



Hybrid Income Funds



Annual Report 2008

Mulvihill World Financial Split Fund



Message to Shareholders

We are pleased to present the annual financial results of Mulvihill World Financial Split Corp. which operates as Mulvihill World Financial Split Fund (the "Fund").

The following is intended to provide you with the financial highlights of the Fund and we hope you will read the more detailed information contained within the report.

The Fund was launched in 2004 with the objectives to:

- (1) 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; and
- (2) 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").

To accomplish these objectives the net proceeds of the offering will be invested by the Fund in a portfolio (the "Portfolio") which will include common equity securities selected from the ten largest financial services companies by market capitalization in each of Canada (at the operating 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 agency. Accordingly, the distributions paid out by the Fund are funded from the dividend income earned on the portfolio, realized capital gains from the sale of securities and option premiums from the sale of covered call options. During the fiscal year ended 2008 the Fund earned an annual total return of negative 30.04 percent. Distributions amounting to \$1.425 per unit were paid during the year, contributing to the decline in the net asset value from \$19.50 per unit as at December 31, 2007 to \$12.48 per unit as at December 31, 2008.

The longer-term financial highlights of the Fund for the years ended December 31 are as follows:

	2008	2007	2006	2005	2004
Annual Total Fund Return	(30.04)%	(9.33)%	11.18%	6.31%	2.66%
Preferred Share Distribution Paid (annual target of \$0.131250 per share)	\$ 0.525000	\$ 0.525000	\$ 0.525000	\$ 0.525000	\$ 0.455600
Class A Share Distribution Paid (annual target of \$1.20 per share)	\$ 0.900000	\$ 1.200000	\$ 1.200000	\$ 1.200000	\$ 1.041237
Ending Net Asset Value per Unit (initial issue price was \$25.00 per Unit)	\$ 12.48	\$ 19.50	\$ 23.31	\$ 22.60	\$ 22.96

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.

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Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the year ended December 31, 2008 of Mulvihill World Financial Split Corp. which operates as Mulvihill World Financial Split Fund (the "Fund"). The annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record 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 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 or a comparable rating from an equivalent rating agency.

Risk

Investors should be aware that the primary risks associated with the Fund relate to the non-diversified nature of the investment universe, and the level of option volatility realized in undertaking the writing of covered call options. The underlying portfolio holds securities selected from the Portfolio Universe. In addition, 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 remained high and escalated to record levels in the month of November as investor fears mounted that financial markets were collapsing. Due to this high volatility, the Fund reduced its investment position materially during the period in order to preserve the Net Asset Value while increasing the amount of call writing to take advantage of the higher volatility, earning realized gains from options of approximately \$17.5M. As a result, the overall level of risk of an investment in the Fund has decreased.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2008

	% OF NET ASSET VALUE*
Cash and Short-Term Investments	41 %
Canada	30 %
United States	26 %
International	9 %
Other Assets (Liabilities)	(6)%
	100 %

*The Net Asset Value excludes the Preferred share liability.

Portfolio Holdings

December 31, 2008

	% OF NET ASSET VALUE*		% OF NET ASSET VALUE*		% OF NET ASSET VALUE*
Cash and Short-Term Investments	41 %	Canadian Imperial Bank of Commerce	3 %	Mitsubishi UFJ Financial Group, Inc. (MUFG) ADR	2 %
JPMorgan Chase & Co.	5 %	Sun Life Financial Inc.	3 %	Metlife Inc.	2 %
Chubb Corp.	4 %	Manulife Financial Corporation	3 %	Bank of New York Mellon Corp.	2 %
Northern Trust Corp.	4 %	National Bank of Canada	3 %	Bank of Montreal	2 %
IGM Financial Inc.	4 %	AFLAC Inc.	3 %	Banco Santander SA-Spon ADR	2 %
Royal Bank of Canada	3 %	The Bank of Nova Scotia	3 %	Bank of America Corp.	1 %
Great-West Lifeco Inc.	3 %	AXA ADR	3 %		
The Toronto-Dominion Bank	3 %	HSBC Holdings PLC-Spons ADR	2 %		
Public Storage	3 %	US Bancorp	2 %		

*The Net Asset Value excludes the Preferred share liability.

Distribution History

INCEPTION DATE: FEBRUARY 2004

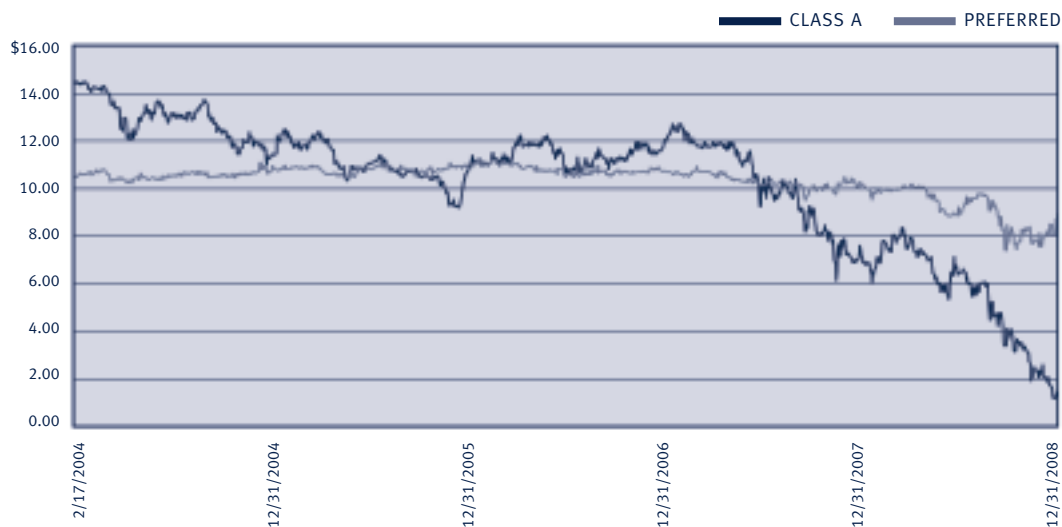
	CLASS A DISTRIBUTION	PREFERRED SHARE DISTRIBUTION
Total for 2004	\$ 1.041237	\$ 0.45560
Total for 2005	1.200000	0.52500
Total for 2006	1.200000	0.52500
Total for 2007	1.200000	0.52500
Total for 2008	0.900000 ⁽¹⁾	0.52500
Total Distributions to Date	\$ 5.541237	\$ 2.55560

⁽¹⁾ Distributions to Class A shares were suspended effective December 2008.

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

Trading History

February 17, 2004 to December 31, 2008



Results of Operations

For the fiscal year ended December 31, 2008, the net asset value of the Fund for pricing purposes based on closing prices totaled \$147.8 million, or \$12.48 per Unit (see Note 4 to the financial statements), after payment of distributions to shareholders, decreasing from \$19.50 per Unit on December 31, 2007. The Fund's Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on December 31, 2008, at \$8.99 per share. The Fund's Class A shares, listed on the Toronto Stock Exchange as WFS, closed on December 31, 2008, at \$1.49 per share. Each Unit consists of one Preferred share and one Class A share.

Distributions amounting to \$0.525 per Preferred share and \$0.90 per Class A share were made to shareholders during the fiscal year. Based on the initial issue price of \$10.00 and \$15.00 per share, respectively, these distributions represent a 5.25 percent annual yield for Preferred shares and a 6 percent annual yield for Class A shares.

Volatility remained high in 2008 and escalated to record levels in the month of November as investor fears mounted that financial markets were collapsing. During 2008, several of the largest financial institutions in the United States and around the world either failed (Lehman Brothers Holdings Inc.), required government intervention (Bear Stearns Inc., Northern Rock PLC, American International Group Inc., Fannie Mae, Freddie Mac and Citibank) or were taken over by stronger institutions in order to survive (Merrill Lynch, Washington Mutual, Wachovia Corporation and National City Corp). It is evident that the credit crisis that originated from the housing bubble in the United States has spread to the global economy and will now require major intervention by central banks and governments to provide stability and restore investor confidence. This can be evidenced by the fact that the U.S. Treasury set up the Troubled Assets Relief Program (TARP) with many other governments in the world following suit and also by the coordinated rate cuts by central banks on a global basis. Due to this high volatility, the Fund reduced its investment position materially during the period in order to preserve the Net Asset Value while increasing the amount of call writing to take advantage of the higher volatility. As a result, the overall level of risk of an investment in the Fund has decreased.

The total return for the MSCI World/Finance Index in Canadian dollars was negative 42.5 percent. All 3 regions produced negative total returns for the period. In Canada, the S&P/TSX Financial Services Index declined by 36.5 percent, in the U.S., the S&P 500 Financials Index declined by 45.1 percent, while the International MSCI EAFE Financials Index declined by 44.5 percent. These returns are reflective of the tough environment for the underlying Financial Services companies as weak global equity markets, rising credit spreads and loan defaults have reduced their earnings and capital positions. This has led to most of these companies bolstering their balance sheets by issuing preferred and/or common equity along with some innovative Tier 1 capital from the banks. Although most central banks have been accommodative by lowering short-term interest rates as well as injecting liquidity into the system, borrowing and lending rates have increased considerably over the year as evidenced by the LIBOR (London-Interbank Offered Rate) rate, Bankers' Acceptance spreads and credit spreads. These have been offset somewhat by continued low interest rates globally, the high yield of the group relative to the broad market as well as the consolidation of financial services companies that continued in 2008. The strengthening U.S. dollar in 2008, up more than 22 percent versus the Canadian dollar provided positive foreign exchange translation for some of the companies within the Financial Portfolio during the year.

The one-year compound return for the Fund, including reinvestment of distributions, was negative 30.04 percent. This return is reflective of the relative overweight position in the Canadian Financials, which was the best performing group in 2008 along with the cash position and the covered call writing that enabled the Fund to generate some premium return in a declining market. For more detailed information on investment returns, please see the Annual Total Return bar graph on page 6 of this report and the Annual Compound Returns table on page 7 of this report.

World Financial Split Fund ended 2007 with a regional asset mix of 36 percent invested in Canada, 29 percent in the United States and 27 percent in the Rest of World. During 2008, the regional asset mix changed with an emphasis on increasing the cash position and reducing the exposure to the Financials. The Fund ended 2008 with a regional asset mix of 30 percent in Canada, 26 percent in the United States and 9 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 2008 being approximately 50 percent hedged.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception date on February 17, 2004. This information is derived from the Fund's audited annual financial statements.

For December 31, 2008 and December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices (see Notes 3 and 4 to the Financial Statements). All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended December 31

	2008	2007	2006	2005	2004 ⁽⁴⁾
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices) ⁽¹⁾	\$ 19.48	\$ 23.29 ⁽⁶⁾	\$ 22.60	\$ 22.96	\$ 23.87 ⁽⁵⁾
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	0.81	0.57	0.61	0.59	0.49
Total expenses	(0.26)	(0.36)	(0.34)	(0.34)	(0.30)
Realized gains (losses) for the period	(5.97)	1.59	1.25	0.68	0.65
Unrealized gains (losses) for the period	(0.18)	(3.88)	0.80	0.31	(0.24)
Total Increase (Decrease) from Operations⁽²⁾	(5.60)	(2.08)	2.32	1.24	0.60
DISTRIBUTIONS					
Class A Share					
From capital gains	–	(0.81)	(0.39)	(0.86)	(0.34)
Non-taxable distributions	(0.90)	(0.39)	(0.81)	(0.34)	(0.70)
Total Class A Share Distributions	(0.90)	(1.20)	(1.20)	(1.20)	(1.04)
Preferred Share					
From net investment income	(0.25)	(0.25)	(0.19)	(0.19)	(0.11)
From capital gains	–	(0.28)	(0.34)	(0.28)	(0.35)
Non-taxable distributions	(0.28)	–	–	(0.06)	–
Total Preferred Share Distributions	(0.53)	(0.53)	(0.53)	(0.53)	(0.46)
Total Distributions⁽³⁾	(1.43)	(1.73)	(1.73)	(1.73)	(1.50)
Net Assets, as at December 31 (based on bid prices)⁽¹⁾	\$ 12.47	\$ 19.48	\$ 23.31	\$ 22.60	\$ 22.96

(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. Refer to Note 3 to the financial statements for further discussion.

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

(5) Net of agent fees.

(6) Net Assets per unit has been adjusted for the Transition Adjustment (see Note 3 to the Financial Statements).

RATIOS/SUPPLEMENTAL DATA

Net Asset Value, excluding liability for Redeemable Preferred shares (millions) ⁽¹⁾	\$ 147.77	\$ 269.64	\$ 337.41	\$ 369.99	\$ 432.80
Net Asset Value (\$millions) ⁽¹⁾	\$ 29.41	\$ 131.40	\$ 192.66	\$ 206.30	\$ 244.30
Number of units outstanding ⁽¹⁾	11,835,359	13,824,263	14,474,579	16,368,811	18,850,000
Management expense ratio ⁽²⁾	1.43%	1.49%	1.51%	1.48%	1.51% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	61.65%	116.48%	189.55%	165.51%	73.63%
Trading expense ratio ⁽⁴⁾	0.17%	0.14%	0.23%	0.16%	0.17% ⁽⁵⁾
Net Asset Value per Unit ⁽⁶⁾	\$ 12.48	\$ 19.50	\$ 23.31	\$ 22.60	\$ 22.96
Closing market price - Preferred	\$ 8.99	\$ 9.95	\$ 10.86	\$ 11.05	\$ 10.75
Closing market price - Class A	\$ 1.49	\$ 8.16	\$ 11.50	\$ 11.07	\$ 12.03

(1) This information is provided as at December 31. One Unit consists of one Class A and one Preferred share.

(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and capital taxes but excluding transaction fees and income taxes and Preferred share distributions, charged to the Fund to the average net asset value, 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 a percentage of the daily average net asset value during the period.

(5) Annualized.

(6) Net Asset Value per unit is the difference between the aggregate value of the assets 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 Capital Management Inc. (“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, excluding the Redeemable Preferred share liability. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

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

Recent Developments

The Global Financial Services companies demonstrated declining fundamentals and profitability in 2008 mainly due to rising credit losses, weak global equity markets and the delevering of their balance sheets. This will continue to be a challenge in 2009 as the global economy continues to slow, equity market volatility remains high and credit losses continue to increase. This may be offset somewhat by low long-term interest rates and a rising yield curve along with attractive valuations on both an absolute and relative basis. Many of these companies have also increased their capital ratios by issuing preferred and/or common equity to the market or government through the TARP or similar programs globally that may help cushion the impact of the deteriorating environment.

Due to the uncertain environment currently surrounding the economy and financial markets, the Global Financial Services companies are likely to maintain their capital ratios to deal with unforeseen events rather than make large acquisitions or return capital to shareholders in the form of increased dividends and share repurchases.

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.

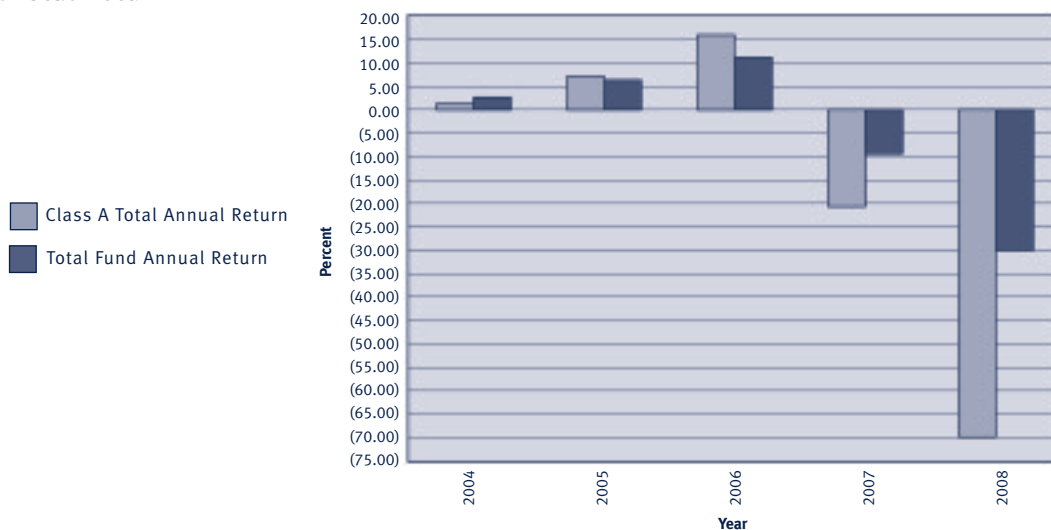
With respect to the charts displayed below, please note the following:

- (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 total annual return in each of the past five years has varied from year to year. 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 total return for the periods ended December 31, 2008 as compared to the performance of the MSCI World/Finance Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception*
Mulvihill World Financial Split Fund	(30.04)%	(10.99)%	(5.10)%
Mulvihill World Financial Split Fund - Class A	(69.89)%	(34.81)%	(21.36)%
Mulvihill World Financial Split Fund - Preferred Share	5.35 %	5.35 %	5.21 %
In order to meet regulatory requirements, the performance of a broader based market index has been included below.			
MSCI World/Finance Index**	(42.51)%	(17.47)%	(9.45)%

* 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 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.

These investment strategies result in a rate of return for the Fund that differs from that of a conventional, fully-invested portfolio. During periods of strongly rising markets, the Fund's approach will tend to underperform a comparable fully-invested portfolio of the same stocks as the Fund is not fully invested and writing covered call options generally limits portfolio performance to the option premium received. In periods of declining markets, however, the Fund's defensive cash balances help to protect net asset value, and covered option writing income generally provides returns exceeding those of a conventional 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.

Forward-Looking Statements

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

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

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

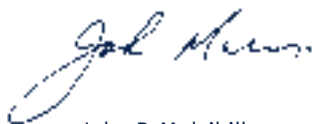
Management's Responsibility for Financial Reporting

The accompanying financial statements of Mulvihill 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 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 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 17, 2009



Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Shareholders of Mulvihill World Financial Split Corp.

We have audited the accompanying statement of investments of Mulvihill World Financial Split Corp. (the "Fund") as at December 31, 2008, the statements of financial position as at December 31, 2008 and 2007 and the statements of operations and deficit, of changes in net assets and of cash flows for the years 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 the Fund's 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 as at December 31, 2008 and 2007, and the results of its operations, the changes in its 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
Toronto, Ontario
February 17, 2009

Statements of Financial Position

December 31, 2008 and 2007

	2008	2007
ASSETS		
Investments at fair value (cost - \$136,803,603; 2007 - \$289,572,139)	\$ 92,247,681	\$ 247,342,196
Short-term investments at fair value (cost - \$60,410,322; 2007 - \$23,963,343)	60,260,881	23,899,914
Cash	529,457	-
Dividends receivable	567,509	500,798
Interest receivable	680,455	227,023
TOTAL ASSETS	\$ 154,285,983	\$ 271,969,931
LIABILITIES		
Accrued management fees	\$ 143,829	\$ 254,426
Redemptions payable	6,426,347	2,284,850
Accrued liabilities	75,657	187,195
Bank indebtedness	-	10,547
Redeemable Preferred shares (Note 5)	118,353,590	138,242,630
	124,999,423	140,979,648
EQUITY		
Class A and Class J shares (Note 5)	164,071,208	191,642,985
Deficit	(134,784,648)	(60,652,702)
	29,286,560	130,990,283
TOTAL LIABILITIES AND EQUITY	\$ 154,285,983	\$ 271,969,931
Number of Units Outstanding (Note 5)	11,835,359	13,824,263
Net Assets per Unit (Note 4)		
Preferred Share (Note 5)	\$ 10.0000	\$ 10.0000
Class A Share	2.4745	9.4754
	\$ 12.4745	\$ 19.4754

On Behalf of the Board of Directors,



John P. Mulvihill, Director



Robert W. Korthals, Director

Statements of Operations and Deficit

For the years ended December 31, 2008 and 2007

	2008	2007
REVENUE		
Interest, net of foreign exchange	\$ 4,087,786	\$ 890,731
Dividends	7,207,750	7,987,455
Withholding taxes	(610,889)	(732,076)
	10,684,647	8,146,110
Net realized losses on investments	(77,324,228)	(5,678,171)
Net realized gains (losses) on short-term investments	2,244	(43,488)
Net realized gains (losses) on derivatives	(992,462)	28,474,514
Total Net Realized Gains (Losses)	(78,314,446)	22,752,855
TOTAL REVENUE	(67,629,799)	30,898,965
EXPENSES		
Management fees (Note 6)	2,314,226	3,440,009
Service fees	277,589	645,083
Administrative and other expenses	122,034	198,573
Transaction fees (Note 8)	368,868	434,473
Custodian fees	75,994	71,004
Audit fees	35,137	35,035
Director fees	17,317	20,727
Independent review committee fees	4,267	739
Legal fees	9,848	6,082
Shareholder reporting costs	46,436	54,590
Capital Tax	672	-
Goods and services tax	128,343	221,297
TOTAL EXPENSES	3,400,731	5,127,612
Net Realized Income (Loss) before Distributions	(71,030,530)	25,771,353
Preferred share distributions	(6,811,437)	(7,480,293)
Net Realized Income (Loss)	(77,841,967)	18,291,060
Net change in unrealized appreciation/depreciation of investments	(2,325,979)	(55,418,318)
Net change in unrealized appreciation/depreciation of short-term investments	(80,185)	(26,486)
Total Net Change in Unrealized Appreciation/Depreciation of Investments	(2,406,164)	(55,444,804)
NET LOSS FOR THE YEAR	\$ (80,248,131)	\$ (37,153,744)
NET LOSS PER CLASS A SHARE		
(based on the weighted average number of Class A shares outstanding during the year of 13,110,249; 2007 - 14,297,740)	\$ (6.1210)	\$ (2.5986)
DEFICIT		
Balance, beginning of year	\$ (60,652,702)	\$ (7,996,142)
Transition Adjustment (Note 3)	-	(302,804)
Net allocations on retractions	17,978,400	1,897,799
Net loss for the year	(80,248,131)	(37,153,744)
Distributions on Class A Shares	(11,862,215)	(17,097,811)
BALANCE, END OF YEAR	\$ (134,784,648)	\$ (60,652,702)

Statements of Changes in Net Assets

For the years ended December 31, 2008 and 2007

	2008	2007
NET ASSETS - CLASS A AND J SHARES, BEGINNING OF YEAR	\$ 130,990,283	\$ 192,662,043
Transition Adjustment (Note 3)	-	(302,804)
Net Realized Income (Loss) before Distributions	(71,030,530)	25,771,353
Class A Share Capital Transactions		
Amount paid for units redeemed	(9,593,377)	(7,117,401)
Distributions		
Preferred Shares		
From net investment income	(3,175,110)	(3,553,871)
From net realized gain on investments	-	(3,926,422)
Non-taxable distributions	(3,636,327)	-
Class A Shares		
From net realized gain on investments	-	(11,506,408)
Non-taxable distributions	(11,862,215)	(5,591,403)
	(18,673,652)	(24,578,104)
Net Change in Unrealized Appreciation/Depreciation of Investments	(2,406,164)	(55,444,804)
Changes in Net Assets during the Year	(101,703,723)	(61,671,760)
NET ASSETS - CLASS A AND J SHARES, END OF YEAR	\$ 29,286,560	\$ 130,990,283

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	\$ 23,899,914	\$ 18,621,143
Cash Flows Provided by (Used In) Operating Activities		
Net Realized Income (Loss) before Distributions	(71,030,530)	25,771,353
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Purchase of investment securities	(105,064,613)	(338,642,695)
Proceeds from disposition of investment securities	257,833,149	354,565,803
(Increase)/ decrease in dividends receivable and interest receivable	(520,143)	54,248
Increase/(decrease) in accrued management fees, accrued liabilities and bank indebtedness	(232,682)	(119,677)
Net change in unrealized depreciation of cash and short-term investments	(80,185)	(26,486)
	80,904,996	41,602,546
Cash Flows Provided by (Used In) Financing Activities		
Distributions to Class A shares	(11,862,215)	(17,097,811)
Distributions to Preferred shares	(6,811,437)	(7,480,293)
Class A share redemptions	(9,463,700)	(6,253,111)
Preferred share redemptions	(15,877,220)	(5,492,560)
	(44,014,572)	(36,323,775)
Net Increase/ (Decrease) in Cash and Short-Term Investments During the Year	36,890,424	5,278,771
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 60,790,338	\$ 23,899,914
Cash and Short-Term Investments comprise of:		
Cash	\$ 529,457	\$ -
Short-Term Investments	60,260,881	23,899,914
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 60,790,338	\$ 23,899,914

Statement of Investments

December 31, 2008

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
Bank of Montreal, 3.20% - February 25, 2009	9,898,000	\$ 9,741,711	\$ 9,741,711	
Canadian Imperial Bank of Commerce, 3.23% - January 13, 2009	10,000,000	9,876,800	9,876,800	
Canadian Imperial Bank of Commerce, 3.15% - February 25, 2009	3,600,000	3,544,344	3,544,344	
National Bank of Canada, 3.19% - March 18, 2009	8,000,000	7,859,840	7,859,840	
Royal Bank of Canada, 3.04% - February 17, 2009	10,000,000	9,853,100	9,853,100	
Total Bankers' Acceptances		40,875,795	40,875,795	67.1%
Discount Commercial Paper				
Canadian Wheat Board, USD, 0.56% - February 27, 2009	2,135,000	2,620,335	2,631,851	
Export Development Corporation, USD, 1.02% - April 1, 2009	3,060,000	3,965,230	3,765,314	
Export Development Corporation, USD, 0.12% - June 15, 2009	1,500,000	1,805,144	1,850,649	
Total Discount Commercial Paper		8,390,709	8,247,814	13.5%
Bonds				
Export Development Corporation, 5.000% - February 9, 2009	11,095,000	11,143,818	11,137,272	18.3%
		60,410,322	60,260,881	98.9%
Accrued Interest			680,455	1.1%
TOTAL SHORT-TERM INVESTMENTS		\$ 60,410,322	\$ 60,941,336	100.0%

INVESTMENTS

Canadian Common Shares

Financials

Bank of Montreal	90,000	\$ 5,716,387	\$ 2,809,800	
Canadian Imperial Bank of Commerce	84,000	7,324,624	4,281,480	
Great-West Lifeco Inc.	245,400	8,158,744	5,077,326	
IGM Financial Inc.	155,000	7,777,433	5,490,100	
Manulife Financial Corporation	200,000	7,788,147	4,152,000	
National Bank of Canada	127,350	7,869,930	3,984,781	
Royal Bank of Canada	143,000	7,516,724	5,148,000	
Sun Life Financial Inc.	147,800	7,331,955	4,190,130	
The Bank of Nova Scotia	117,000	5,954,045	3,878,550	
The Toronto-Dominion Bank	110,000	7,584,946	4,776,200	
Total Financials		73,022,935	43,788,367	47.5%
Total Canadian Common Shares		\$ 73,022,935	\$ 43,788,367	47.5%

Non-North American Common Shares

Financials

AXA ADR	137,000	\$ 6,580,558	\$ 3,783,381	
Banco Santander SA-Spon ADR	200,000	4,302,554	2,338,156	
HSBC Holdings PLC-Spons ADR	61,000	5,208,466	3,655,301	
Mitsubishi UFJ Financial Group, Inc. (MUFG) ADR	405,000	4,486,412	3,104,847	
Total Financials		20,577,990	12,881,685	14.0%
Total Non-North American Common Shares		\$ 20,577,990	\$ 12,881,685	14.0%

Statement of Investments

December 31, 2008

	Number of Shares	Average Cost	Fair Value	% of Portfolio
INVESTMENTS (continued)				
United States Common Shares				
Financials				
AFLAC Inc.	70,000	\$ 4,056,887	\$ 3,961,286	
Bank of America Corp.	116,000	4,083,066	1,999,111	
Bank of New York Mellon Corp.	81,500	3,628,418	2,850,347	
Chubb Corp.	98,000	5,268,958	6,170,066	
JPMorgan Chase & Co.	176,000	9,321,687	6,850,625	
Metlife Inc.	70,500	4,409,701	3,033,091	
Northern Trust Corp.	86,500	6,966,656	5,565,626	
Public Storage	44,500	4,087,188	4,366,827	
US Bancorp	117,000	3,876,274	3,612,377	
Total Financials		45,698,835	38,409,356	41.6 %
Total United States Common Shares		\$ 45,698,835	\$ 38,409,356	41.6 %
Forward Exchange Contracts				
Sold USD \$5,415,000, Bought CAD \$6,281,392 @ 0.86207 - January 21, 2009			\$ (405,857)	
Sold USD \$2,010,000, Bought CAD \$2,438,936 @ 0.82413 - January 21, 2009			(43,312)	
Sold USD \$3,000,000, Bought CAD \$3,769,223 @ 0.79592 - February 4, 2009			64,056	
Sold USD \$10,000,000, Bought CAD \$12,135,039 @ 0.82406 - February 18, 2009			(212,927)	
Sold USD \$2,500,000, Bought CAD \$3,144,733 @ 0.79498 - March 4, 2009			58,466	
Total Forward Exchange Contracts			\$ (539,574)	(0.6)%

Statement of Investments

December 31, 2008

	Number of Contracts		Proceeds	Fair Value	% of Portfolio
INVESTMENTS (continued)					
OPTIONS					
Written Covered Call Options (100 shares per contract)					
AFLAC Inc. - January 2009 @ \$47	(350)	\$	(148,104)	\$	(139,915)
AXA ADR - January 2009 @ \$20	(684)		(173,199)		(206,879)
Bank of New York Mellon Corp. - February 2009 @ \$30	(405)		(102,245)		(192,693)
Canadian Imperial Bank of Commerce - January 2009 @ \$54	(168)		(63,168)		(21,061)
Canadian Imperial Bank of Commerce - February 2009 @ \$52	(168)		(47,208)		(70,758)
Chubb Corp. - January 2009 @ \$50	(275)		(137,309)		(106,006)
Chubb Corp. - February 2009 @ \$53	(280)		(109,959)		(135,707)
Great-West Lifeco Inc. - January 2009 @ \$29	(610)		(78,080)		(4,880)
HSBC Holdings PLC-Spons ADR - February 2009 @ \$60	(210)		(75,477)		(27,189)
JPMorgan Chase & Co. - January 2009 @ \$35	(880)		(244,446)		(36,937)
Manulife Financial Corporation - January 2009 @ \$23	(300)		(33,300)		(48,039)
Metlife Inc. - January 2009 @ \$30	(235)		(100,308)		(168,263)
Metlife Inc. - February 2009 @ \$35	(235)		(141,582)		(195,905)
Northern Trust Corp. - January 2009 @ \$53	(430)		(247,276)		(325,470)
Public Storage - March 2009 @ \$80	(220)		(248,931)		(282,455)
Sun Life Financial Inc. - January 2009 @ \$27	(300)		(56,700)		(101,236)
Sun Life Financial Inc. - February 2009 @ \$28	(170)		(36,550)		(60,853)
The Bank of Nova Scotia - January 2009 @ \$35	(163)		(33,741)		(31,416)
The Bank of Nova Scotia - January 2009 @ \$41	(240)		(54,480)		(1,272)
The Bank of Nova Scotia - February 2009 @ \$32	(65)		(12,805)		(23,102)
The Toronto-Dominion Bank - January 2009 @ \$46	(210)		(50,610)		(55,289)
The Toronto-Dominion Bank - January 2009 @ \$57	(340)		(100,300)		(3,455)
US Bancorp - January 2009 @ \$29	(467)		(113,273)		(53,373)
Total Written Covered Call Options			(2,409,051)	(2,292,153)	(2.5)%
TOTAL OPTIONS		\$	(2,409,051)	\$	(2,292,153)
Adjustment for transaction fees			(87,106)		
TOTAL INVESTMENTS		\$	136,803,603	\$	92,247,681
					100.0%

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 \$0.131250 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.

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. Actual results may differ from estimates.

The Fund has adopted, effective January 1, 2007, the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 "Financial Instruments - Recognition and Measurement". The standard requires that the fair value of securities which are traded in active markets be measured based on bid price and transaction fees, such as brokerage commissions, incurred in the purchase or sale of securities by the Fund be charged to net income in the period incurred. The standard has been adopted retrospectively with no restatement of prior periods' comparative amounts.

As a result of the adoption of the standard, the Fund recorded a transition adjustment to the 2007 opening net assets in the amount of \$302,804. This transition adjustment represents the adjustment to fair value of investments from the closing sale price to the closing bid price as of December 31, 2006.

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 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.

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). Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

New Accounting Standards

Commencing January 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments - Presentation". The new standards replaced Section 3861 "Financial Instruments - Disclosure and Presentation". The new disclosure standards increase the emphasis on the disclosure on the nature and extent of risks associated with financial instruments and how those risks are managed by the Fund. The previous requirements related to presentation of financial instruments have been carried forward relatively unchanged. Adoption of the new standards does not impact the net asset value for pricing purposes, nor the calculation of net assets. These expanded disclosures are found in Note 9.

Effective January 1, 2008, the Fund also adopted CICA Handbook Section 1535, "Capital Disclosures" which specifies 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 adoption of Section 1535 did not have a significant impact on the Fund's disclosures as: (i) the Fund's objectives, policies and processes for managing capital are described in Note 2; (ii) information on the Fund's shareholders' equity is described in Note 5; and (iii) the Fund does not have any externally imposed capital requirements.

4. Net Asset Value

The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the Net Asset Value of the Fund will continue to be calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). The adoption of these new rules will result in a different Net Assets per Unit for financial reporting purposes and Net Asset Value per Unit due to the use of different valuation techniques. The Net Asset Value per Unit at December 31 is as follows:

	2008	2007
Net Asset Value (for pricing purposes)	\$12.48	\$19.50

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 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 percent 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 the fourth quarter of 2008, the Fund suspended distributions on its Class A shares as the net asset value per Unit at November 30, 2008 was \$12.81, which is below the \$15.00 suspension threshold. In addition, the Fund will not pay special distributions, meaning distributions in excess of the targeted 8.0 percent 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 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.

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, 1,988,904 Units (2007 - 650,316) were redeemed by the Fund.

Issued and Outstanding

	2008	2007
11,835,359 Preferred shares (2007 - 13,824,263)	\$ 118,353,590	\$ 138,242,630
11,835,359 Class A shares (2007 - 13,824,263)	\$ 164,071,108	\$ 191,642,885
100 Class J shares (2007 - 100)	100	100
	\$ 164,071,208	\$ 191,642,985

Under the terms of the normal course issuer bid that was renewed in November 2008, the Fund proposes to purchase, if considered advisable, up to a maximum of 1,275,271 Class A shares (2007 - 1,414,293) and up to a maximum of 1,275,271 Preferred shares (2007 - 1,414,293), 10 percent of its public float as determined in accordance with the rules of the Toronto Stock Exchange. The purchases would be made in the open market through facilities of the Toronto Stock Exchange. The normal course issuer bid will remain in effect until the earlier of November 12, 2009 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2008, nil shares (2007 - nil) 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.

6. Management Fees and Expenses

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 share 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.

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 capital losses of approximately \$77 million (2007 - nil) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely.

Issue costs of approximately \$0.5 million (2007 - \$4.8 million) remain undeducted for tax purposes at year-end.

8. Transaction Fees

Total transaction fees paid for the year ended December 31, 2008 in connection with portfolio transactions were \$368,868 (2007 - \$434,473). Of this amount \$113,568 (2007 - \$101,045) 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, receivables, payables and certain derivative contracts. 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 Asset Value per unit varies as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, 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 64 percent of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2008 were publicly traded equities. If equity prices on the exchange increased or

decreased by 10 percent as at December 31, 2008, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by \$9.5M respectively or 6.4 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 Portfolio. 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 full risk of its investment position in 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 full 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 can be easily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

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 33 percent of the Fund's net assets, excluding the Redeemable Preferred share liability, held at December 31, 2008 were held in securities denominated in U.S. currency. If the Canadian dollar strengthened or weakened by 1 percent in relation to the U.S. currency, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have decreased or increased, by approximately \$0.4M

respectively or 0.3 percent of the net assets, excluding the Redeemable Preferred share liability, with all other factors remaining constant.

Credit Risk

In entering into derivative financial instruments, 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 at year end, based on Standard & Poor's credit ratings as of December 31, 2008:

Dealer	Long-Term Local Currency Rating	Short-Term Local 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		
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2008:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	68
Bonds	A-1+	18
Discount Commercial Paper	A-1+	14
Total		100%

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

10. Future Accounting Policy Changes

The Manager is developing 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 key elements of the plan include disclosures of the qualitative impact in the 2008 annual financial statements, the disclosures of the quantitative impact, if any, in the 2009 and 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The current impact based on the Fund's management's understanding of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund.

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 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 an Audit Committee. The Audit Committee consists of three members, two 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, 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.

Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107"). 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.

In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, Michael M. Koerner, and effective January 1, 2009, Robert G. Bertram.

Mulvihill Capital Management Inc.

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

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the period January 1, 2008 to December 31, 2008	
MULVIHILL PLATINUM			
Mulvihill Government Strip Bond Fund	GSB.UN	\$ 23.55	\$ 20.08
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 24.50	\$ 21.70
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.11/\$17.94	\$ 7.15/\$14.48
MULVIHILL PREMIUM			
Mulvihill Core Canadian Dividend Fund	CDD.UN	\$ 9.94	\$ 4.02
Mulvihill Premium Canadian Fund	FPI.UN	\$ 17.99	\$ 10.00
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 16.50	\$ 9.19
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 10.05	\$ 5.56
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 8.89/\$15.49	\$ 1.87/\$10.58
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 6.34/\$15.65	\$ 1.20/\$10.28
Mulvihill S Split Fund	SBN/SBN.PR.A	\$ 11.48/\$10.48	\$ 4.01/\$ 7.51
Mulvihill Top 10 Canadian Financial Fund	TCT.UN	\$ 14.00	\$ 8.01
Mulvihill Top 10 Split Fund	TXT.UN/TXT.PR.A	\$ 8.15/\$13.51	\$ 1.31/\$10.00
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 8.70/\$10.75	\$ 1.19/\$ 6.66

Board of Directors

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

Sheila S. Szela¹
Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

Michael M. Koerner^{1,2}
Corporate Director

Robert W. Korthals^{1,2}
Corporate Director

Robert G. Bertram^{2,3}
Corporate Director

¹ *Audit Committee*

² *Independent Review Committee*

³ *Effective January 1, 2009*

Information

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Toronto, Ontario M5J 2V1

Transfer Agent:

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Toronto, Ontario M5J 2Y1

Shares Listed:

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 Government Strip Bond Fund
Mulvihill Pro-AMS U.S. Fund
Mulvihill Pro-AMS RSP Split Share Fund

Mulvihill Premium

Mulvihill Core Canadian Dividend Fund
Mulvihill Premium Canadian Fund
Mulvihill Premium 60 Plus Fund
Mulvihill Premium Global Plus Fund
Mulvihill Premium Canadian Bank Fund
Mulvihill Premium Split Share Fund
Mulvihill S Split Fund
Mulvihill Top 10 Canadian Financial Fund
Mulvihill Top 10 Split Fund
Mulvihill World Financial Split Fund

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