the period, determined as follows:

Securities are valued at fair market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the average of the bid and the asked price.

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

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

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

Investment Transactions and Income

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

- (i) Expiration of written options whereby realized gains are equivalent to the premium received;
- (ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and
- (iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

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

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

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

Redeemable Preferred Shares

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

Foreign Currency Translation

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

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

Cash Flow Statements

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

4. Share Capital

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

On February 17, 2004, the Fund issued 18,000,000 Preferred shares and 18,000,000 Class A shares at a price of \$10.00 per Preferred share and \$15.00 per Class A share for gross proceeds of \$450,000,000. On February 27, 2004 an additional 850,000 Preferred Shares and 850,000 Class A shares were issued for additional gross proceeds of \$21,250,000 pursuant to the exercise of the over allotment. Costs of \$21,436,331 were incurred in connection with these offerings and the establishment of the Fund and have been charged to equity.

Preferred Shares

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

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

Class A Shares

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

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

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

Class J Shares

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

No Preferred share and Class A shares were redeemed during the period.

Issued and Outstanding

		2004
18,850,000	Preferred shares	\$ 188,500,000
18,500,000	Class A shares	\$ 261,313,669
100	Class J shares	100
		\$ 261,313,769

Net Asset Value

Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date divided by the number of units then outstanding. The following is the net asset value of a unit at December 31:

	2004
Preferred share	\$ 10.00
Class A share	12.96
	\$ 22.96

On December 31, 2004 Preferred shares on the TSX closed at \$10.75, while Class A shares closed at \$12.03.

5. Management Fees, Expenses and Management Expense Ratios

The Fund is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the custodian and Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Fees are payable to the Manager under the terms of a management agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10 percent and 1.00 percent, respectively, of the Fund's net asset value, including the redeemable Preferred shares, calculated and payable monthly, plus applicable taxes.

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

Management Expense Ratio

Management expense ratio is the ratio of all fees and expenses, including GST and capital taxes but excluding income taxes and Preferred share distributions, charged to the Fund to average net assets, excluding the liability for the Redeemable Preferred shares. The following is the management expense ratio for the period ended December 31:

	2004
	1.51%*

* Annualized

6. Distributions

Distributions per Class A share paid during the period were allocated as follows:

	2004
Capital gains dividends	\$ 0.34
Non-taxable distributions	0.70
	\$ 1.04

Holders of Preferred shares are entitled to receive fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum.

Distributions per Preferred share paid during the period were allocated as follows:

	2004
Capital gains dividends	\$ 0.35
Taxable dividends	0.11
	\$ 0.46

7. Income Taxes

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

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

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

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

No amount is payable on account of income taxes in 2004.

Issue costs of approximately \$17.0 million remain undeducted for tax purposes at year end.

8. Commissions

Total commissions paid for the period ended December 31, 2004 in connection with portfolio transactions were \$739,301.

9. Financial Instruments and Risk Management

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

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

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

10. Statement of Portfolio Transactions

The Fund will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any shareholder to the Fund at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

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

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

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

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

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

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.3 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

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

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

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the year ended December 31, 2004	
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 21.52	\$ 19.65
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 20.03	\$ 18.36
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.93	\$ 15.56
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 18.25 USD	\$ 13.60 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 10.03/\$ 17.49	\$ 8.98/\$ 12.00
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 22.25	\$ 18.55
Mulvihill Premium U.S. Fund	FPU.UN	\$ 16.00	\$ 10.10
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.85	\$ 9.18
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 23.00	\$ 18.35
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 14.24	\$ 11.50
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.75/\$ 17.12	\$ 11.23/\$ 15.65
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 12.30/\$ 16.75	\$ 9.15/\$ 15.43
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 1.90/\$ 12.60	\$ 0.32/\$ 11.00
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 15.00/\$ 11.09	\$ 10.83/\$ 10.00
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.20	\$ 3.08

Board of Directors

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

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

Michael M. Koerner*
Corporate Director

Robert W. Korthals*
Corporate Director

C. Edward Medland*
President, Beauwood Investments Inc.

*Audit Committee

Information

Auditors:

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

Transfer Agent:

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

Shares Listed:

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

Custodian:

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

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

Hybrid Income Funds

Managed by Mulvihill Structured Products

Mulvihill Platinum

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

Mulvihill Premium

Mulvihill Premium Canadian Fund
Mulvihill Premium U.S. Fund
Mulvihill Premium Oil & Gas Fund
Mulvihill Premium 60 Plus Fund
Mulvihill Premium Global Plus Fund
Mulvihill Premium Canadian Bank Fund
Mulvihill Premium Split Share Fund
Mulvihill Premium Global Telecom Fund
Mulvihill World Financial Split Fund

Mulvihill Summit

Mulvihill Summit Digital World Fund

Mutual Funds Managed by

Mulvihill Capital Management

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

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Contact your broker directly for address changes.





www.mulvihill.com

Mulvihill Structured Products

Investor Relations

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