ANNUAL REPORT 2010

World Financial Split Corp.

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Letter to Shareholders

We are pleased to present the 2010 annual report containing the management report of fund performance and the financial statements for World Financial Split Corp. (the "Fund").

The Fund is a split share corporation designed to provide Preferred shareholders with fixed cumulative preferential quarterly distributions and the Class A shareholders with attractive quarterly distributions and the return of the original issue price to holders of both Preferred and Class A shares on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols WFS.PR.A for the Preferred shares and WFS for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share. To accomplish its objectives the Fund invests in a portfolio which includes common equity securities selected from the ten largest financial services companies by market capitalization in each of Canada, the United States and the Rest of the World.

During the 2010 fiscal year, the Fund paid distributions of $0.53 per Preferred share though no distributions were paid on the Class A shares in accordance with the terms of the prospectus as the net asset value per Unit was less than $15.00. As a result of continued turbulence in European financial markets and the cost of buying put protection for the Fund, the Fund experienced an annual total return of negative 7.7 percent. Consequently, the net asset value decreased from $13.11 per Unit as at December 31, 2009 to $11.57 per Unit as at December 31, 2010. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager's Report sections.

In August 2010, the Fund issued warrants to Class A shareholders allowing holders of warrants to purchase a Unit of the Fund on or before the expiry date of January 17, 2011 at an exercise price of $11.43 per Unit. By the expiry date of January 17, 2011, 1,123,620 warrants were exercised for gross proceeds of approximately $13 million. The scheduled termination date of the Fund is June 30, 2011 and management is reviewing various options regarding the ongoing operations of the Fund.

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

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

World Financial Split Corp. [WFS/WFS.PR.A]

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2010 of World Financial Split Corp. (the "Fund"). The annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com.

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 $0.131250 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 suspended payment of distributions to holders of Class A shares effective December 2008 in accordance with terms of the prospectus which states, "No distribution will be paid to the Class A shares if (i) the distributions payable on the Preferred shares are in arrears; or (ii) after the payment of the distribution by the Fund, the net asset value per unit would be less than $15.00".

The Fund invests in a portfolio (the "Portfolio") which includes common equity securities selected from the ten largest Financial Services companies by market capitalization in each of Canada, the United States and the Rest of the World (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 Rating Services 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 Rating Services or a comparable rating from an equivalent rating agency.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund's 2010 annual information form, which is available on the Fund's website at www.mulvihill.com or on SEDAR at www.sedar.com. A change to the Fund in 2010 that has materially affected the risks associated with an investment in the securities of the Fund is set out below.

Warrants

The issuance of warrants in August 2010 could result in a risk of dilution to existing Class A shareholders. As disclosed in the prospectus of the warrant offering, if Class A shareholders wish to retain their current percentage ownership in the Fund, and assuming that all warrants are exercised, the Class A shareholders should purchase all of the Units for which they may subscribe pursuant to the warrants delivered under the offering. If a Class A shareholder does not do so and other holders of warrants exercise any of their warrants, that shareholder's current percentage in the Fund will be diluted by the issue of Units under the offering. The exercise of warrants may also have a dilutive impact on the Fund's distributable income.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2010

	% OF NET ASSET VALUE*
United States	38 %
International	25 %
Canada	22 %
Cash and Short-Term Investments	17 %
Other Assets (Liabilities)	(2)%
	100 %

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

Portfolio Holdings

December 31, 2010

	% OF NET ASSET VALUE*
Cash and Short-Term Investments	17%
JPMorgan Chase & Co.	7%
Goldman Sachs Group, Inc.	6%
KB Financial Group, Inc. ADR	6%
Metlife Inc.	6%
National Bank of Canada	5%
AFLAC Inc.	5%
US Bancorp.	5%
The Bank of Nova Scotia	5%
Citigroup Inc.	5%
Banco Santander SA - Spon ADR	5%
The Travelers Companies, Inc.	4%
HSBC Holdings plc ADR	4%
UBS AG	4%
The Toronto-Dominion Bank	4%
ING Groep N.V. ADR	3%
Barclays PLC - Spon ADR	3%
Bank of Montreal	3%
Canadian Imperial Bank of Commerce	2%
Manulife Financial Corporation	2%
Sun Life Financial Inc.	1%

*The net asset value excludes the Redeemable Preferred share liability.

Results of Operations

Distributions

For the year ended December 31, 2010, cash distributions of $0.53 per Preferred share were paid to Preferred shareholders which was unchanged from the prior year. Distributions to Class A shareholders remained suspended in accordance with the terms of the prospectus which states, "No distribution will be paid to the Class A shares if (i) the distributions payable on the Preferred shares are in arrears; or (ii) after the payment of the distribution by the Fund, the net asset value per unit would be less than $15.00”.

Since the inception of the Fund in February 2004, the Fund has paid total cash distributions of $3.61 per Preferred share and $5.54 per Class A share.

Revenues and Expenses

The Fund’s total revenue per Unit increased to $0.26 per Unit for the year ended December 31, 2010 from $0.11 per Unit for 2009, reflecting a smaller loss on foreign exchange translation of short-term investments in the current year. Total expenses per Unit increased slightly from $0.24 per Unit in 2009 to $0.25 per Unit in 2010. Implementation of the harmonized sales tax by the Government of Ontario increased the amount of taxes paid by the Fund on its expenses incurred after July 1, 2010. This was partly mitigated by an overall decline in expenses due to a decrease in average net asset value and investing activity. The Fund had a net realized and unrealized loss of $1.30 per Unit in 2010 as compared to a net realized and unrealized gain of $1.06 per Unit in 2009.

Net Asset Value

The net asset value per Unit of the Fund decreased by $1.54 per Unit, or 11.7 percent, from $13.11 per Unit at December 31, 2009 to $11.57 per Unit at December 31, 2010. The aggregate net asset value of the Fund was down $30.6 million from $107.3 million at December 31, 2009, primarily attributable to Unit redemptions, net loss on investments and Preferred share distributions during the year.

Financial Highlights

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

Since 2007 the net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended December 31

	2010	2009	2008	2007	2006
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)(1)	**$ 13.10**	**$ 12.47**	**$ 19.48**	**$ 23.29(4)**	**$ 22.60**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.26**	0.11	0.81	0.57	0.61
Total expenses	**(0.25)**	(0.24)	(0.26)	(0.36)	(0.34)
Realized gain (loss) for the period	**(1.65)**	(3.29)	(5.97)	1.59	1.25
Unrealized gain (loss) for the period	**0.35**	4.35	(0.18)	(3.88)	0.80
Total Increase (Decrease) from Operations(2)	**(1.29)**	**0.93**	**(5.60)**	**(2.08)**	**2.32**
DISTRIBUTIONS					
Class A Share					
From capital gains	**–**	–	–	(0.81)	(0.39)
Non-taxable distributions	**–**	–	(0.90)	(0.39)	(0.81)
Total Class A Share Distributions	**–**	**–**	**(0.90)**	**(1.20)**	**(1.20)**
Preferred Share					
From net investment income	**–**	–	(0.25)	(0.25)	(0.19)
From capital gains	**–**	–	–	(0.28)	(0.34)
Non-taxable distributions	**(0.53)**	(0.53)	(0.28)	–	–
Total Preferred Share Distributions	**(0.53)**	**(0.53)**	**(0.53)**	**(0.53)**	**(0.53)**
Total Distributions(3)	**(0.53)**	**(0.53)**	**(1.43)**	**(1.73)**	**(1.73)**
Net Assets, as at December 31 (based on bid prices)(1)	**$ 11.57**	**$ 13.10**	**$ 12.47**	**$ 19.48**	**$ 23.31**

(1) Net assets per Unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding Preferred shares of the Fund on that date and including the valuation of securities at bid prices divided by the number of Units then outstanding. For years prior to 2007, securities were valued at closing prices. The change to the use of bid prices is due to accounting standards set out by the Canadian Institute of Chartered Accountants adopted January 1, 2007 relating to Financial Instruments.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), realized and unrealized 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 assets 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) Net assets per Unit has been adjusted for the change in accounting policy relating to the calculation of net asset value based bid prices versus closing prices prior to 2007.

RATIOS/SUPPLEMENTAL DATA

	2010	2009	2008	2007	2006
Net Asset Value, excluding the Redeemable Preferred share liability (millions)(1)	**$ 76.62**	$ 107.26	$ 147.77	$ 269.64	$ 337.41
Net Asset Value ($millions)(1)	**$ 10.41**	$ 25.44	$ 29.41	$ 131.40	$ 192.66
Number of Units outstanding(1)	**6,621,726**	8,181,810	11,835,359	13,824,263	14,474,579
Management expense ratio(2)	**1.89%**	1.59%	1.43%	1.49%	1.51%
Portfolio turnover rate(3)	**190.63%**	148.58%	61.65%	116.48%	189.55%
Trading expense ratio(4)	**0.39%**	0.41%	0.17%	0.14%	0.23%
Net Asset Value per Unit(5)	**$ 11.57**	$ 13.11	$ 12.48	$ 19.50	$ 23.31
Closing market price - Preferred	**$ 9.80**	$ 9.73	$ 8.99	$ 9.95	$ 10.86
Closing market price - Class A	**$ 1.36**	$ 3.07	$ 1.49	$ 8.16	$ 11.50

(1) This information is provided as at December 31. One Unit consists of one Class A and one Preferred share.
(2) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes and capital tax but excluding transaction fees and income taxes and Preferred share distributions, charged to the Fund divided by the average net asset value, excluding the Redeemable Preferred share liability. The MER for 2010 and 2009 includes the warrant offering costs and warrant exercise fees. The MER for 2010 and 2009 excluding the warrant offering costs and warrant exercise fees is 1.51% and 1.45% respectively. The MER, including Preferred share distributions, is 6.14%, 5.78%, 4.64%, 3.87% and 3.57% for 2010, 2009, 2008, 2007 and 2006 respectively.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) 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 and including the valuation of securities at closing prices divided by the number of Units then outstanding.

Management Fees

Mulvihill Fund Services Inc. (the “Manager” or “Mulvihill”) amalgamated with Mulvihill Capital Management Inc. (the “Investment Manager” or “MCM”) on September 1, 2010. As successor, MCM became the Manager of the Fund. MCM is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and as to the execution of all portfolio and other transactions.

MCM, as the Manager, is entitled to fees under the Trust Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

On August 23, 2010, the Fund issued 6,994,526 warrants to Class A shareholders, on the basis of one warrant for each Class A share held, with each warrant entitling the holder to subscribe to one Unit (consisting of one Class A share and one Preferred share) of the Fund at a subscription price of $11.43, if exercised by the expiry date of January 17, 2011. The offering was designed to provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities in shares of Global Financial Services companies, while also increasing the trading liquidity of the Class A shares and Preferred shares and reducing the ongoing management expense ratio (“MER”) of the Fund. By the expiry date of January 17, 2011, 1,123,620 warrants had been exercised for gross proceeds of approximately $13 million.

On November 17, 2010, the Manager requested that Dominion Bond Rating Service (“DBRS”) discontinue its rating of the Preferred shares of the Fund as the costs of continuing the rating were deemed to outweigh the benefit of the rating.

Mulvihill amalgamated with MCM on September 1, 2010. As successor, MCM became the Manager of the Fund. Management fees previously paid to Mulvihill will be paid to MCM from and after the effective date of the amalgamation.

The Government of Ontario harmonized its provincial sales tax with the federal goods and services tax effective July 1, 2010. Implementation of the proposed changes increased the amount of taxes paid by the Fund on its expenses incurred after July 1, 2010, including but not limited to management fees, and therefore resulted in an increase in the MER.

Future Accounting Policy Changes

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

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies (“AcG-18”). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the interim period ending June 30, 2013.

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

As at December 31, 2010, some anticipated changes to financial reporting include:

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

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the full impact of the transition to IFRS on the Fund’s financial results at this time. Based on the Manager’s current understanding and analysis of IFRS as compared to the current accounting policies under Canadian GAAP, the Manager does not anticipate that the transition to IFRS will have a material impact on the Fund's net assets per share, nor systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

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

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:

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

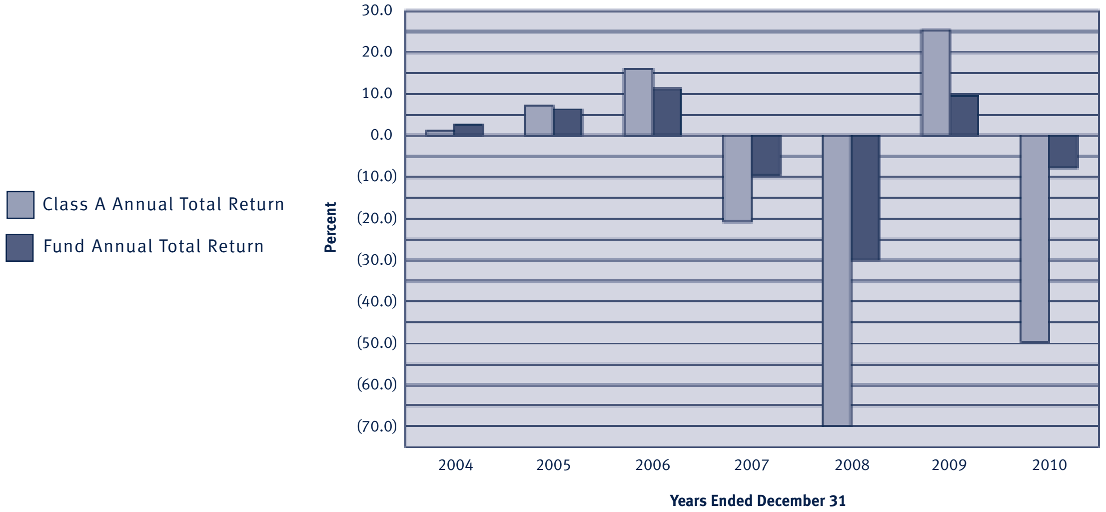
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

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

Year-By-Year Returns

The bar chart below illustrates how the Fund's annual total return varied from year to year in each of the past seven years. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2004 would have increased or decreased by the end of fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2010 as compared to the performance of the MSCI World/Finance Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Since Inception*
World Financial Split Corp.	**(7.70)%**	(10.89)%	(6.53)%	(3.51)%
World Financial Split Corp. - Class A	**(49.49)%**	(42.44)%	(29.39)%	(21.09)%
World Financial Split Corp. - Preferred Share	**5.35 %**	5.35 %	5.35 %	5.25 %
MSCI World/Finance Index**	**(0.23)%**	(13.51)%	(8.75)%	(5.26)%

* 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.

The equity performance benchmark shown here provides an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed this index; rather, its objectives are to pay out quarterly distributions and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to generate the distributions.

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

Portfolio Manager Report

2010 was a year of continued, albeit uncertain recovery. The Canadian economy grew at a quick pace in the first half of 2010 but had slower gross domestic product growth in the third quarter of 1.0 percent. Employment levels in Canada have returned to pre-recession levels although the rate of growth is still below normal levels. U.S. employment levels started to improve over the last few months of 2010 but the unemployment rate is still hovering at multi-year highs and ended 2010 at 9.4 percent. Internationally, economic growth was concentrated in the emerging markets of south-east Asia and Latin America but developed countries like Germany also demonstrated strong growth led by increased exports. This was partially offset by the weaker growth in the peripheral European Union countries such as Greece, Ireland and Portugal. Due to economic uncertainty and increased regulatory oversight, global financial institutions are expected to further strengthen their capital levels and continue to make it harder for customers to access credit.

The annual total return for the MSCI World/Finance Index in Canadian dollars was negative 0.2 percent as Financials underperformed global equities in 2010. The three regions of investment of the Fund, Canada, United States and Rest of the World, produced different total returns in Canadian dollar terms for the period. In Canada, the S&P/TSX Financial Services Index annual total return was up 10.5 percent, in the United States, the S&P 500 Financials Index annual total return was up 5.6 percent, while the International MSCI EAFE Financials Index annual total return declined by 6.8 percent. In general, these returns are reflective of the improving business environment for many Financial Services companies as stronger Global equity markets, falling credit spreads and a steepening yield curve have helped stabilize earnings. However, as investors' fears of European sovereign default risk increased in 2010 with both Greece and Ireland requiring financial assistance, European Financial Services companies produced negative returns during the year.

The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2010 was negative 7.7 percent. Year-over-year returns varied greatly across the names in our universe. The best performing names in the Canadian Financials were The Bank of Nova Scotia and Canadian Imperial Bank of Commerce posting annual total returns of 20.4 percent each. The Fund was overweight in these names for the majority of the year and benefitted as a result. The non-Canadian weightings were not as successful this year compared to the benchmark. The S&P 500 Financials Index were led by American International Group, Inc. and Citigroup Inc., up 81.0 percent and 34.5 percent respectively. The Manager chose to remain out of both of these names for most of the year due to the overhang of the large U.S. Government ownership in each company. The Manager also chose to overweight the investment banks, including JPMorgan Chase & Co., and Barclays PLC, which were showing signs of recovery late in 2009, as anticipated increased merger activity in 2010 would benefit this group of companies. This strategy did not pay off in 2010 as both JPMorgan Chase & Co. and Barclays PLC were underperformers. The weakest performing stock in the portfolio was Banco Santander SA, which was hit hard when Spain was affected by the European debt contagion. The combination of these selections resulted in the Fund's underperformance this year.

Volatility levels for Global Financial Services companies varied greatly over the course of 2010. After starting off low in the first quarter as most markets peaked in April, volatility started to escalate as European sovereign default risk increased. During this period, the covered-call writing activity was increased to take advantage of higher volatility levels while the Fund also purchased put protection. Once the European Union provided a financial backstop to Greece and other peripheral countries, markets started to rally, volatility declined and the majority of the puts expired. The Fund ended 2010 with approximately 25 percent of the portfolio subject to covered calls.

During the course of the year, the Fund had varying exposures to the U.S. dollar due to the investments in U.S. Financial Services equities along with International Financial Services equities through the ADR market. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the year and ended 2010 being approximately 100 percent hedged.

The Fund ended 2009 with a regional asset mix of 25 percent invested Canada, 39 percent in the United States and 27 percent in the Rest of World. Although the Fund had varying exposures to the regions over the course of the year, it ended 2010 with the highest allocation to U.S. Financials as in 2009 primarily due to greater leverage on improving credit. The Fund ended 2010 with a regional asset mix of 22 percent invested Canada, 38 percent in the United States and 25 percent in the Rest of World.

The Global Financial Services companies demonstrated improving fundamentals and profitability in 2010 as Global equity markets continued to rise and loan loss provisions continued to decline. Although the global economy is expected to improve in 2011 and returns on equity should continue to recover, volatility and uncertainty is likely to remain as the European sovereign debt crisis represents a major overhang on the sector. The valuations of companies in the portfolio are at very reasonable levels when measured by price to earnings ratios and current dividend yields. We expect this to continue to act as a major support for the share prices. As global regulatory and capital requirements become clearer in 2011, several Global Financial Services companies are likely to start returning capital to shareholders in the form of increased dividends and share repurchases. Only those companies that can demonstrate earnings power and capital strength are likely to be allowed to return capital to shareholders by the regulators.

Related Party Transactions

The manager and investment manager of the Fund is MCM ("Manager " or "Investment Manager"). MCM became the Manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services 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.

MCM is the Manager of the Fund pursuant to a Management Agreement made between the Fund and MCM dated February 17, 2004, and as such, is responsible for providing or arranging for required administrative services to the Fund.

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

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

We confirm the Fund did not rely on any approvals or recommendations of the IRC concerning related party transactions during the year.

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of World Financial Split Corp. (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Capital Management Inc., (the "Manager"), and have been approved by the Fund's 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 annual financial statements.

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

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

John P. Mulvihill
Director
Mulvihill Capital Management Inc.
March 2, 2011

John D. Germain
Director
Mulvihill Capital Management Inc.

To the Shareholders of World Financial Split Corp.

We have audited the accompanying financial statements of World Financial Split Corp., which comprise the statement of investments as at December 31, 2010, the statements of financial position as at December 31, 2010 and 2009, and the statements of operations and deficit, changes in net assets and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of World Financial Split Corp. as at December 31, 2010 and 2009, and the results of its operation, its changes in the net assets, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 2, 2011
Toronto, Ontario

Statements of Financial Position

As at December 31

	2010	2009
ASSETS		
Investments at fair value (cost - $63,142,083; 2009 - $97,904,698)	$ 65,525,145	$ 97,644,675
Short-term investments at fair value (cost - $13,316,298; 2009 - $9,645,572)	13,316,298	9,624,920
Cash	44,966	38,736
Interest receivable	2,127	417
Dividends receivable	240,402	333,213
Due from brokers - investments	1,296,529	–
TOTAL ASSETS	$ 80,425,467	$ 107,641,961
LIABILITIES		
Due to brokers - investments	$ 2,241,854	$ –
Redemptions payable	1,392,395	201,111
Accrued liabilities	133,241	187,635
Accrued management fees	72,970	100,515
Redeemable Preferred shares (Note 5)	66,217,260	81,818,100
	70,057,720	82,307,361
EQUITY		
Class A and Class J shares (Note 5)	84,035,812	113,422,791
Deficit	(73,668,065)	(88,088,191)
	10,367,747	25,334,600
TOTAL LIABILITIES AND EQUITY	$ 80,425,467	$ 107,641,961
Number of Units Outstanding (Note 5)	6,621,726	8,181,810
Net Assets per Unit		
Preferred Share (Note 5)	$ 10.0000	$ 10.0000
Class A Share - Basic	1.5657	3.0965
Net Assets per Unit (Note 4)	$ 11.5657	$ 13.0965
Net Assets per Class A Share - Diluted (Note 5)	$ 1.4087	$ 3.0063

On Behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

The notes are an integral part of the Financial Statements.

Statements of Operations and Deficit

Years ended December 31

	2010	2009
REVENUE		
Interest, net of foreign exchange	$ (7,535)	$ (2,050,453)
Dividends	2,153,047	3,362,189
Withholding taxes	(181,503)	(207,022)
	1,964,009	1,104,714
Net realized loss on investments	(14,705,236)	(44,205,074)
Net realized loss on short-term investments	–	(38,832)
Net realized gain on derivatives	2,233,382	10,688,168
Total Net Realized Loss	(12,471,854)	(33,555,738)
TOTAL REVENUE	(10,507,845)	(32,451,024)
EXPENSES (Note 6)		
Management fees	981,105	1,358,947
Service fees	50,610	91,297
Administrative and other expenses	111,942	113,374
Transaction fees (Note 8)	360,280	506,221
Custodian fees	51,237	49,614
Audit fees	33,656	34,736
Director fees	20,575	19,631
Independent review committee fees	6,601	6,514
Legal fees	8,693	15,410
Shareholder reporting costs	35,610	39,647
Federal and provincial sales taxes	82,557	79,012
Subtotal Expenses	1,742,866	2,314,403
Warrant offering costs (Note 5)	150,012	181,785
TOTAL EXPENSES	1,892,878	2,496,188
Net Realized Loss before Distributions	(12,400,723)	(34,947,212)
Preferred share distributions	(3,887,971)	(5,235,331)
Net Realized Loss	(16,288,694)	(40,182,543)
Net change in unrealized appreciation/depreciation of investments	2,643,085	44,295,899
Net change in unrealized appreciation/depreciation of short-term investments	20,216	122,929
Total Net Change in Unrealized Appreciation/Depreciation of Investments	2,663,301	44,418,828
NET INCOME (LOSS) FOR THE YEAR	$ (13,625,393)	$ 4,236,285
NET INCOME (LOSS) PER CLASS A SHARE - BASIC (based on the weighted average number of Class A shares outstanding during the year of 7,565,966; 2009 - 10,206,413)	$ (1.8009)	$ 0.4151
NET INCOME (LOSS) PER CLASS A SHARE - DILUTED	$ (1.8009)	$ 0.4070
DEFICIT		
Balance, beginning of year	$ (88,088,191)	$ (134,784,648)
Net allocations on retractions of Class A shares (Note 5)	28,045,519	42,460,172
Net income (loss) for the year	(13,625,393)	4,236,285
BALANCE, END OF YEAR	$ (73,668,065)	$ (88,088,191)

Statements of Changes in Net Assets

Years ended December 31

	2010	2009
NET ASSETS - CLASS A AND J SHARES, BEGINNING OF YEAR	$ 25,334,600	$ 29,286,560
Net Realized Loss before Distributions	(12,400,723)	(34,947,212)
Class A Share Capital Transactions		
Proceeds from issuance of Class A shares, net of warrant exercise fees	2,623,958	1,314
Value for Class A shares redeemed	(3,965,418)	(8,189,559)
	(1,341,460)	(8,188,245)
Distributions		
Preferred Shares		
Non-taxable distributions	(3,887,971)	(5,235,331)
Net Change in Unrealized Appreciation/Depreciation of Investments	2,663,301	44,418,828
Changes in Net Assets during the Year	(14,966,853)	(3,951,960)
NET ASSETS - CLASS A AND J SHARES, END OF YEAR	$ 10,367,747	$ 25,334,600

Statements of Cash Flows

Years ended December 31

	2010	2009
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	$ 9,663,656	$ 60,790,338
Cash Flows Provided by (Used In) Operating Activities		
Net Realized Loss before Distributions	(12,400,723)	(34,947,212)
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Purchase of investment securities	(159,155,199)	(137,074,026)
Proceeds from disposition of investment securities	181,445,960	142,456,025
Net realized (gain)/loss on sale of investments (including derivatives)	12,471,854	33,516,906
(Increase)/decrease in due from brokers - investments, dividends receivable and interest receivable	(1,205,428)	914,334
Increase/(decrease) in due to brokers - investments, accrued liabilities and accrued management fees	2,159,915	68,664
Net change in unrealized appreciation/depreciation of cash and short-term investments	20,216	122,929
	35,737,318	40,004,832
Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of Units, net of warrant exercise fees	11,610,118	1,314
Distributions to Preferred shares	(3,887,971)	(5,235,331)
Preferred share redemptions	(23,532,000)	(41,586,310)
Class A share redemptions	(3,829,134)	(9,363,975)
	(19,638,987)	(56,184,302)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Year	3,697,608	(51,126,682)
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 13,361,264	$ 9,663,656
Cash and Short-Term Investments comprised of:		
Cash	$ 44,966	$ 38,736
Short-Term Investments	13,316,298	9,624,920
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 13,361,264	$ 9,663,656

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2010

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Term Deposits				
National Bank of Canada, 0.95% - January 4, 2011	2,100,000	$ 2,100,000	**$ 2,100,000**	
Royal Bank of Canada, 0.95% - January 4, 2011	4,050,000	4,050,000	**4,050,000**	
Royal Bank of Canada, USD, 0.15% - January 4, 2011	4,500,000	4,471,428	**4,471,428**	
Total Term Deposits		**10,621,428**	**10,621,428**	**79.8%**
Treasury Bills				
Government of Canada, 0.98% - February 17, 2011	2,700,000	**2,694,870**	**2,694,870**	**20.2%**
		13,316,298	**13,316,298**	**100.0%**
Accrued Interest			**2,127**	**0.0%**
TOTAL SHORT-TERM INVESTMENTS		**$ 13,316,298**	**$ 13,318,425**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	36,500	$ 2,144,391	**$ 2,096,560**	
Canadian Imperial Bank of Commerce	24,200	1,747,706	**1,893,166**	
Manulife Financial Corporation	73,000	1,250,704	**1,248,300**	
National Bank of Canada	61,000	3,972,413	**4,173,620**	
Sun Life Financial Inc.	25,000	760,047	**750,500**	
The Bank of Nova Scotia	66,800	3,501,933	**3,810,940**	
The Toronto-Dominion Bank	36,000	2,482,393	**2,667,600**	
Total Financials		**15,859,587**	**16,640,686**	**25.4%**
Total Canadian Common Shares		**$ 15,859,587**	**$ 16,640,686**	**25.4%**
Non-North American Common Shares				
Financials				
Banco Santander SA - Spon ADR	325,000	$ 4,208,088	**$ 3,436,043**	
Barclays PLC - Spon ADR	148,000	3,192,318	**2,427,965**	
HSBC Holdings plc ADR	67,000	3,366,248	**3,397,967**	
ING Groep N.V. ADR	263,000	2,284,764	**2,558,422**	
KB Financial Group, Inc. ADR	84,343	3,664,174	**4,429,225**	
UBS AG	179,457	3,104,687	**2,933,324**	
Total Financials		**19,820,279**	**19,182,946**	**29.3%**
Total Non-North American Common Shares		**$ 19,820,279**	**$ 19,182,946**	**29.3%**

Statement of Investments

As at December 31, 2010

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
United States Common Shares				
Financials				
AFLAC Inc.	74,500	$ 3,621,679	$ **4,177,342**	
Citigroup Inc.	745,000	3,377,593	**3,501,476**	
Goldman Sachs Group, Inc.	28,100	4,363,113	**4,695,014**	
JPMorgan Chase & Co.	120,000	5,501,692	**5,056,886**	
Metlife Inc.	98,023	4,426,621	**4,328,483**	
The Travelers Companies, Inc.	62,000	3,285,423	**3,432,089**	
US Bancorp.	151,000	3,565,906	**4,046,612**	
Total Financials		**28,142,027**	**29,237,902**	**44.6 %**
Total United States Common Shares		**$ 28,142,027**	**$ 29,237,902**	**44.6 %**
Forward Exchange Contracts				
Sold USD $12,000,000, Bought CAD $12,186,900 @ 0.98466 - January 12, 2011			**$ 259,924**	
Sold USD $8,700,000, Bought CAD $8,900,100 @ 0.97752 - January 26, 2011			**250,321**	
Sold USD $3,300,000, Bought CAD $3,314,520 @ 0.99562 - January 26, 2011			**33,636**	
Sold USD $12,000,000, Bought CAD $12,128,760 @ 0.98938 - February 9, 2011			**194,689**	
Sold USD $2,000,000, Bought CAD $2,009,350 @ 0.99534 - February 23, 2011			**19,788**	
Sold USD $13,800,000, Bought CAD $14,087,385 @ 0.97960 - March 9, 2011			**354,120**	
Total Forward Exchange Contracts			**$ 1,112,478**	**1.7 %**
Options				
Written Covered Call Options (100 shares per contract)				
AFLAC Inc. - January 2011 @ $55	(375)	$ (55,686)	$ **(67,573)**	
Banco Santander SA-Spon ADR - January 2011 @ $11	(1,625)	(78,261)	**(56,112)**	
Barclays PLC - Spon ADR - January 2011 @ $17	(740)	(49,004)	**(28,875)**	
Citigroup Inc. - January 2011 @ $5	(2,400)	(39,540)	**(38,712)**	
Goldman Sachs Group, Inc. - January 2011 @ $164	(140)	(59,531)	**(70,397)**	
HSBC Holdings plc ADR - January 2011 @ $52	(335)	(37,881)	**(12,492)**	
ING Groep N.V. ADR - January 2011 @ $10	(1,330)	(32,558)	**(29,735)**	
JPMorgan Chase & Co. - January 2011 @ $40	(600)	(74,649)	**(128,168)**	
KB Financial Group, Inc. ADR - January 2011 @ $50	(420)	(91,865)	**(146,067)**	
Metlife Inc. - January 2011 @ $44	(490)	(67,256)	**(47,641)**	
The Bank of Nova Scotia - January 2011 @ $57	(185)	(11,562)	**(16,278)**	
Total Written Covered Call Options		**(597,793)**	**(642,050)**	**(1.0)%**
Written Covered Put Options (100 shares per contract)				
The Bank of Nova Scotia - January 2011 @ $57	(72)	**(5,976)**	**(6,817)**	**0.0 %**
Total Options		**$ (603,769)**	**$ (648,867)**	**(1.0)%**
Adjustment for transaction costs		**(76,041)**		
TOTAL INVESTMENTS		**$ 63,142,083**	**$ 65,525,145**	**100.0 %**

The notes are an integral part of the Financial Statements.

1. Corporate Information

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 Capital Management Inc. ("MCM"). Prior to September 1, 2010, the Manager of the Fund was Mulvihill Fund Services Inc. ("Mulvihill") which amalgamated with MCM on September 1, 2010. As successor, MCM is the Manager and the Investment Manager of the Fund. RBC Dexia Investor Services Trust 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 $0.131250 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 the termination date of June 30, 2011.

The Fund invests in a portfolio (the "Portfolio") which includes common equity securities selected from the ten largest Financial Services companies by market capitalization in each of Canada, the United States and the Rest of the World (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 Rating Services 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 Rating Services or a comparable rating from an equivalent rating agency.

Foreign exchange forward contracts may be used to hedge the Fund's exposure to potential fluctuations in foreign exchange. The hedging strategy can include the hedging of all or a portion of the currency exposure of an existing investment or group of investments and will vary based upon the Manager's assessment of market conditions. There can be no assurance that the use of foreign exchange forward contracts will be effective. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

Financial Instruments – Disclosures

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. See additional note disclosures in Note 10.

The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair value determined as follows:

Securities are valued at fair value, which is determined by the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available the securities are valued at the closing sale price.

Short-term investments are included in the statement of investments at their cost including applicable foreign exchange translations. This value, together with accrued interest, approximates fair value at bid price.

Listed options are valued at fair values as reported on recognized exchanges. Over the counter options are valued using the Black-Scholes valuation model.

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

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Operations and Deficit. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

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.

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

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

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid; and

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

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

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the 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.

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). Realized gains and losses relating to forward exchange contracts are included in net realized gain (loss) on derivatives. Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

4. Net Asset Value

The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per Unit is calculated using the fair value of investments at the closing bid price. The net assets per Unit for financial reporting purposes and net asset value per Unit for pricing purposes will not be the same due to the use of different valuation techniques.

The difference between the net asset value per Unit for pricing purposes and the net assets per Unit reflected in the financial statements is as follows:

	2010	2009
Net Asset Value per Unit (for pricing purposes)	**$11.5703**	$13.1089
Difference	**(0.0046)**	(0.0124)
Net Assets per Unit (for financial statement purposes)	**$11.5657**	$13.0965

5. 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.

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 percent 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 a shareholder 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 Canadian GAAP. 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 percent per annum. There can be no assurance that the Fund 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. The Fund has continued to suspend distributions on its Class A shares as the net asset value per Unit is below the $15.00 suspension threshold.

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 percent 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 a shareholder 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. Net allocations on retractions represent gains on retractions where the price paid upon retraction is less than the carrying value of the retracted shares.

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, 2,458,700 Units (2009 - 3,653,549) were redeemed by the Fund.

Issued and Outstanding

	2010	2009
6,621,726 Preferred shares (2009 - 8,181,810)	**$ 66,217,260**	$ 81,818,100
6,621,726 Class A shares (2009 - 8,181,810)	**$ 84,035,712**	$113,422,691
100 Class J shares (2009 - 100)	**100**	100
	$ 84,035,812	$113,422,791

Under the terms of the normal course issuer bid issued in December 2009, the Fund proposed to purchase, if considered advisable, up to a maximum of 855,701 Class A Shares and 855,701 Preferred Shares or 10 percent of its public float as determined in accordance with the rules of the Toronto Stock Exchange (“TSX”). The purchases were to be made in the open market through the facilities of the TSX. The normal course issuer bid expired on December 7, 2010. As at December 7, 2010, no shares (2009 - nil) have been purchased by the Fund.

Warrants

In 2009, the Fund issued 8,557,210 warrants to Class A shareholders of record outstanding at the close of business on November 19, 2009 at a cost of $181,795. All Class A shareholders as of the record date received warrants on a basis of one warrant for each share held. Each warrant entitled the shareholder thereof to acquire one Unit upon payment of $13.14 on or before March 31, 2010. Warrants not exercised by the expiry date were rendered void and of no value. During the year, 898,616 warrants (2009 - 100 warrants) were exercised.

Upon exercise of a 2009 warrant, the Fund paid a fee of $0.22 per warrant to the dealer whose client exercised the warrant. Such fees were paid by the Fund out of the assets attributable to the Units. During the year, warrant exercise fees paid amounted to $197,696 (2009 - $22).

In 2010, the Fund issued 6,994,526 warrants to Class A shareholders of record outstanding at the close of business on August 23, 2010 at a cost of $150,012. All Class A shareholders as of the record date received warrants on a basis of one warrant for each share held. Each warrant entitles the shareholder thereof to acquire one Unit upon payment of $11.43 on or before January 17, 2011. Warrants not exercised by the expiry date will be rendered void and of no value. During the year, nil warrants were exercised.

Upon exercise of a 2010 warrant, the Fund will pay a fee of $0.17 per warrant to the dealer whose client has exercised the warrant. Such fees will be paid by the Fund out of the assets attributable to the Units. During the year, warrant exercise fees paid amounted to nil.

The basic net assets per Unit was calculated without giving effect to the dilutive impact of the outstanding warrants. The diluted net assets per Unit refers to the net assets of the Fund plus the net proceeds that would have been received by the Fund if all outstanding warrants were exercised, divided by the number of Units outstanding plus the additional Units that would be outstanding if all of the outstanding warrants had been exercised on the applicable valuation date. The diluted net assets per Unit, relating to the 2010 warrants, will be calculated when the basic net assets per Unit exceeds $11.26 per Unit, equivalent to the subscription price of $11.43 less the dealer fees of $0.17, on the applicable valuation date.

No amount will be required to be included in computing the income of a shareholder as a consequence of acquiring warrants under the offerings. The fair market value and the cost of a warrant acquired under the offerings were nil, as of the date the warrant was issued.

6. Management Fees and Expenses

Mulvihill amalgamated with MCM on September 1, 2010. As successor, MCM became the Manager and the Investment Manager of the Fund. Fees are payable to the Manager under the terms of the trust agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10 percent and 1.00 percent respectively of the Fund’s net asset value, calculated and payable monthly, plus applicable taxes.

The Fund 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.

The Manager pays a service fee (the “Service Fee”) to each dealer whose clients hold Class A shares. The Service Fee is calculated and paid at the end of each calendar quarter and is 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 is the NAV per Unit less $10.00.

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.

Accumulated non-capital losses of approximately $1.5M (2009 - $3.5M) and accumulated capital losses of approximately $124.9M (2009 - $111.8M) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire in 2029.

8. Transaction Fees

Total transaction fees paid for the year ended December 31, 2010 in connection with portfolio transactions were $360,280 (2009 - $506,221). Of this amount $77,022 (2009 - $97,458) was directed for payment of client brokerage commissions.

9. Capital Disclosures

Canadian Institute of Chartered Accounts ("CICA") Handbook Section 1535, "Capital Disclosures" requires the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 2, information on the Fund's unitholders' equity is described in Note 5 and the Fund does not have any externally imposed capital requirements.

10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, receivables, payables, Redeemable Preferred shares and certain derivative contracts. In accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosures", the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

(1) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(2) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(3) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 13,318,425	$ –	$ 13,318,425
Canadian Common Shares	16,640,686	–	–	$ 16,640,686
Non-North American Common Shares	19,182,946	–	–	$ 19,182,946
United States Common Shares	29,237,902	–	–	$ 29,237,902
Forward Exchange Contracts	–	1,112,478	–	$ 1,112,478
Options	(175,802)	(473,065)	–	$ (648,867)
Total Investments	**$ 64,885,732**	**$ 13,957,838**	**$ –**	**$ 78,843,570**

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 9,625,337	$ –	$ 9,625,337
Canadian Common Shares	26,561,659	–	–	$ 26,561,659
Non-North American Common Shares	29,299,593	–	–	$ 29,299,593
United States Common Shares	41,370,083	–	–	$ 41,370,083
Forward Exchange Contracts	–	413,340	–	$ 413,340
Total Investments	**$ 97,231,335**	**$ 10,038,677**	**$ –**	**$ 107,270,012**

There were no transfers between Level 1 and Level 2 during 2010 and 2009.

As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk, currency risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to other price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all the companies in the global financial services industry. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program.

Approximately 85 percent (2009 - 91 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2010 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2010, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $6.5M (2009 - $9.7M) respectively or 8.5 percent (2009 - 9.1 percent) of the net assets, excluding the Redeemable Preferred share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may, from time to time, write covered call options in respect of all or part of the common shares in the Fund. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the risk of its investment position including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. The Fund may also purchase put options. The Fund has downside risk on invested positions which may be partially mitigated by the use of purchased put options. The risk to the Fund with respect to purchased put options is limited to the premiums paid to purchase the put options.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year except the Redeemable Preferred Share liability which matures on June 30, 2011 (see Note 5).

Cash is required to fund redemptions. Shareholders must surrender shares at least 5 business days prior to the last day of the month and receive payment on or before 8 business days following the month end valuation date. Therefore the Fund has a maximum of 13 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short term fixed income securities. The Fund has minimal sensitivity to changes in rates since securities are usually held to maturity and are short-term in nature.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The portfolio includes securities and options denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge the majority of its foreign currency exposure.

Approximately 67 percent (2009 - 70 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2010 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At December 31, 2010 and December 31, 2009, the Fund had no currency risk as a result of its investment in foreign currency contracts.

Credit Risk

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the year, based on Standard & Poor's credit ratings as of December 31, 2010:

Local Dealer	Long-Term Local Currency Rating	Short-Term Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
U.S. Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

The following are the credit ratings for the counterparties to derivative instruments that the Fund dealt with during the prior year, based on Standard & Poor's credit rating as of December 31, 2009:

Local Dealer	Long-Term Local Currency Rating	Short-Term Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
U.S. Dollar		
Citigroup Inc.	A	A-1
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

The following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Term Deposits	A-1	80%
Government of Canada Treasury Bills	AAA	20%
Total		**100%**

The following are credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2009:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	56%
Province of Ontario Treasury Bills	AA	44%
Total		**100%**

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

11. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for the year beginning on January 1, 2013 and will issue its initial statements on a comparative basis for the interim period ending June 30, 2013.

12. Subsequent Event

On January 17, 2011, 1,123,620 warrants were exercised for gross proceeds of $12,842,977 and the Fund incurred $191,015 in warrant exercise fees.

Statement of Corporate Governance Practices

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 Capital Management 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 an 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 independent auditor, and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the independent 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 (toll-free: 1-800-725-7172 or e-mail: info@mulvihill.com) and website (www.mulvihill.com) to respond to inquiries from shareholders.

Board of Directors

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

John D. Germain
Senior Vice-President & Chief Financial Officer
Mulvihill Capital Management Inc.

Michael M. Koerner[1,2]
Corporate Director

Robert W. Korthals[1,2]
Corporate Director

Robert G. Bertram[1,2]
Corporate Director

[1] Audit Committee Member
[2] Independent Review Committee Member

Information

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Brookfield Place
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Toronto, Ontario M5J 2V1

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Toronto, Ontario M5J 2Y1

Shares Listed:
Toronto Stock Exchange
trading under
WFS/WFS.PR.A

Custodian:
RBC Dexia Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario M5V 3L3

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

Investment Funds Managed by Mulvihill Capital Management Inc.

UNIT TRUSTS

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

SPLIT SHARES

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

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust
Pro-AMS U.S. Trust

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Contact your broker directly for address changes.

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