Mulvihill

Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2005

Mulvihill *World Financial Split Fund*

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TABLE OF CONTENTS

Message to Shareholders

For the fiscal year ended December 31, 2005, the net asset value of the Fund totalled $369.99 million, or $22.60 per unit compared to $22.96 on December 31, 2004. The Fund's Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on December 30, 2005, at $11.05 per share. The Fund's Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 30, 2005, at $11.07 per share. Each unit consists of one Preferred share and one Class A share together.

Distributions amounting to $1.20 per Class A share and $0.5250 per Preferred share were made to shareholders during the fiscal year. Based on the initial issue price of the shares, these distributions represent an 8 percent annual yield for Class A shares and a 5.25 percent yield for Preferred shares.

The total return of World Financial Split Share Fund for 2005 was 6.3 percent while the total return for the MSCI World Financials Composite Index was 8.6 percent. Very uneven performances in different regions produced this result. In Canada, the S&P/TSX Financial Services Index rose 23.9 percent, while the international MSCI EAFE Financials Index rose 12.4 percent, but in the U.S., the S&P 500 Financials Index rose a modest 3.1 percent. One of the reasons why the U.S. and International financials underperformed the Canadian financials was because of the strength in the Canadian dollar versus the U.S. dollar, the Euro and the British Pound but also due to the strong Canadian economy.

Volatility was low throughout the period, but remained sufficient to maintain option writing programs. However, due to this low volatility, the Fund increased its investment position thereby providing greater income generating capabilities. To offset the risk of added equity exposure, the Fund purchased protective put options to mitigate partially the potential impact of a severe market decline as well as to take advantage of the low cost of this protection.

The Fund's investments continue to be diversified in varying weights across the three different geographic regions.

A summary of the Fund's investments is included with the financial statements in this annual report. We would like to take this opportunity to thank each of the Fund's shareholders for their continued support.

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

Management Report on Fund Performance

This Management Report on Fund Performance has been prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) which became effective June 2005. This report contains the financial highlights of Mulvihill World Financial Split Corp. (Mulvihill World Financial Split Fund) (the "Fund") for the year ended December 31, 2005. The annual financial statements of the Fund are also attached behind this report.

Securityholders may also contact us to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure at no cost, by calling toll free 1-800-725-7172, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9 or by visiting our website at www.mulvihill.com.

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.

Investment Objectives and Strategies

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

The Fund invests in a portfolio (the "Portfolio") which includes common equity securities selected from the ten largest financial services companies by market capitalization in each of Canada (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 percent of the net asset value of the Fund may be invested in common equity securities of financial services companies that are not in the Portfolio Universe as long as such companies have a market capitalization at the time of investment of at least U.S. $10.0 billion and for non-Canadian issuers, a minimum local currency issuer credit rating of "A" from Standard & Poor's Index or a comparable rating from an equivalent rating agency.

Risk

The underlying portfolio holds securities selected from the "Portfolio Universe" which includes equity securities selected from the ten largest financial services companies by market capitalization in each of Canada, the United States and the Rest of World with a minimum credit rating of "A" required for securities other than those from Canadian Issuers. In addition, up to 20 percent of the net asset value of the company may be invested in common equity securities of financial services companies that are not in the Portfolio Universe as long as such companies have a market capitalization at the time of investment of at least U.S.$10.0 billion and for non Canadian Issuers, a minimum credit rating of "A" from Standard and Poor's Index or a comparable rating from an equivalent rating agency. Investors should be aware that the primary risks associated with the Fund relate to the non-diversified nature of the investment universe, the level of option volatility realized in undertaking the writing of covered call options, and the impact of foreign exchange fluctuations on the value of the Fund's non-Canadian holdings. The process of writing covered call options on the securities held in the portfolio will tend to lower the volatility of the net asset value of the portfolio.

Any capital appreciation in the value of the portfolio will be for the benefit of the holders of Class A shares. However, any decrease in the value of the portfolio or the dividends paid on the common shares of the corporations held in the portfolio will effectively first be for the account of the holders of Class A shares. The Class A shares will have no value on June 30, 2011 if the net asset value per unit on that date is less than or equal to $10.00.

In order to generate income, the Fund writes covered call options in respect of all or part of the securities held in the portfolio. During the course of this year, volatility has reached multi-year lows which resulted in the Fund having to write options on a greater portion of the portfolio in order to generate distributable income. Increased option writing resulted in limiting the appreciation of securities in the "Portfolio Universe" during 2005, specifically the Royal Bank of Canada and Mitsubishi UFJ Financial GRP-ADR which have appreciated the most during the year. Due to this low volatility, the Fund increased its investment position thereby providing greater income generating capabilities. To offset the risk of added equity exposure, the Fund purchased protective put options to mitigate partially the potential impact of a severe market decline and take advantage of the low cost of this protection.

As a result of the greater effect of these risks on the Fund, the overall level of risk of an investment in the Fund has increased relative to prior periods.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2005

	% of Net Assets*
Canada	38%
United States	35%
International	19%
Cash and Short-Term Investments	8%
Other Net Assets (Liabilities)	0%

*The Net Assets excludes the Preferred share liability.

Top 25 Holdings

	% of Net Assets*
• Cash and Short-Term Investments	7.7%
• Manulife Financial Corporation	5.2%
• The Toronto-Dominion Bank	5.0%
• Royal Bank of Canada	4.7%
• Sun Life Financial Services of Canada Inc.	4.3%
• Great-West Lifeco Inc.	3.9%
• The Bank of Nova Scotia	3.9%
• Bank of Montreal	3.7%
• Citigroup Inc.	3.7%
• Morgan Stanley	3.6%
• National Bank of Canada	3.5%
• Canadian Imperial Bank of Commerce	3.4%
• Hartford Financial Services Group Inc.	3.4%
• Bank of America Corporation	3.4%
• U.S. Bancorp	3.3%
• HSBC Holdings PLC ADR	3.2%
• American Express Company	3.1%
• The Goldman Sachs Group, Inc.	3.0%
• Barclays PLC ADR	3.0%
• UBS AG ADR	2.7%
• Deutsche Bank AG	2.4%
• American Family Life Assurance Company of Columbus	2.3%
• J.P. Morgan Chase & Co.	2.3%
• Northern Trust Corp.	2.0%
• Allstate Corp.	2.0%

*The Net Assets excludes the Preferred share liability.

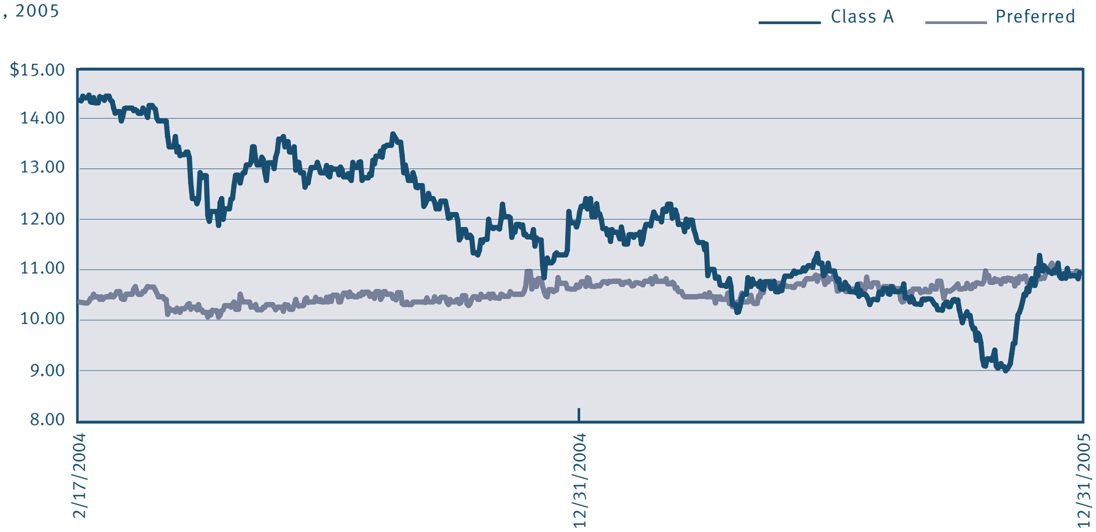
Distribution History

INCEPTION DATE: FEBRUARY 2004	CLASS A DISTRIBUTION	PREFERRED SHARE DISTRIBUTION
Total for 2004	$ 1.04137	$ 0.45560
Total for 2005	1.20000	0.52500
Total Distributions to Date	**$ 2.24137**	**$ 0.98060**

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

Trading History

February 17, 2004 to December 31, 2005



Results of Operations

For the fiscal year ended December 31, 2005, the net asset value of the Fund was $22.60 per unit compared to $22.96 per unit at December 31, 2004. The Fund's preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on December 31, 2005 at $11.05. The Fund's Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 30, 2005, at $11.07. Each unit consists of one Preferred share and one Class A share together.

Distributions totalling $0.5250 per share were made to the Preferred shareholders during the fiscal year while Class A shareholders received $1.20 per share.

Volatility was low throughout the period, but remained sufficient to maintain option writing programs. However, due to this low level of volatility, the Fund increased its invested position thereby providing greater income capabilities. To offset the risk of added equity exposure, the Fund purchased protective put options to mitigate partially the potential impact of a severe market decline as well as to take advantage of the low cost of this protection.

The total return for the MSCI World Financial Services Index was 8.6 percent in Canadian dollars. Very uneven performances in different regions produced this result. In Canada, the S&P/TSX Financial Services Index rose 23.9 percent, but in the U.S., the S&P 500 Financials Index rose 3.1 percent, while the international MSCI EAFE Financials Index rose 12.4 percent. Underperformance of the U.S. and International Indices was due, in part, to the strength in the Canadian dollar versus the U.S. dollar and the Euro.

The one year return for the Fund, including reinvestment of distributions, was 6.3 percent. This return is reflective of the strong returns for the Canadian Financial Services equities being offset somewhat by lower returns for the U.S. and International Financial Services equities. It is also reflective of the positive operating environment for the underlying securities due to low interest rates, a positive credit environment and strong capital markets.

World Financial Split Fund ended 2004 with a regional asset mix of 48 percent invested in the United States Financials, 34 percent in Canadian Financials and 18 percent in International Financial securities. During 2005, the regional asset mix changed with an emphasis on increasing exposure to Canada and the International areas and reducing the exposure to the U.S. in response to the more aggressive interest rate tightening by the Federal Reserve Bank. The Fund ended 2005 with a regional asset mix of 41 percent in Canada, 38 percent in the United States and 21 percent in the Rest of World.

During the course of the year, the Fund had varying exposures to the U.S. dollar due to the investments in U.S. Financial Services equities along with International Financial Services equities through the ADR market. The U.S. dollar was actively hedged throughout the year and ended 2005 being fully hedged against fluctuations in the exchange rate for Canadian dollars.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 2 years. This information is derived from the Fund's audited annual financial statements.

Years ended December 31

	2005	2004[4]
THE FUND'S NET ASSET VALUE PER UNIT		
Net Asset Value, beginning of year[1]	**$ 22.96**	**$ 23.87**[5]
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue	**0.59**	0.49
Total expenses	**(0.34)**	(0.30)
Realized gains (losses) for the period	**0.68**	0.65
Unrealized gains (losses) for the period	**0.31**	(0.24)
Total Increase (Decrease) from Operations[2]	**1.24**	**0.60**
DISTRIBUTIONS		
From taxable income	**(0.19)**	(0.11)
From capital gains	**(1.14)**	(0.69)
Non-taxable distributions	**(0.40)**	(0.70)
Total Annual Distributions[3]	**(1.73)**	**(1.50)**
Net Asset Value, as at December 31[1]	**$ 22.60**	**$ 22.96**

(1) 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 excluding Preferred shares of the Fund on that date divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of units outstanding during the year. The schedule is not intended to total to the ending net asset value as calculations are based on the weighted average number of units outstanding during the year.
(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.
(4) For the period from inception on February 17, 2004 to December 31, 2004.
(5) Net of agent fees.

RATIOS/SUPPLEMENTAL DATA	2005	2004
Net Assets, excluding liability for Redeemable Preferred shares (millions)[1]	**$ 369.99**	$ 432.80
Net Assets ($millions)[1]	**$ 206.30**	$ 244.30
Number of units outstanding[1]	**16,368,811**	18,850,000
Management expense ratio[2]	**1.48%**	1.51%
Portfolio turnover rate[3]	**165.51%**	73.63%
Trading expense ratio[4]	**0.16%**	0.17%
Closing market price - Preferred	**$ 11.05**	$ 10.75
Closing market price - Class A	**$ 11.07**	$ 12.03

(1) This information is provided as at December 31.
(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and 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 management expense ratio for 2004 is annualized.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets during the period.

Management Fees

Mulvihill Capital Management ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net assets of the Fund at each month end, including the Redeemable Preferred shares. Services received under the Investment Management Agreement include the making of all investment decisions for the Fund, including writing covered call options for the Fund, all in accordance with the investment objectives, strategy and criteria of the Fund, decisions as to the purchase and sale of securities comprising the portfolio and as to the execution of all portfolio and other transactions are made by MCM.

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

Recent Developments

The Global Financial Services sector continues to demonstrate strong fundamentals and profitability with strong capital positions, high return on equity and low balance sheet risk. The high dividend yield on the global banks relative to 10-year government bond yields in the 4.0 percent range is at a very compelling valuation and the P/E multiple of the financials relative to the broad market is still attractive.

Several variables with the potential to impact the rate of future earnings growth include higher short term rates, a flattening yield curve as well as an increase in loan loss provisions. Offsetting positive variables include the potential expansion of net interest margins protection and wealth management earnings which have been growing very strong due to strong annuity and mutual fund flows as well as better capital markets.

As the financial services companies enter 2006 with excess capital sitting on their balance sheets, potential uses of this capital may include acquisitions outside the domestic markets or it may be returned to shareholders in the form of increased dividends and share repurchases. Either of these scenarios would likely be viewed positively by the market and be supportive to share prices.

Past Performance

The past performance of the Fund is set out below and illustrates year-by-year returns, overall past performance and annual compound returns.

With respect to the charts displayed below, please note the following:

(a) the performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund at the time of payment. This reinvestment assumption results in a compounding effect on the calculated rate of return;

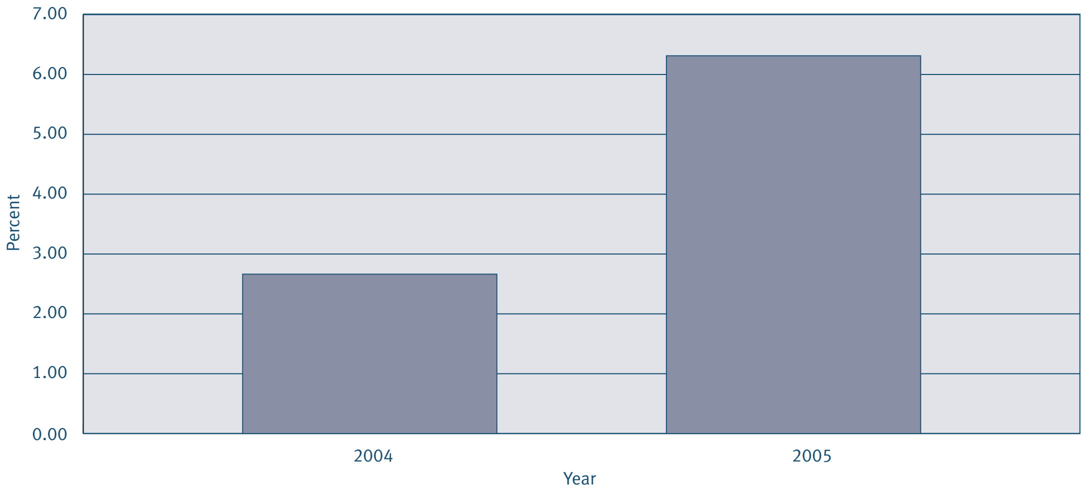
(b) the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and

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

Year-By-Year Returns

The bar chart below shows the Fund’s annual total return in each of the past two years. It illustrates that the Fund’s performance has varied from year to year. This chart also shows, in percentage terms, how much an investment made on January 1 in each year (or the date of inception in 2004) would have grown or decreased by December 31 in that fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the periods ended December 31 as compared to the performance of the MSCI World/Finance Index.

(In Canadian Dollars)	One Year	Since Inception*
Mulvihill World Financial Split Fund	**6.31%**	4.47%
Mulvihill World Financial Split Fund - Class A	**7.15%**	4.19%
Mulvihill World Financial Split Fund - Preferred Share	**5.35%**	4.99%

Included below, to meet regulatory requirements, is the performance of a broad based market index. The performance of the Fund is not intended to match that of the market index as the investment objectives of the Fund are to provide shareholders with quarterly cash distributions generated primarily from equity holdings and option writing, and to return the original issue price to shareholders upon termination of the Fund.

MSCI World/Finance Index**	**8.60%**	4.96%

* From date of inception on February 17, 2004.
** The MSCI World/Finance Index is a capitalization-weighted index that monitors the performance of financial stocks from around the world excluding the country of Australia.

The accompanying equity performance benchmark is included for reference purposes to provide shareholders with information as to the sensitivity of this Fund's returns relative to a public market equity index. The specific universe of stocks in which the Fund may invest in has been limited by the prospectus offering and will not exactly match the index composition. The benchmark index has been included for comparison purposes as it represents the closest "publicly available" market proxy.

In addition, however, shareholders are reminded that the Fund's investment objectives are not to match or exceed the returns of an equity index but to pay out quarterly distributions and return the original investment amount at the termination of the Fund. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employ a covered option writing strategy to generate the distributions. These strategies will change the return profile of an investment portfolio under differing market conditions when compared to a fully invested conventional equity portfolio.

For example, during periods of strongly rising markets, this approach will tend to under-perform a comparable equity benchmark as the Fund is not fully invested and writing covered calls generally limits portfolio performance to the option premium received. In negative market environments, however, the reverse is true, as defensive cash balances help to protect the net asset value and covered option writing will provide out-performance relative to a stock only portfolio.

Related Party Transactions

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

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated February 17, 2004, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

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 28, 2006

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, 2005, the statements of financial position as at December 31, 2005 and 2004 and the statements of operations and deficit, of changes in net assets and of changes in investments for the periods 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 periods indicated above in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
February 28, 2006

Statements of Financial Position

December 31, 2005 and 2004

	2005	2004
ASSETS		
Investments - at market value (cost - $340,489,964, 2004 - $313,244,774)	**$ 341,631,240**	$ 308,703,884
Short-term investments (cost - $28,350,101, 2004 - $123,671,637)	**28,338,936**	123,615,635
Cash	**110,771**	119,533
Dividends receivable	**776,469**	608,617
Interest receivable	**119,390**	592,221
TOTAL ASSETS	**$ 370,976,806**	**$ 433,639,890**
LIABILITIES		
Accounts payable and accrued liabilities	**$ 270,461**	$ 408,929
Accrued management fees	**370,786**	432,139
Redemptions payable	**347,791**	–
Redeemable Preferred shares (Note 4)	**163,688,110**	188,500,000
	164,677,148	**189,341,068**
EQUITY		
Class A and Class J shares (Note 4)	**231,643,938**	261,313,769
Deficit	**(25,344,280)**	(17,014,947)
	206,299,658	**244,298,822**
TOTAL LIABILITIES AND EQUITY	**$ 370,976,806**	**$ 433,639,890**
Number of Units Outstanding (Note 4)	**16,368,811**	**18,850,000**
Net Asset Value per Unit		
Preferred Share (Note 3)	**$ 10.0000**	$ 10.0000
Class A Share	**12.6032**	12.9601
	$ 22.6032	**$ 22.9601**

On Behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

Statements of Operations and Deficit

For the periods ended December 31, 2005 and 2004

	2005	2004
REVENUE		(Note 1)
Interest, net of foreign exchange	$ 1,310,918	$ 2,767,476
Dividends	10,325,471	7,313,337
Withholding taxes	(863,743)	(795,628)
	10,772,646	9,285,185
Net realized losses on short-term investments	(10,180)	(3,164)
Net realized gains on derivatives	19,961,384	17,439,356
Net realized losses on investments	(7,539,427)	(5,221,812)
Total Net Realized Gains	12,411,777	12,214,380
TOTAL REVENUE	23,184,423	21,499,565
EXPENSES		
Management fees (Note 5)	4,492,629	4,140,136
Service fees	876,317	842,903
Administrative and other expenses	156,966	131,706
Custodian fees	95,219	86,605
Audit fees	22,414	5,000
Director fees	20,127	16,138
Legal fees	5,348	15,317
Shareholder reporting costs	63,348	15,580
Capital tax	1,351	9,000
Goods and services tax and large corporation tax	338,556	434,882
TOTAL EXPENSES	6,072,275	5,697,267
Net Realized Income before Income Taxes and Distributions	17,112,148	15,802,298
Income tax expense	(53,000)	–
Net Realized Income before Distributions	17,059,148	15,802,298
Preferred share distributions	(9,470,747)	(8,588,060)
Net Realized Income	7,588,401	7,214,238
Change in unrealized appreciation/depreciation of investments during the period	5,682,166	(4,540,890)
Change in unrealized appreciation/depreciation of short-term investments during the period	47,521	(58,470)
Total Change in Unrealized Appreciation/Depreciation	5,729,687	(4,599,360)
NET INCOME FOR THE PERIOD	$ 13,318,088	$ 2,614,878
NET INCOME PER CLASS A SHARE (based on average number of Class A shares outstanding during the period of 18,262,212; 2004 - 18,850,000)	$ 0.7293	$ 0.1387
DEFICIT		
Balance, beginning of period	$ (17,014,947)	$ –
Net income for the period	13,318,088	2,614,878
Distributions on Class A Shares	(21,647,421)	(19,629,825)
BALANCE, END OF PERIOD	$ (25,344,280)	$ (17,014,947)

Statements of Changes in Net Assets

For the periods ended December 31, 2005 and 2004

	2005	2004
NET ASSETS, BEGINNING OF PERIOD	**$ 244,298,822**	$ –
Net Realized Income before Distributions	**17,059,148**	**15,802,298**
Class A Share Capital Transactions		
Proceeds from shares issued, net of issue costs (Note 4)	**–**	261,313,769
Amount paid for units redeemed	**(29,669,831)**	–
	(29,669,831)	**261,313,769**
Distributions		
Preferred shares	**(9,470,747)**	(8,588,060)
Class A shares	**(21,647,421)**	(19,629,825)
	(31,118,168)	**(28,217,885)**
Change in Unrealized Appreciation/Depreciation during the Period	**5,729,687**	**(4,599,360)**
Changes in Net Assets during the Period	**(37,999,164)**	**244,298,822**
NET ASSETS, END OF PERIOD	**$ 206,299,658**	**$ 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, amounts paid for the redemption of 2,481,189 Preferred shares totalled $24,811,890 (2004 - nil). During the year proceeds from Preferred shares issued amounted to nil (2004 - $188,500,000). (see Note 4)

Statements of Changes in Investments

For the periods ended December 31, 2005 and 2004

	2005	2004
INVESTMENTS AT MARKET VALUE, BEGINNING OF PERIOD	**$ 308,703,884**	**$ –**
Unrealized depreciation of investments, beginning of period	**4,540,890**	**–**
Investments at Cost, Beginning of Period	**313,244,774**	**$ –**
Cost of Investments Purchased during the Period	**563,578,057**	**513,596,167**
Cost of Investments Sold during the Period		
Proceeds from sales	**548,754,824**	212,568,937
Net realized gains on sales	**12,421,957**	12,217,544
	536,332,867	**200,351,393**
Investments at Cost, End of Period	**340,489,964**	**313,244,774**
Unrealized Appreciation/Depreciation of Investments, End of Period	**1,141,276**	**(4,540,890)**
INVESTMENTS AT MARKET VALUE, END OF PERIOD	**$ 341,631,240**	**$ 308,703,884**

Statement of Investments

December 31, 2005

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada - January 26, 2006		1,000,000	$ 993,422	**$ 993,422**
Government of Canada - March 23, 2006		20,000	19,836	**19,836**
Total Treasury Bills	3.6%		**1,013,258**	**1,013,258**
Discount Commercial Paper				
Province of British Columbia, USD - January 5, 2006	1.3%	310,000	**360,919**	**361,837**
Bonds				
Canada Mortgage & Housing Corporation - December 1, 2006	94.7%	26,600,000	**26,975,924**	**26,963,841**
	99.6%		**28,350,101**	**28,338,936**
Accrued Interest	**0.4%**			**119,390**
TOTAL SHORT-TERM INVESTMENTS	**100.0%**		**$ 28,350,101**	**$28,458,326**
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal		210,000	$ 12,212,589	**$ 13,650,000**
Canadian Imperial Bank of Commerce		165,000	12,252,801	**12,607,650**
Great-West Lifeco Inc.		470,000	13,469,284	**14,429,000**
IGM Financial Inc.		30,000	1,014,938	**1,383,600**
Manulife Financial Corporation		280,000	17,656,103	**19,115,600**
National Bank of Canada		215,000	12,847,089	**12,968,800**
Royal Bank of Canada		190,000	15,439,536	**17,253,900**
Sun Life Financial Services of Canada Inc.		339,500	15,159,337	**15,864,835**
The Bank of Nova Scotia		310,000	13,087,227	**14,303,400**
The Toronto-Dominion Bank		300,000	16,920,315	**18,339,000**
Total Financials	41.0%		**130,059,219**	**139,915,785**
Total Canadian Common Shares	**41.0%**		**$ 130,059,219**	**$ 139,915,785**
Non-North American Common Shares				
Financials				
Aegon N.V. ADR		50,000	$ 971,785	**$ 953,215**
Allianz AG ADR		300,000	4,785,996	**5,305,765**
AXA Spons ADR		125,000	4,300,454	**4,720,811**
Banco Santander Central Hispano SA ADR		395,000	5,826,330	**6,086,151**
Banco Bilbao Vizcaya Argentaria, S.A. ADR		210,000	4,106,397	**4,378,833**
Barclays PLC ADR		225,000	12,141,821	**11,060,102**
Bank of Ireland ADR		40,000	3,066,827	**2,958,238**
Deutsche Bank AG		80,000	9,125,704	**9,052,742**
HSBC Holdings PLC ADR		127,500	13,013,194	**11,985,194**
Mitsubishi UFJ Financial GRP-ADR		235,000	3,581,939	**3,758,133**
UBS AG ADR		90,000	9,343,898	**10,003,504**
Westpac Banking Corp. ADR		20,000	1,747,770	**1,952,690**
Total Financials	21.1%		**72,012,115**	**72,215,378**
Total Non-North American Common Shares	**21.1%**		**$ 72,012,115**	**$ 72,215,378**

Statement of Investments

December 31, 2005

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
United States Common Shares				
Financials				
American Family Life Assurance Company of Columbus		160,000	$ 8,948,302	**$ 8,676,129**
Allstate Corp.		115,000	7,732,878	**7,263,653**
American Express Company		190,000	12,384,578	**11,421,529**
Bank of America Corporation		230,000	12,969,390	**12,399,392**
Citigroup Inc.		240,000	14,630,057	**13,605,747**
Hartford Financial Services Group Inc.		125,000	12,227,894	**12,541,616**
J.P. Morgan Chase & Co.		185,000	9,383,803	**8,577,361**
Morgan Stanley		200,000	15,476,123	**13,256,235**
Northern Trust Corp.		120,000	7,583,159	**7,264,062**
Suntrust Banks Inc.		66,000	5,779,546	**5,609,672**
The Charles Schwab Corporation		110,000	1,978,946	**1,885,053**
The Goldman Sachs Group, Inc.		75,000	11,442,462	**11,188,891**
U.S. Bancorp		350,000	12,842,941	**12,220,665**
Wells Fargo & Company		85,000	6,367,702	**6,238,596**
Total Financials	38.7%		**139,747,781**	**132,148,601**
Total United States Common Shares	**38.7%**		**$139,747,781**	**$ 132,148,601**
Forward Exchange Contracts				
Sold USD $12,479,000, Bought CAD $14,714,240 @ 0.84809 - January 4, 2006				**$ 138,694**
Sold USD $9,481,000, Bought CAD $11,031,089 @ 0.85948 - January 11, 2006				**(40,448)**
Sold USD $10,284,000, Bought CAD $12,116,214 @ 0.84878 - January 18, 2006				**109,629**
Sold USD $19,897,000, Bought CAD $23,383,202 @ 0.85091 - January 25, 2006				**158,577**
Sold USD $20,803,000, Bought CAD $24,290,084 @ 0.85644 - February 1, 2006				**13,039**
Sold USD $8,738,000, Bought CAD $10,238,804 @ 0.85342 - February 8, 2006				**43,485**
Sold USD $13,470,000, Bought CAD $15,749,044 @ 0.85529 - February 15, 2006				**35,458**
Sold USD $16,913,000, Bought CAD $19,915,219 @ 0.84925 - February 22, 2006				**188,843**
Sold USD $20,027,000, Bought CAD $23,410,249 @ 0.85548 - March 1, 2006				**56,237**
Sold USD $8,217,000, Bought CAD $9,566,999 @ 0.85889 - March 8, 2006				**(13,162)**
Sold USD $6,897,000, Bought CAD $7,966,871 @ 0.86571 - March 15, 2006				**(72,715)**
Sold USD $8,283,000, Bought CAD $9,563,119 @ 0.86614 - March 22, 2006				**(90,164)**
Sold USD $4,604,000, Bought CAD $5,248,698 @ 0.87717 - March 29, 2006				**(115,894)**
Sold USD $14,028,000, Bought CAD $16,410,664 @ 0.85481 - April 5, 2006				**67,871**
Total Forward Exchange Contracts	**0.1%**			**$ 479,450**

Statement of Investments

December 31, 2005

	% of Portfolio	Number of Contracts	Average Cost/ Proceeds	Market Value
INVESTMENTS (continued)				
OPTIONS (continued)				
Purchased Put Options (100 shares per contract)				
Financial Select Sector SPDR - February 2006 @ $28		16,500	$ 903,539	**$ 10,437**
Financial Select Sector SPDR - February 2006 @ $30		8,250	393,386	**187,390**
S&P/TSX Capped Financials Index (iUnits)- January 2006 @ $42		7,500	532,500	**960**
S&P/TSX Capped Financials Index (iUnits)- March 2006 @ $43		4,500	265,500	**56,970**
Total Purchased Put Options	0.1%		**2,094,925**	**255,757**
Written Cash Covered Put Options (100 shares per contract)				
Allstate Corp. - January 2006 @ $56		(250)	(26,317)	**(51,725)**
Royal Bank of Canada - January 2006 @ $86		(100)	(9,523)	**(750)**
The Charles Schwab Corporation - January 2006 @ $15		(1,100)	(47,759)	**(66,339)**
Total Written Cash Covered Put Options	0.0%		**(83,599)**	**(118,814)**
Written Covered Call Options (100 shares per contract)				
American Family Life Assurance Company of Columbus - February 2006 @ $50		(1,400)	(143,331)	**(24,531)**
Allianz AG ADR - January 2006 @ $15		(2,000)	(63,174)	**(71,687)**
Allstate Corp. - January 2006 @ $58		(860)	(86,971)	**(1)**
American Express Company - February 2006 @ $52		(950)	(119,909)	**(81,799)**
AXA Spons ADR - January 2006 @ $30		(1,000)	(85,471)	**(292,134)**
Bank of America Corporation - January 2006 @ $47		(1,150)	(87,877)	**(28,967)**
Bank of Montreal - January 2006 @ $59		(1,020)	(99,960)	**(642,356)**
The Bank of Nova Scotia - January 2006 @ $43		(750)	(57,000)	**(224,924)**
The Bank of Nova Scotia - January 2006 @ $46		(217)	(12,478)	**(16,233)**
The Bank of Nova Scotia - February 2006 @ $46		(566)	(36,418)	**(61,755)**
The Bank of Nova Scotia - February 2006 @ $48		(250)	(13,625)	**(14,922)**
The Bank of Nova Scotia - March 2006 @ $47		(300)	(22,500)	**(31,075)**
Barclays PLC ADR - January 2006 @ $42		(2,250)	(212,358)	**(121,672)**
Banco Bilbao Vizcaya Argentaria, S.A. ADR - January 2006 @ $18		(1,500)	(22,687)	**(29,371)**
Canadian Imperial Bank of Commerce - January 2006 @ $74		(260)	(26,520)	**(62,523)**
Canadian Imperial Bank of Commerce - January 2006 @ $76		(160)	(13,280)	**(14,626)**
Canadian Imperial Bank of Commerce - January 2006 @ $77		(450)	(41,850)	**(42,331)**
Citigroup Inc. - January 2006 @ $50		(1,300)	(79,690)	**(5,147)**
Deutsche Bank AG - February 2006 @ $100		(800)	(165,467)	**(82,651)**
Great-West Lifeco Inc. -January 2006 @ $29		(1,000)	(47,000)	**(163,181)**
Great-West Lifeco Inc. - February 2006 @ $31		(1,000)	(42,000)	**(59,659)**
Great-West Lifeco Inc. - March 2006 @ $31		(1,000)	(45,000)	**(71,933)**
Hartford Financial Services Group Inc. - February 2006 @ $88		(625)	(110,856)	**(55,006)**
HSBC Holdings PLC ADR - January 2006 @ $81		(765)	(70,245)	**(18,749)**
J.P. Morgan Chase & Co. - January 2006 @ $40		(925)	(40,093)	**(42,492)**
Manulife Financial Corporation - January 2006 @ $69		(1,400)	(165,200)	**(85,730)**
Mitsubishi UFJ Financial GRP-ADR - January 2006 @ $13		(1,425)	(84,275)	**(91,388)**
Morgan Stanley - January 2006 @ $58		(1,000)	(124,907)	**(7,230)**
National Bank of Canada - January 2006 @ $61		(500)	(42,500)	**(20,659)**
National Bank of Canada - January 2006 @ $63		(1,000)	(66,000)	**(9,825)**
Northern Trust Corp. - January 2006 @ $54		(600)	(69,766)	**(13,408)**
Royal Bank of Canada - January 2006 @ $90		(525)	(70,613)	**(78,786)**
Royal Bank of Canada - February 2006 @ $89		(525)	(64,575)	**(117,069)**

Statement of Investments

December 31, 2005

	% of Portfolio	Number of Contracts	Proceeds	Market Value
INVESTMENTS (continued)				
OPTIONS (continued)				
Written Covered Call Options (100 shares per contract) (continued)				
Sun Life Financial Services of Canada Inc. - January 2006 @ $48		(1,100)	(74,800)	**(23,683)**
Sun Life Financial Services of Canada Inc. - February 2006 @ $49		(1,100)	(90,200)	**(50,404)**
Suntrust Banks Inc. - January 2006 @ $76		(660)	(92,006)	**(4,114)**
The Charles Schwab Corporation - January 2006 @ $16		(1,100)	(53,490)	**(13,310)**
The Goldman Sachs Group, Inc. - January 2006 @ $135		(500)	(142,256)	**(5,674)**
The Toronto-Dominion Bank - January 2006 @ $58		(250)	(27,500)	**(90,199)**
The Toronto-Dominion Bank - January 2006 @ $59		(500)	(45,750)	**(124,749)**
The Toronto-Dominion Bank - February 2006 @ $61		(800)	(72,000)	**(119,336)**
The Toronto-Dominion Bank - March 2006 @ $61		(400)	(42,000)	**(72,438)**
UBS AG ADR - January 2006 @ $99		(600)	(86,047)	**(12,830)**
U.S. Bancorp - January 2006 @ $31		(1,750)	(80,588)	**(25,997)**
Wells Fargo & Company - January 2006 @ $63		(850)	(100,244)	**(38,363)**
Total Written Covered Call Options	(1.0)%		(3,340,477)	(3,264,917)
TOTAL OPTIONS	**(0.9)%**		$ (1,329,151)	$ (3,127,974)
TOTAL INVESTMENTS	**100.0%**		$ 340,489,964	$ 341,631,240

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"). RBC Dexia Investor Services 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 derivatives.

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.

Credit ratings of counterparties are at or above approved credit ratings set out in National Instrument 81-102.

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

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

(ii) Settlement of purchased put options whereby realized gains are equivalent to the difference between the exercise price of the option less the premium paid; and

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

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 overallotment. 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 month-end valuation date. The price paid will be equal to the net asset value per Unit.

The Fund's Preferred shares have been classified as liabilities in accordance with 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 month-end 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.

During the year, 2,481,189 Units (2004 - nil) were redeemed by the Fund.

Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 1,776,851 Class A shares and up to a maximum of 1,776,851 Preferred shares representing approximately 10% of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of November 2, 2006 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2005, no units have been purchased by the Fund. Shareholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: Mulvihill World Financial Split Fund, Investor Relations,121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

Issued and Outstanding

		2005	2004
16,368,811 (2004 - 18,850,000)	Preferred shares	**$ 163,688,110**	$ 188,500,000
16,368,811 (2004 - 18,500,000)	Class A shares	**$ 231,643,838**	$ 261,313,669
100 (2004 - 100)	Class J shares	**100**	100
		$ 231,643,938	$ 261,313,769

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, excluding the Redeemable Preferred shares liability, 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.

6. Distributions

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

		2005		2004
Capital gains dividends	$	**0.86**	$	0.34
Non-taxable distributions		**0.34**		0.70
	$	**1.20**	$	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:

		2005		2004
Capital gains dividends	$	**0.28**	$	0.35
Taxable dividends		**0.19**		0.11
Non-taxable distributions		**0.06**		–
	$	**0.53**	$	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.

Amount paid on account of income taxes in 2005 is $53,000 (2004 - nil).

Issue costs of approximately $13.3 million (2004 - $17.0 million) remain undeducted for tax purposes at period end.

8. Commissions

Total commissions paid for the period ended December 31, 2005 in connection with portfolio transactions were $665,608 (2004 - $739,301). Of this amount $95,173 (2004 - $92,268) was directed for payment of trading related goods and services.

9. Financial Instruments and Risk Management

The Fund's financial instruments 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 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. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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

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

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has 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 auditor to discuss and review specific issues as appropriate.

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

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

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than $3.0 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** For the period January 1, 2005 to December 31, 2005	**LOW**
MULVIHILL PLATINUM			
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 21.99	$ 20.00
Mulvihill Pro-AMS *RSP Fund*	PR.UN	$ 20.74	$ 18.94
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*	PRC.UN	$ 18.45	$ 16.26
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*	PRU.U	$ 15.08 USD	$ 13.15 USD
Mulvihill Pro-AMS *RSP Split Share Fund*	SPL.A/SPL.B	$ 10.40/$ 13.87	$ 9.10/$ 12.32
MULVIHILL PREMIUM			
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 21.10	$ 16.50
Mulvihill Premium *Oil & Gas Fund*	FPG.UN	$ 13.33	$ 10.25
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 19.45	$ 16.40
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 12.39	$ 10.00
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 13.20/$ 16.85	$ 9.75/$ 15.79
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 9.67/$ 16.15	$ 6.22/$ 15.25
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.55/$ 11.90	$ 0.14/$ 10.10
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 17.27	$ 14.50
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 13.00/$13.00	$ 9.70/$12.50
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.60/$ 11.30	$ 9.11/$ 10.41

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

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Toronto, Ontario M5J 2V1

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

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

Custodian:
RBC Dexia Investor Services
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 *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Mutual Funds Managed by Mulvihill Capital Management

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

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