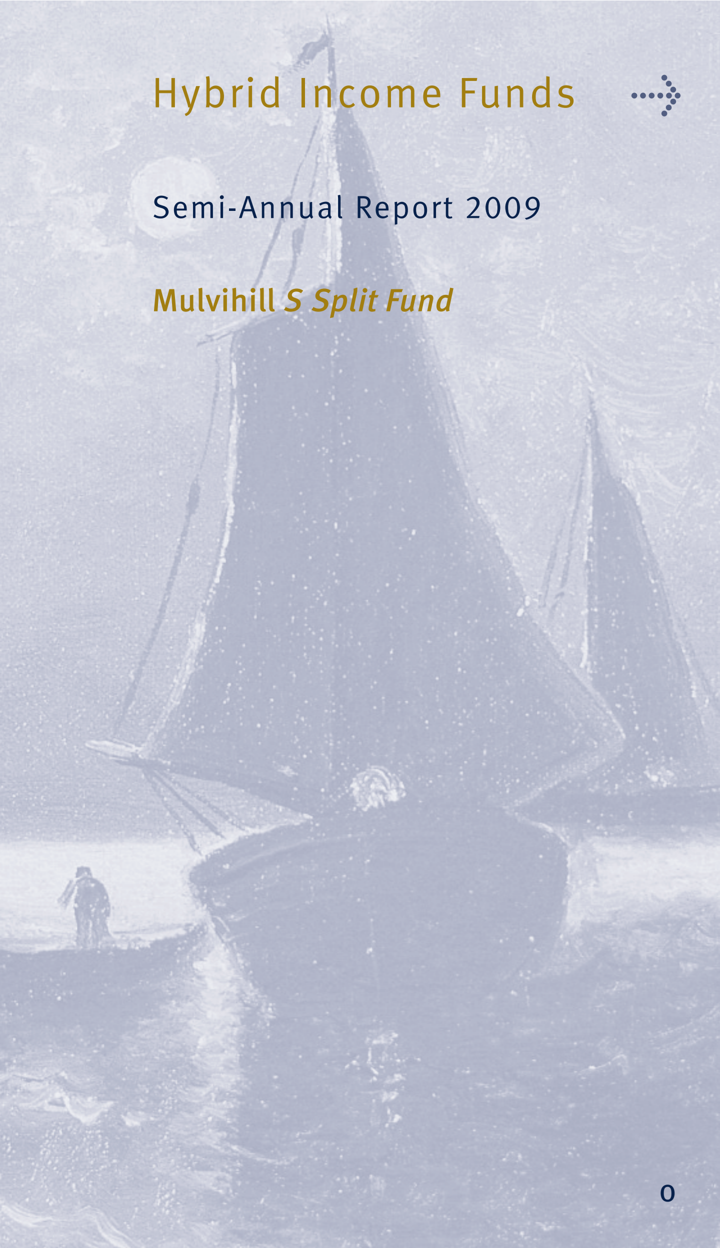
Mulvihill Structured Products

Mulvihill



Hybrid Income Funds

Semi-Annual Report 2009

Mulvihill *S Split Fund*

Message to Shareholders

We are pleased to present the semi-annual financial results of Mulvihill S 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 2007 with the objectives to:

(1) Provide holders of Preferred shares with fixed cumulative preferential monthly cash distributions in the amount of $0.04375 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 monthly cash distributions targeted to be 6.0 percent per annum on the Net Asset Value of the Fund and to return the original issue price to holders of both Preferred shares and Class A shares at the time of redemption of shares on December 1, 2014 (the "Termination Date").

To accomplish these objectives, the net proceeds of the offering was invested by the Fund in The Bank of Nova Scotia (“BNS”) shares. To generate additional returns above the dividend income earned on BNS shares, the Fund may, from time to time, write covered call options in respect of some or all of such BNS shares. 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 six-month period ended June 30, 2009, the Fund earned a total return of 14.73 percent. Distributions amounting to $0.39165 per unit were paid during the six-month period. The net asset value increased from $17.02 per unit as at December 31, 2008 to $19.09 per unit as at June 30, 2009.

	June 30, 2009	December 31, 2008	December 31, 2007[1]
Total Fund Return	14.73%	(21.64)%	(5.25)%
Preferred Share Distribution Paid (annual target of $0.525 per share)	$ 0.26250	$ 0.52500	$ 0.32521
Class A Share Distribution Paid (annual target of 6.0 percent on The Net Asset Value)	$ 0.12915	$ 0.67545	$ 0.50757
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 19.09	$ 17.02	$ 23.01

[1] For the period from inception on May 17, 2007 to December 31, 2007.

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

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

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 period ended June 30, 2009 of Mulvihill S Split Fund (the "Fund"). The June 30, 2009 unaudited semi-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. You can also get a copy of the annual financial statements at your request and at no cost by using one of these methods.

Management Report on Fund Performance

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 and Portfolio Holdings

June 30, 2009

	% of Net Asset Value
Financials - The Bank of Nova Scotia	76 %
Cash and Short-Term Investments	37 %
Other Assets (Liabilities)	(13)%
	100 %

Management Report on Fund Performance

Results of Operations

For the six-month period ended June 30, 2009, the net asset value of the Fund for pricing purposes based on closing prices was $19.09 per unit (see Note 2 to the financial statements) compared to $17.02 per unit at December 31, 2008. The Fund's Class A and Preferred Shares are listed on the Toronto Stock Exchange as SBN and SBN.PR.A respectively. The Class A Shares closed on June 30, 2009 at $6.90 per share and the Preferred Shares closed at $9.51 per share which, when combined, represent a 14.0 percent discount to the actual net asset value.

Distributions totalling $0.12915 were paid to Class A shareholders and $0.26250 were paid to Preferred shareholders during the period ended June 30, 2009. The Fund's total return for the period ended June 30, 2009, including reinvestment of distributions, was 14.7 percent. The total return on The Bank of Nova Scotia shares during this period was 34.3 percent. Our relative underperformance during this period was primarily due to higher than normal cash holdings.

We continue to be cautious about the market recovery and, as such, have held higher than normal cash positions to protect the assets of the Fund. These cash assets will be redeployed with a return to greater confidence in future corporate earnings.

For more detailed information on the investment returns, please see the Annual Total Return bar graph on page 7.

Mulvihill *S Split Fund*

Management Report on Fund Performance

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 May 17, 2007.

Information for the period ended June 30, 2009 is derived from the Fund's unaudited semi-annual financial statements.

NET ASSETS PER UNIT
Net Assets, beginning of period (based on bid prices)[1]
INCREASE (DECREASE) FROM OPERATIONS
Total revenue
Total expenses
Realized gains (losses) for the period
Unrealized gains (losses) for the period
Total Increase (Decrease) from Operations[2]
DISTRIBUTIONS
Class A Share
From net investment income
Non-taxable distributions
Total Class A Share Distributions
Preferred Share
From net investment income
Non-taxable distributions
Total Preferred Share Distributions
Total Distributions[3]
Net Assets, end of period (based on bid prices)[1]

(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 the liability for the Redeemable 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.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), net of withholding taxes and foreign exchange gains (losses), less expenses excluding Preferred share distributions, and is calculated based on the

RATIOS/SUPPLEMENTAL DATA
Net Asset Value, excluding liability for Redeemable Preferred shares ($millions)
Net Asset Value ($millions)
Number of units outstanding
Management expense ratio[1]
Portfolio turnover rate[2]
Trading expense ratio[3]
Net Asset Value per Unit[6]
Closing market price - Class A
Closing market price - Preferred

(1) Management expense ratio is the ratio of all fees and expenses, including goods and services taxes but excluding transaction fees and Class A share distributions, charged to the Fund to the average net asset value, excluding the liability for the Redeemable Preferred shares.

(2) 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.

Management Report on Fund Performance

For June 30, 2009, 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 theRatios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this MRFP are made using Net Asset Value.

Six months ended June 2009	Periods ended December 31, 2008	Periods ended December 31, 2007[4]
$ 16.98	$ 22.96	$ 25.00
0.35	0.64	0.64
(0.20)	(0.47)	(0.36)
(2.31)	(0.76)	0.01
4.62	(4.13)	(1.50)
2.46	**(4.72)**	**(1.21)**
–	–	(0.07)
(0.13)	(0.67)	(0.44)
(0.13)	**(0.67)**	**(0.51)**
(0.15)	(0.17)	(0.33)
(0.11)	(0.36)	–
(0.26)	**(0.53)**	**(0.33)**
(0.39)	**(1.20)**	**(0.84)**
$ 19.09	**$ 16.98**	**$ 22.96**

weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.
(3) Distributions to 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 May 17, 2007 to December 31, 2007.

Six months ended June 2009	Periods ended December 31, 2008	Periods ended December 31, 2007[5]
$ 73.25	$ 74.49	$ 108.61
$ 34.88	$ 30.75	$ 61.41
3,837,500	4,374,300	4,719,300
2.32%[4]	2.22%	0.90%[4]
20.92%	9.10%	9.34%
0.09%[4]	0.05%	0.05%[4]
$ 19.09	$ 17.02	$ 23.01
$ 6.90	$ 4.50	$ 9.90
$ 9.51	$ 9.25	$ 10.19

(3) Trading expense ratio represents total commissions expressed as an annualized percentage of the daily average net asset value during the period.
(4) Annualized.
(5) For the period from inception on May 17, 2007 to December 31, 2007.
(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 of the Fund on that date and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Report on Fund Performance

Management Fees

Mulvihill Capital Management Inc. ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.55 percent of the net asset value of the Fund at each month end, excluding the Preferred shares. Services received under the Investment Management Agreement include the making of all investment decisions and the 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 Preferred shares. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Retraction Fee

If a retraction of a Class A Share or Preferred Share occurs prior to July 2014, a retraction fee payable to MCM by the retracting shareholder will be deducted by MCM from the amount otherwise receivable by the retracting shareholder to compensate MCM, in part, for paying the Agents' fees and expenses of the offering.

Recent Developments

Most Financial Services stocks had positive returns in the first half of the year, lead by National Bank of Canada, up 76.3 percent. The Bank of Nova Scotia also delivered a double-digit return (up 34.3 percent) and was obviously a key contributor to Fund performance in the first half. These positive returns occurred despite most banks posting quarterly earnings well below normal levels. Part of the reduction in earnings was due to higher than normal loan loss provisions, which investors have generally rewarded year to date.

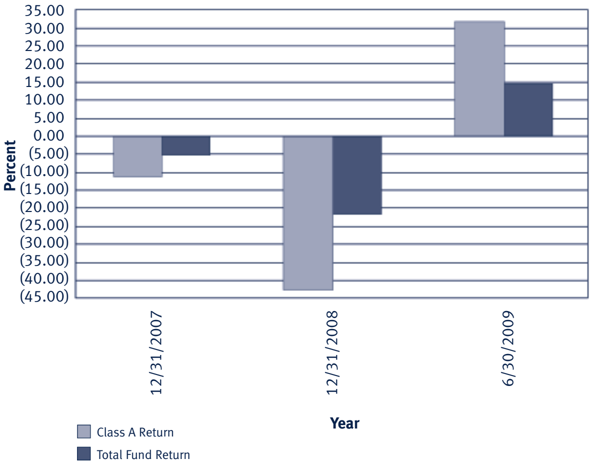
Some stability has begun to return to the markets with broad indices trending higher since early March 2009 while volatility has trended lower at the same time. However, the price of gold held in fairly well following a major rally that began in October 2008, which may suggest that some investors are still concerned about the prospects for economic recovery.

Management Report on Fund Performance

Year-By-Year Returns

The bar chart below illustrates the Fund's total return for each of the past two years and for the six month period ended June 30, 2009. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2007 would have increased or decreased by the end of the fiscal year, or June 30, 2009 for the six months ended.

Annual Total Return



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 April 26, 2007.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated April 26, 2007, 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.

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 Robert G. Bertram.

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 S Split Fund (operating as Mulvihill S Split Fund) (the "Fund") and all the information in this semi-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 semi-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 for the year ended December 31, 2008.

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, the Fund's independent auditors, has full and unrestricted access to the Audit Committee and the Board.

The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by Canadian Institute of Chartered Accountants.

John P. Mulvihill	Sheila S. Szela
Director	Director
Mulvihill Fund Services Inc.	Mulvihill Fund Services Inc.

August 2009

Financial Statements

Statements of Financial Position

June 30, 2009 (Unaudited) and December 31, 2008 (Audited)

	2009	2008
ASSETS		
Investments at fair value (cost - $61,271,249; 2008 - $68,974,425)	**$ 54,899,742**	$ 42,692,275
Short-term investments at fair value (cost - $26,959,219; 2008 - $32,410,400)	**26,959,219**	32,410,400
Cash	**12,219**	21,984
Interest receivable	**4,348**	226,416
TOTAL ASSETS	**$ 81,875,528**	**$ 75,351,075**
LIABILITIES		
Redemptions payable	**$ 7,906,938**	$ 828,517
Retraction fee payable	**530,400**	64,320
Accrued management fees	**111,011**	105,561
Accrued liabilities	**73,163**	73,238
Redeemable Preferred shares	**38,375,000**	43,743,000
	46,996,512	**44,814,636**
EQUITY		
Class A shares and Class J shares	**57,565,371**	65,617,371
Deficit	**(22,686,355)**	(35,080,932)
	34,879,016	**30,536,439**
TOTAL LIABILITIES AND EQUITY	**$ 81,875,528**	**$ 75,351,075**
Number of Units Outstanding	**3,837,500**	**4,374,300**
Net Assets per Unit		
Preferred share	**$ 10.0000**	$ 10.0000
Class A share	**9.0890**	6.9809
	$ 19.0890	**$ 16.9809**

Statements of Operations and Deficit

For the six months ended June 30 (Unaudited)

	2009	2008
REVENUE		
Interest	$ 141,878	$ 239,787
Dividends	1,352,008	1,646,375
	1,493,886	1,886,162
Net realized gains on derivatives	42,431	746,099
Net realized losses on investments	(9,999,828)	(2,368,156)
Net Realized Losses	(9,957,397)	(1,622,057)
TOTAL REVENUE	(8,463,511)	264,105
EXPENSES		
Management fees	599,004	843,049
Service fees	69,514	133,150
Administrative and other expenses	58,277	59,046
Transaction fees	31,085	27,096
Custodian fees	12,939	16,411
Audit fees	13,253	–
Director fees	10,445	9,734
Independent review committee fees	3,437	2,002
Legal fees	7,988	2,005
Shareholder reporting costs	25,198	22,856
Capital tax	2,150	–
Goods and services tax	35,474	47,426
TOTAL EXPENSES	868,764	1,162,775
Net Realized Loss before Distributions	(9,332,275)	(898,670)
Preferred share distributions	(1,132,469)	(1,236,454)
Net Realized Loss	(10,464,744)	(2,135,124)
Net change in unrealized appreciation of short-term investments during the period	–	(803)
Net change in unrealized depreciation of investments during the period	19,910,643	(3,497,745)
Total Net Change in Unrealized Appreciation/Depreciation of Investments During the Period	19,910,643	(3,498,548)
NET INCOME (LOSS) FOR THE PERIOD	$ 9,445,899	$ (5,633,672)
NET INCOME (LOSS) PER CLASS A SHARE (based on the weighted average number of Class A Shares outstanding during the period of 4,308,932; 2008 - 4,710,787)	$ 2.1922	$ (1.1959)
DEFICIT		
Balance, beginning of period	$ (35,080,932)	$ (9,610,532)
Net allocations on retractions	3,505,432	475,537
Net income (loss) for the period	9,445,899	(5,633,672)
Distributions on Class A Shares	(556,754)	(1,687,056)
BALANCE, END OF PERIOD	$ (22,686,355)	$ (16,455,723)

Financial Statements

Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2009	2008
NET ASSETS, BEGINNING OF PERIOD	$ 30,536,439	$ 61,181,839
Net Realized Loss before Distributions	(9,332,275)	(898,670)
Class A Share Capital Transactions		
Amounts paid for shares redeemed	(4,546,568)	(1,543,463)
Distributions		
Class A Shares		
Non-taxable distributions	(556,754)	(1,687,056)
Preferred Shares		
From net investment income	(656,207)	–
Non-taxable distributions	(476,262)	(1,236,454)
Total Distributions	(1,689,223)	(2,923,510)
Net Change in Unrealized Appreciation/Depreciation of Investments During the Period	19,910,643	(3,498,548)
Changes in Net Assets during the Period	4,342,577	(8,864,191)
NET ASSETS, END OF PERIOD	$ 34,879,016	$ 52,317,648

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2009	2008
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	$ 32,432,384	$ 11,182,931
Cash Flows Provided by (Used in) Operating Activities		
Net Realized Loss before Distributions	(9,332,275)	(898,670)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	(11,777,366)	(7,140,881)
Proceeds from disposition of investment securities	19,480,542	20,782,294
(Increase)/decrease in dividends receivable, interest receivable and due from brokers - investments	222,068	(6,210,447)
Increase/(decrease) in accrued management fees and accrued liabilities	5,375	(47,683)
Net change in unrealized depreciation of cash and short-term investments	–	(803)
	7,930,619	7,382,480
Cash Flows Provided by (Used In) Financing Activities		
Distributions to Class A shares	(556,754)	(1,687,056)
Distributions to Preferred shares	(1,132,469)	(1,236,454)
Class A share redemptions	(886,067)	(185,880)
Preferred share redemptions	(1,484,000)	(158,000)
	(4,059,290)	(3,267,390)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Period	(5,460,946)	3,216,420
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	$ 26,971,438	$ 14,399,351
Cash and Short-Term Investments comprise of:		
Cash	$ 12,219	$ 1,992
Short-term investments	26,959,219	14,397,359
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	$ 26,971,438	$ 14,399,351

Statement of Investments

June 30, 2009 (Unaudited)

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 0.27% - August 27, 2009	5,000,000	$ 4,996,650	$ **4,996,650**	
The Bank of Nova Scotia, 0.28% - July 6, 2009	2,840,000	2,839,460	**2,839,460**	
The Bank of Nova Scotia, 0.27% - July 15, 2009	10,000,000	9,998,900	**9,998,900**	
Total Bankers' Acceptances		**17,835,010**	**17,835,010**	**66.2 %**
Treasury Bills				
Government of Canada, 0.19% - July 23, 2009	1,320,000	1,319,324	**1,319,324**	
Government of Canada, 0.18% - August 20, 2009	2,285,000	2,283,961	**2,283,961**	
Government of Canada, 0.23% - October 1, 2009	3,750,000	3,747,788	**3,747,788**	
Province of Ontario, 0.42% - July 15, 2009	1,775,000	1,773,136	**1,773,136**	
Total Treasury Bills		**9,124,209**	**9,124,209**	**33.8 %**
		26,959,219	**26,959,219**	**100.0 %**
Accrued Interest			**4,348**	**0.0 %**
TOTAL SHORT-TERM INVESTMENTS		**$ 26,959,219**	**$ 26,963,567**	**100.0 %**
INVESTMENTS				
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	1,290,450	**$ 61,750,178**	**$ 56,031,339**	**102.1 %**
Total Canadian Common Shares		**$ 61,750,178**	**$ 56,031,339**	**102.1 %**
OPTIONS				
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia - July 2009 @ $41	(3,900)	**$ (426,660)**	**$ (1,131,597)**	**(2.1)%**
TOTAL OPTIONS		**$ (426,660)**	**$ (1,131,597)**	**(2.1)%**
Adjustment for transaction fees		**(52,269)**		
TOTAL INVESTMENTS		**$ 61,271,249**	**$ 54,899,742**	**100.0 %**

Notes to Financial Statements

June 30, 2009

1. Basis of Presentation

The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting standards ("GAAP"). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2008.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2008.

2. Net Asset Value

The Net Asset Value of the Fund is calculated using the fair value of investments using the close or last trade price ("Net Asset Value"). 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 Net Asset Value per unit is as follows:

	June 30, 2009	Dec. 31, 2008
Net Asset Value (for pricing purposes)	**$ 19.09**	$ 17.02

3. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, receivables, payables, investments 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 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 BNS shares varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, specifically factors that affect BNS securities. The Fund's market risk is managed by following the objectives of the Fund.

Approximately 76 percent (December 31, 2008 - 58 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at June 30, 2009 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2009, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by $5.6M (December 31, 2008 - $4.4M) respectively or 7.6 percent (December 31, 2008 - 5.8 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 its position in the BNS Shares comprising the Portfolio. In addition, the Fund may write cash covered put options in respect of BNS securities. The Fund is subject to the full risk of its investment position in the BNS securities that are subject to outstanding call options and/or underlying put options written by the Fund, should the market price of the BNS Shares 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.

Notes to Financial Statements

June 30, 2009

Cash is required to fund redemptions. Shareholders must surrender shares at least 10 business days prior to the last day of the month and receive payment on or before 15 business days following the month end valuation date. Therefore the Fund has a maximum of 25 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 change in rates since securities are usually held to maturity and are short-term in nature.

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 in accordance with the Fund's objectives.

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 period, based on Standard & Poor's credit ratings as of June 30, 2009:

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+

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the prior period, 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		
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
Royal Bank of Canada	AA-	A-1+

The following are credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of June 30, 2009:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	66%
Government of Canada Treasury Bills	AAA	27%
Province of Ontario Treasury Bills	AA	7%
Total		**100%**

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	51%
Government of Canada Treasury Bills	AAA	49%
Total		**100%**

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

Notes to Financial Statements

June 30, 2009

4. 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 key elements of the preliminary plan include disclosures of the qualitative impact in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 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 and analysis of IFRS on accounting policies and implementation decisions for 2009, will mainly be in the areas of additional note disclosures in the financial statements of the Fund and is expected to have no material impact on the net assets per unit of the Fund.

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 *Canadian Bank Fund*
Mulvihill Premium *Global Plus 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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Notes

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