Mulvihill

Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2006

Mulvihill Pro-AMS *RSP Split Share Fund*

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Mulvihill Pro-AMS *RSP Split Share Fund* [SPL.A/SPL.B]

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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, 2006 of Mulvihill Pro-AMS Split Share 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 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 with respect to the Class A Shares are to provide shareholders with fixed cumulative preferential monthly cash distributions in the amount of $0.05417 per Class A Share (6.5 percent per annum), and to pay such holders $10.00 for each Class A Share held upon termination of the Fund on December 31, 2013.

The Fund's original investment objectives were to pay monthly distributions and to return the original issue price of $20.00 per unit to Class B shareholders on the termination date of December 31, 2013 and to provide holders of Class B shares with the balance of the value of the Fund's managed portfolio after paying holders of Class A shares $10.00 per Class A share plus any distributions in arrears. To provide greater certainty to the principal repayment objective, the Fund has suspended payment of monthly distributions to Class B shares.

To provide the Fund with the means to return the original issue price of the Class A Shares on termination, the Fund has entered into a 'Class A Forward Agreement' with the Royal Bank of Canada ("RBC"), whereby the Fund contributes, every six months (commencing on September 30, 2002) an amount targeted to be a minimum of $0.43 per Class A Share, to an account used to acquire Canadian equity securities. The Fund will not enter into additional Class A Forward Agreements at such time as the forward value under the Class A Share Forward Agreements on the Termination Date equals the Class A Share issue price ($10.00) multiplied by the number of Class A Shares outstanding.

To provide the Fund with the means to return the original issue price of the Class B Shares on termination, the Fund has entered into a 'Class B Forward Agreement' with RBC. Pursuant to the agreement, RBC will pay the Fund an amount equal to $20.00 for each Class B Share outstanding on the Termination Date in exchange for the Fund delivering to RBC, equity securities which the Fund has acquired with approximately 50 percent of the proceeds of the Class B Shares.

The Fund achieves its investment objectives, by investing the balance of the net assets in a diversified portfolio consisting principally of Canadian and U.S. equity securities that are listed on a major North American stock exchange. In addition, the issuers of such securities must have a market capitalization in excess of U.S. $5.0 billion if listed solely in the United States or a market capitalization in excess of CDN $1.0 billion if listed solely in Canada.

To generate additional returns above the dividend income generated by the portfolio, the Fund may write covered call options in respect of all or part of the securities in the Managed Portfolio. From time to time, the Fund may hold a portion of its assets in cash equivalents, which may be utilized to provide cover in respect of the writing of cash covered put positions.

Risk

The Fund is comprised of a fixed portfolio, which contains forward agreements, as well a managed portfolio, which holds a diversified portfolio of securities consisting mainly of large capitalization Canadian and U.S. equities. Investors should be aware that the primary risks associated with the Fund are interest rate risk, exposure to Canadian and U.S. equity markets, the level of option volatility realized in undertaking the writing of covered call options and the impact of foreign exchange fluctuations on the value of the Fund's non-Canadian holdings.

The forward agreements in the fixed portfolio fluctuate in value with changes in interest rates. As the Fund approaches maturity, the fixed portfolio becomes an increasing proportion of the Fund. Over the past year the fixed portfolio increased from about 74 percent to about 82 percent of the net asset value of the Fund. This had the effect of increasing the sensitivity of the total Fund to interest rate changes.

The managed portfolio decreased in absolute terms over the year as well as in proportion to the total Fund. This resulted in reduced overall equity exposure to the Fund. As well, since one of the Fund's current objectives is to provide Class A shareholders with monthly cash distributions, the reduced managed portfolio increased the hurdle rate required to achieve the Fund's distribution and operating income requirements.

In order to generate income, the Fund writes covered call options in respect of all or part of the securities in the managed portfolio. During the course of this year, volatility reached multi-year lows which resulted in the Fund having to write options on a greater portion of the managed portfolio in order to generate distributable income. Due to this low volatility as well as a more positive view on the equity market, the Fund maintained its increased investment position over most of the year except in the second quarter and third quarter where a temporary defensive position was maintained by raising cash in the managed portion of the Fund.

The Fund actively hedged its U.S. dollar exposure during the first half of the year which mitigated the impact of the U.S. dollar decline versus its Canadian counterpart. After the Canadian dollar made new all time highs against the U.S. dollar in May it weakened progressively to finish the year relatively flat. The Fund finished the year with its U.S. exposure partially hedged against fluctuations in the exchange rate for Canadian dollars.

The Fund paid distributions on the Class B shares at a rate of 8.5 percent on the shares original issue price from inception to July 2004, and at a rate of 3.6 percent from August 2004 to December 2004. Effective January 2005, the value of the managed portfolio fell below the threshold level required to maintain these distributions. Therefore, in accordance with the terms of the original prospectus and rating covenants to protect the net asset value of the Class A shares, the distributions on Class B shares were suspended.

Overall, due to the combination of factors described above, the overall level of risk to Class A shareholders remains essentially unchanged. The risk profile of Class B shareholders has increased since their distributions have been suspended. However, forward agreements protecting the principal investment of Class B shareholders remain in place.

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, 2006

	% OF NET ASSETS*		% OF NET ASSETS*		% OF NET ASSETS*
Fixed Portfolio – Class B	62%	Cash and Short-Term Investments	3%	Consumer Staples	1 %
Fixed Portfolio – Class A	20%	Industrials	2%	Health Care	1 %
Financials	6%	Information Technology	2%	Utilities	1 %
Materials	3%	Consumer Discretionary	1%	Other Assets (Liabilities)	(5)%
Energy	3%				

* The Net Assets exclude the Preferred share liability.

Securities in the fixed portfolios have been pledged to the Royal Bank of Canada ("RBC") as security for the obligation of the Fund under the Forward Agreements. The fixed portfolios effectively have no equity exposure.

Top 25 Holdings

December 31, 2006

	% OF NET ASSETS*		% OF NET ASSETS*		% OF NET ASSETS*
Managed Portfolio		Allegheny Technologies Inc.	1%	EnCana Corporation	1 %
Cash and Short-Term Investments	3%	Teck Cominco Ltd. Cl B	1%	Enbridge Inc.	1 %
Citigroup Inc.	1%	Colgate-Palmolive Co.	1%	**Fixed Portfolio – Class A**	
Royal Bank of Canada	1%	Goldcorp Inc.	1%	Securities Pledged as	
The Toronto-Dominion Bank	1%	Microsoft Corp.	1%	Collateral for Forward Agreement	21 %
General Electric Company	1%	Shaw Communication Inc.	1%	Forward Agreement	(1)%
Suncor Energy Inc.	1%	Cisco Systems Inc.	1%	**Fixed Portfolio – Class B**	
Manulife Financial Corporation	1%	Imperial Oil Ltd.	1%	Securities Pledged as	
Bank of America Corporation	1%	Hartford Financial Services Group Inc.	1%	Collateral for Forward Agreement	54 %
Kinross Gold Corporation	1%	Pfizer Inc.	1%	Forward Agreement	8 %

* The Net Assets exclude the Preferred share liability.

Distribution History

INCEPTION DATE: MARCH 2002

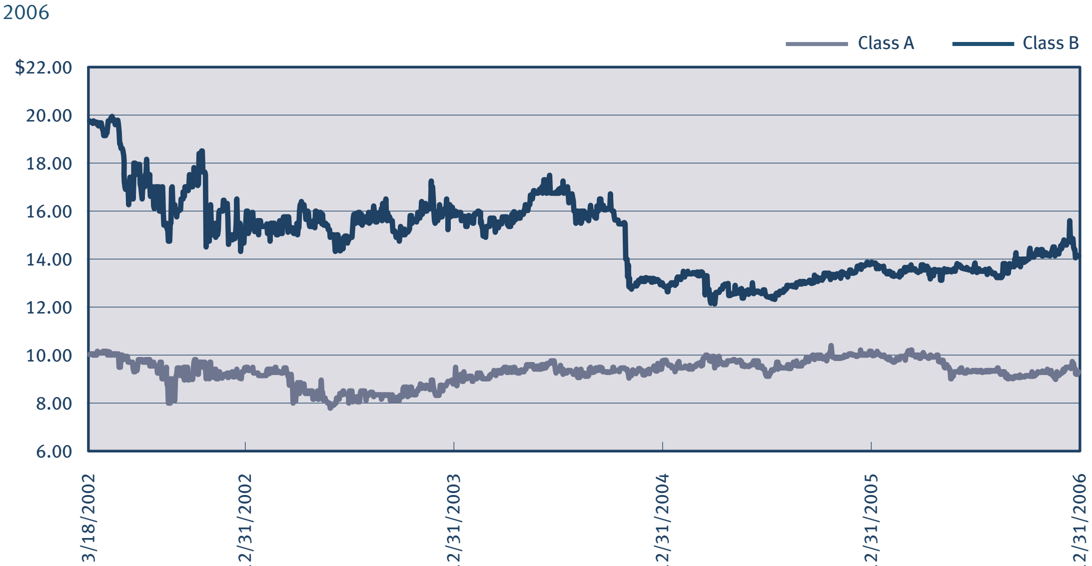
	CLASS A DISTRIBUTION	CLASS B DISTRIBUTION	TOTAL DISTRIBUTION
Total for 2002	$ 0.51024	$ 1.33558	**$ 1.84582**
Total for 2003	0.65004	1.70004	**2.35008**
Total for 2004	0.65004	1.29169	**1.94173**
Total for 2005	0.65004	0.00000(1)	**0.65004**
Total for 2006	0.65004	0.00000	**0.65004**
Total Distributions to Date	**$ 3.11040**	**$ 4.32731**	**$ 7.43771**

(1) Distributions to Class B shares were suspended effective January 2005.

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

Trading History

March 18, 2002 to December 31, 2006



Results of Operations

For the year ended December 31, 2006 the net asset value of the Fund increased to $24.77 per unit, after payment of distributions to shareholders, compared to $24.27 per unit at December 31, 2005. The Fund's Class A shares, listed on the Toronto Stock Exchange as SPL.A, closed on December 29, 2006 at $9.30 per share, while Class B shares, listed as SPL.B, closed at $14.08 per share. Each unit consists of one Class A share and one Class B share together.

Distributions totalling $0.65 were made to Class A shareholders during the year. In accordance with the terms of the original prospectus and rating covenants to protect the net asset value of the Class A shares, the distributions on Class B shares remain suspended.

Volatility was low throughout the period, but remained sufficient to maintain option writing programs. However, due to this low volatility, as well as a more positive view on equity markets, the Fund increased its investment position in the managed portfolio, thereby providing greater income generating capabilities.

The S&P/TSX Composite Index rose 17.3 percent during the year, while the S&P 500 Index rose 15.7 percent. Materials was the best performing sector in the S&P/TSX Composite Index while Telecoms was the best performing sector in the S&P 500 Index.

The U.S. dollar was weak against most major world currencies but was relatively flat against the Canadian dollar, which was driven by weaker commodity prices, particularly oil in the latter half of the year. The Fund actively hedged its U.S. dollar exposure during the year and finished the year with its U.S. exposure partially hedged against fluctuations in the exchange rate for Canadian dollars.

The one year compound total return for the Fund, including reinvestment of distributions, was 4.82 percent. This return is reflective of a balanced portfolio comprised of fixed income, Canadian and U.S. equities. As the Fund approaches maturity, the fixed portfolio becomes an increasing portion of the Fund and currently represents in excess of 80 percent of the overall net asset value. Over 50 percent of the managed portfolio is invested in Canadian equities with the balance in U.S. equities. For more detailed information on investment returns, please see the Annual Total Return bar graph and the Annual Compound Returns table on page 7 of this report.

The fixed portfolio net asset value rose during the year due to the portfolio's decreasing time to maturity as rates ended the year generally flat.

The managed portfolio net asset value declined during the year due to distributions as well as sinking fund contributions to the Class A forward agreements. Excluding these factors, the managed portfolio had a small positive return.

During the year, 377,988 units were redeemed by the Fund. The Fund facilitated these redemptions by selling equities from the managed portfolio and unwinding a portion of the forward agreements. These activities had no material impact 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 on March 18, 2002. This information is derived from the Fund's audited annual financial statements.

Years ended December 31

	2006	2005	2004	2003	2002(4)
THE FUND'S NET ASSET VALUE PER UNIT					
Net Asset Value, beginning of year(1)	**$ 24.27**	**$ 23.45**	**$ 24.17**	**$ 24.90**	**$ 28.40(5)**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.11**	0.07	(0.05)	0.09	0.24
Total expenses	**(0.30)**	(0.52)	(0.59)	(0.52)	(0.49)
Realized gains (losses) for the period	**2.20**	3.66	1.51	(1.20)	(0.93)
Unrealized gains (losses) for the period	**(0.97)**	(1.84)	0.34	3.25	(0.49)
Total Increase (Decrease) from Operations(2)	**1.04**	**1.37**	**1.21**	**1.62**	**(1.67)**
DISTRIBUTIONS					
Class A Share					
From taxable income	–	(0.05)	–	–	–
From capital gains	–	(0.44)	–	–	–
Non-taxable distributions	**(0.65)**	(0.16)	(0.65)	(0.65)	(0.51)
Total Class A Share Distributions	**(0.65)**	**(0.65)**	**(0.65)**	**(0.65)**	**(0.51)**
Class B Share					
Non-taxable distributions	**–**	–	(1.29)	(1.70)	(1.34)
Total Class B Share Distributions	**–**	**–**	**(1.29)**	**(1.70)**	**(1.34)**
Total Annual Distributions(3)	**(0.65)**	**(0.65)**	**(1.94)**	**(2.35)**	**(1.85)**
Net Asset Value, as at December 31(1)	**$ 24.77**	**$ 24.27**	**$ 23.45**	**$ 24.17**	**$ 24.90**

(1) Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding Redeemable Class A shares of the Fund on that date divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), less expenses, excluding Class A share distributions, and is calculated based on the weighted average number of units outstanding during the year. The schedule is not intended to total to the ending net asset value as calculations are based on the weighted average number of units outstanding during the year.
(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.
(4) For the period from inception on March 18, 2002 to December 31, 2002.
(5) Net of agent fees.

RATIOS/SUPPLEMENTAL DATA	2006	2005	2004	2003	2002
Net Assets, excluding liability for Redeemable Class A Shares ($millions)	**$ 33.37**	$ 41.87	$ 63.79	$ 81.55	$ 85.18
Net Assets ($millions)(1)	**$ 19.89**	$ 24.62	$ 36.59	$ 47.81	$ 50.96
Number of units outstanding(1)	**1,347,235**	1,725,223	2,720,221	3,373,990	3,421,390
Management expense ratio(2)	**1.23%**	2.17%	2.49%	2.15%	2.38%
Portfolio turnover rate(3)	**72.07%**	114.28%	58.64%	70.71%	61.00%
Trading expense ratio(4)	**0.07%**	0.09%	0.09%	0.14%	0.19%
Closing market price - Class B	**$ 14.08**	$ 13.49	$ 12.60	$ 15.70	$ 15.35
Closing market price - Class A	**$ 9.30**	$ 9.86	$ 9.60	$ 9.20	$ 9.13

(1) This information is provided as at December 31. One Unit represents one Class A and one Class B share.
(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and capital taxes but excluding income taxes and Class A share distributions, charged to the Fund to average net assets, excluding the liability for the Redeemable Class A shares. The management expense ratio for 2006 excluding reversal of deferred investment management fees is 1.71%. The management expense ratio for 2004 includes the special resolution expense. The management expense ratio excluding the special resolution expense is 2.24%. The management expense ratio for 2002 is annualized.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets during the period.

Management Fees

Mulvihill Capital Management ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1⁄12 of 1.10 percent of the net assets of the Fund at each month end, excluding the Redeemable Class A shares liability. The Investment Manager voluntarily agreed to defer payment of a portion of its investment management fees. These deferrals (which are recorded as payables in the net asset value of the Fund) in the investment management fees represent decreases in direct proportion to the decline in targeted distribution rates, to a minimum annual management fee rate of 0.40 percent of the Fund's net asset value. Commencing July 2005 investment management fees were reduced from a monthly rate of 1⁄12 of 1.10 percent to a monthly rate of 1⁄12 of 0.40 percent of the Fund's net asset value, plus applicable taxes, as required the by the prospectus when the Fund has not paid distributions for six or more consecutives months. Investment management fees for the year were paid at an annual rate of 0.40 percent of the Fund's net asset value. The Investment Manager may choose at any time to require payment of all or any portion of the investment management fees voluntarily deferred.

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

Recent Developments

The monetary authorities in Canada and the U.S. are both on hold after having raised rates in the first half of the year. The biggest driver of the net asset value of the Fund is interest rates and we saw longer term interest rates decline in the second half of the year. The interest rate differential between Canadian government bonds and U.S. Treasury securities persists, with Canadian interest rates now trading at a discount to U.S. rates across the yield curve. This discount along with Commodity weakness has made Canadian Bonds less attractive.

The S&P/TSX Composite Index rose impressively in 2006 driven by the merger frenzy in the S&P/TSX Materials Index. Over the last few years Energy and Materials have been the main drivers of performance in the overall index however, with Crude Oil lower we expect to see some margin compression in the Energy sector and it remains to be seen if Metal prices can sustain these higher prices. The S&P/TSX Financials Index had a strong performance in the latter half of the year buoyed by a decline in long term interest rates and impressive earnings. An easing by the Bank of Canada should be positive for Canadian Equity markets.

The S&P 500 Index had impressive returns in 2006 fueled by record cash flow margins, benign inflation, lower energy prices, excess liquidity, record share buybacks and mergers and acquisitions activity fueled by Private Equity. Many of these themes may continue into 2007. With the Federal Reserve on hold, an easier monetary policy should be positive for equity markets along with the potential normalization of the yield curve. Reasonable valuations as well as strong corporate cash flow and cash balances should also be supportive. Market risks include a continued slowing in house price inflation, which may crimp consumer spending.

Past Performance

The chart below sets out the Fund's year-by-year past performance. It is important to note that:

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

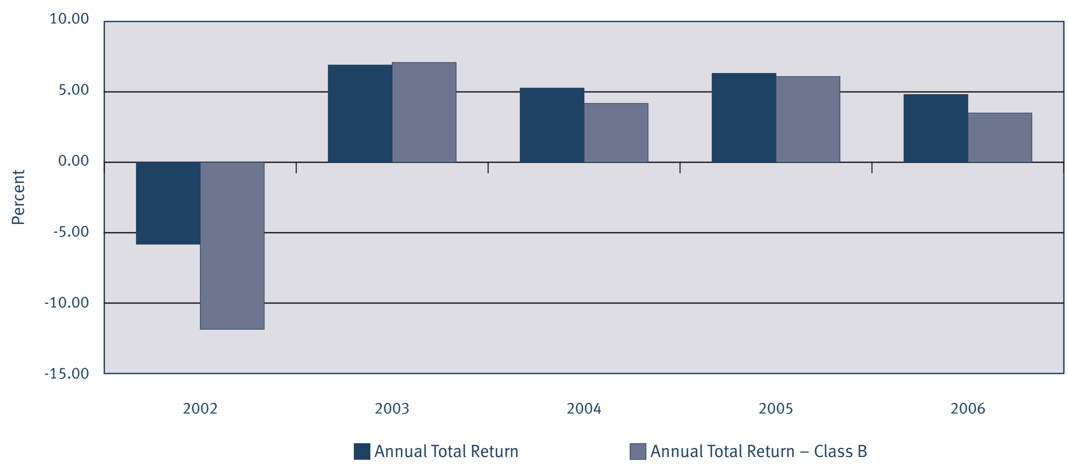
(b) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(c) 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 2002 would have increased or decreased by the end of that fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the periods ended December 31 as compared to the performance of the S&P/TSX Composite Index, S&P 500 Index and Scotia Capital Universal Bond Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception*
Mulvihill Pro-AMS RSP Split Share Fund	**4.82%**	5.46%	3.38%
Mulvihill Pro-AMS RSP Split Share Fund – Class A	**6.70%**	6.70%	6.35%
Mulvihill Pro-AMS RSP Split Share Fund – Class B	**3.49%**	4.58%	1.54%

In order to meet regulatory requirements, the performance of three broader based market indices have been included below.

S&P/TSX Composite Index**	**17.26%**	18.55%	12.33%
S&P 500 Index***	**15.74%**	6.70%	(0.54)%
Scotia Capital Universal Bond Index****	**4.06%**	5.88%	6.74%

* From date of inception on March 18, 2002.
** The S&P/TSX Composite Index is a capitalization-weighted index designed to measure the market activity of stocks listed on the TSX.
*** The S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
**** Scotia Capital Universal Bond Index is designed to measure the performance of the Canadian fixed income market.

The equity performance benchmarks 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 these indices; rather, its objectives are to pay out quarterly dividends 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 26, 2002.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated February 26, 2002, 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 Pro-AMS RSP Split Share Corp. (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager"), and have been approved by the Board of Directors (the "Board").

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

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

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

John P. Mulvihill	Sheila S. Szela
Director	Director
Mulvihill Fund Services Inc.	Mulvihill Fund Services Inc.
February 22, 2007	

To the Shareholders of Mulvihill Pro-AMS RSP Split Share Fund

We have audited the accompanying statement of investments of Mulvihill Pro-AMS RSP Split Share Corp. (the "Fund") as at December 31, 2006, the statements of financial position as at December 31, 2006 and 2005, and the statements of operations and deficit, of changes in net assets, and of changes in investments 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 management, as well as evaluating the overall financial statement presentation.

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

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
February 22, 2007

Statements of Financial Position

December 31, 2006 and 2005

	2006	2005
ASSETS		
Investments - Class A Share Fixed portfolio at market value (cost - $6,868,490; 2005 - $5,908,111) (Note 4)	**$ 6,598,187**	$ 6,369,169
Investments - Class B Share Fixed portfolio at market value (cost - $16,170,892; 2005 - $18,674,597) (Note 4)	**20,596,635**	24,479,306
Investments - Managed portfolio at market value (cost - $6,459,922; 2005 - $12,223,337)	**6,852,180**	12,115,179
Short-term investments – Managed portfolio (cost - $807,485; 2005 - $988,183)	**819,495**	987,978
Cash	**38,118**	3,298
Dividends receivable	**10,008**	21,106
Interest receivable	**3,926**	3,922
Due from brokers - investments	**—**	668,299
Due from brokers - derivatives	**3,534,562**	5,721,663
TOTAL ASSETS	**$ 38,453,111**	**$ 50,369,920**
LIABILITIES		
Redemptions payable	**$ 4,627,882**	$ 7,836,930
Accrued management fees (Note 6)	**375,553**	533,407
Accounts payable and accrued liabilities	**17,324**	51,864
Accrued forward agreement fees	**57,941**	78,247
Due to brokers - investments	**8,311**	116
Redeemable Class A shares (Note 5)	**13,472,350**	17,252,230
	18,559,361	**25,752,794**
EQUITY		
Class B and Class J shares (Note 5)	**24,790,263**	31,745,561
Deficit	**(4,896,513)**	(7,128,435)
	19,893,750	**24,617,126**
TOTAL LIABILITIES AND EQUITY	**$ 38,453,111**	**$ 50,369,920**
Number of Units Outstanding	1,347,235	**1,725,223**
Net Asset Value per Unit		
Class A Share	**$ 10.0000**	$ 10.0000
Class B Share	**14.7664**	14.2690
	$ 24.7664	**$ 24.2690**

On Behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

Statements of Operations and Deficit

Years ended December 31, 2006 and 2005

	2006	2005
REVENUE		
Dividends	$ 134,254	$ 250,891
Interest, net of foreign exchange	49,706	(59,254)
Withholding taxes	(10,011)	(16,000)
	173,949	175,637
Net realized gains (losses) on investments	9,036	(1,164,510)
Net realized gains on derivatives	3,589,608	9,763,315
Net realized losses on short-term investments	–	(3,019)
Total Net Realized Gains	3,598,644	8,595,786
TOTAL REVENUE	3,772,593	8,771,423
EXPENSES (Note 6)		
Management fees	32,859	669,240
Forward agreements fees (Note 4)	223,663	297,042
Administrative and other expenses	74,606	87,396
Custodian fees	43,410	46,218
Audit fees	26,556	19,899
Director fees	20,427	20,168
Legal fees	7,004	3,447
Shareholder reporting costs	33,233	30,371
Capital tax	–	(9,000)
Goods and services tax	24,778	60,296
TOTAL EXPENSES	486,536	1,225,077
Net Realized Income before Distributions	3,286,057	7,546,346
Class A distributions	(1,062,250)	(1,507,434)
Net Realized Income	2,223,807	6,038,912
Net change in unrealized appreciation/depreciation of investments	(1,609,911)	(4,393,501)
Net change in unrealized appreciation/depreciation of short-term investments	12,311	44,888
Total Net Change in Unrealized Appreciation/Depreciation	(1,597,600)	(4,348,613)
NET INCOME FOR THE YEAR	$ 626,207	$ 1,690,299
NET INCOME PER CLASS B SHARE		
(based on the weighted average number of Class B shares outstanding during the year of 1,638,757; 2005 - 2,348,671)	$ 0.3821	$ 0.7197
DEFICIT		
Balance, beginning of year	$(7,128,435)	$(13,464,672)
Net allocations on retractions	1,605,715	4,645,938
Net income for the year	626,207	1,690,299
BALANCE, END OF YEAR	$(4,896,513)	$ (7,128,435)

Statements of Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
NET ASSETS - CLASS B AND J SHARES, BEGINNING OF YEAR	$24,617,126	$ 36,589,693
Net Realized Income before Distributions	3,286,057	7,546,346
Class B Share Transactions		
Amount paid for shares redeemed	(5,349,583)	(13,662,866)
Distributions		
Class A shares		
From taxable income	–	(106,726)
From net realized gain on investments	–	(961,565)
Non-taxable distributions	(1,062,250)	(439,143)
	(1,062,250)	(1,507,434)
Net Change in Unrealized Appreciation/Depreciation of Investments	(1,597,600)	(4,348,613)
Changes in Net Assets during the Year	(4,723,376)	(11,972,567)
NET ASSETS - CLASS B AND J SHARES, END OF YEAR	$19,893,750	$ 24,617,126

The statement of changes in net assets excludes cash flows pertaining to the Class A shares as they are reflected as liabilities. During the year amounts paid for the redemption of 377,988 (2005 - 994,998) Class A shares totalled $3,779,800 (2005 - $9,949,980).

Statements of Changes in Investments

Years ended December 31, 2006 and 2005

	2006	2005
INVESTMENTS AT MARKET VALUE, BEGINNING OF YEAR	$42,963,654	$ 60,769,294
Unrealized Appreciation of Investments, Beginning of the Year	(6,157,609)	(10,551,108)
Investments at Cost, Beginning of the Year	36,806,045	50,218,186
Cost of Investments Purchased during the Year	22,416,567	42,232,684
Cost of Investments Sold during the Year		
Proceeds from sales	33,321,952	64,243,630
Net realized gain on sales	3,598,644	8,598,805
	29,723,308	55,644,825
Investments at Cost, End of the Year	29,499,304	36,806,045
Unrealized Appreciation of Investments, End of the Year	4,547,698	6,157,609
INVESTMENTS AT MARKET VALUE, END OF YEAR	$34,047,002	$ 42,963,654

Statement of Investments

December 31, 2006

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO				
Discount Commercial Paper				
Business Development Corporation, USD, 5.19% - January 24, 2007	100,000	$ 111,049	**$ 114,864**	
Canadian Wheat Board, USD, 5.17% - January 10, 2007	135,000	151,206	**155,211**	
Canadian Wheat Board, USD, 5.17% - January 22, 2007	145,000	165,421	**167,672**	
Export Development Corporation, USD, 5.18% - March 27, 2007	130,000	147,069	**149,008**	
Total Discount Commercial Paper		**574,745**	**586,755**	71.2%
Term Deposit				
Royal Bank of Canada, USD, 5.20% - January 2, 2007	200,000	**232,740**	**232,740**	28.3%
		807,485	**819,495**	**99.5%**
Accrued Interest			**3,926**	**0.5%**
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO		**$ 807,485**	**$ 823,421**	**100.0%**
INVESTMENTS				
INVESTMENTS - MANAGED PORTFOLIO				
Canadian Common Shares				
Consumer Discretionary				
Shaw Communication Inc.	7,000	**$ 248,979**	**$ 258,370**	0.8%
Energy				
Enbridge Inc.	5,000	186,622	**201,350**	
EnCana Corporation	4,000	234,073	**214,640**	
Imperial Oil Ltd.	5,600	231,765	**240,408**	
Suncor Energy Inc.	3,800	308,263	**348,802**	
TransCanada Corp.	2,500	97,375	**101,525**	
Total Energy		**1,058,098**	**1,106,725**	3.3%
Financials				
Manulife Financial Corporation	8,000	290,728	**314,800**	
Royal Bank of Canada	6,800	345,237	**377,400**	
The Toronto-Dominion Bank	5,400	349,084	**376,488**	
Total Financials		**985,049**	**1,068,688**	3.1%
Materials				
Goldcorp Inc.	8,000	279,916	**264,880**	
Kinross Gold Corporation	20,700	209,574	**286,074**	
Teck Cominco Ltd. Cl B	3,200	288,008	**281,280**	
Total Materials		**777,498**	**832,234**	2.4%
Telecommunication Services				
Rogers Communications Inc., Class B	5,600	157,595	**194,320**	
TELUS Corporation	3,500	217,048	**187,320**	
Total Telecommunication Services		**374,643**	**381,640**	1.1%
Total Canadian Common Shares		**$3,444,267**	**$3,647,657**	**10.7%**

Statement of Investments (continued)

December 31, 2006

	Number of Shares	Average Cost	Market Value	% of Portfolio
INVESTMENTS (continued)				
INVESTMENTS – MANAGED PORTFOLIO (continued)				
United States Common Shares				
Consumer Discretionary				
Comcast Corporation	3,000	$ 148,945	$ 147,778	0.4%
Consumer Staples				
Colgate-Palmolive Co.	3,500	257,706	265,718	0.8%
Financials				
Bank of America Corporation	4,700	277,833	292,010	
Citigroup Inc.	6,300	358,755	408,353	
Hartford Financial Services Group Inc.	2,200	213,765	238,886	
Morgan Stanley	1,500	127,645	142,140	
Total Financials		977,998	1,081,389	3.2%
Health Care				
Pfizer Inc.	7,500	229,952	226,048	0.7%
Materials				
Allegheny Technologies Inc.	2,700	191,798	284,915	0.8%
Industrials				
General Electric Company	8,500	350,947	368,060	
Tyco International Inc.	5,000	170,028	176,882	
Total Industrials		520,975	544,942	1.6%
Information Technology				
Cisco Systems Inc.	8,000	231,036	254,431	
Microsoft Corp.	7,600	252,026	264,085	
Total Information Technology		483,062	518,516	1.5%
Utilities				
Exelon Corp.	2,500	171,016	180,053	0.5%
Total United States Common Shares		$2,981,452	$3,249,359	9.5%
Forward Exchange Contracts				
Sold USD $20,000, Bought CAD $22,728 @ 0.87996 - January 17, 2007			$ (533)	
Sold USD $105,000, Bought CAD $118,742 @ 0.88427 - January 17, 2007			(3,382)	
Sold USD $105,000, Bought CAD $118,837 @ 0.88356 - January 17, 2007			(3,287)	
Sold USD $1,060,000, Bought CAD $1,206,698 @ 0.87843 - February 7, 2007			(25,416)	
Sold USD $95,000, Bought CAD $108,627 @ 0.87455 - February 21, 2007			(1,757)	
Sold USD $405,000, Bought CAD $465,918 @ 0.86925 - March 14, 2007			(4,377)	
Total Forward Exchange Contracts			$ (38,752)	(0.1)%

Statement of Investments (continued)

December 31, 2006

	Number of Contracts	Average Cost/ Proceeds	Market Value	% of Portfolio
INVESTMENTS (continued)				
INVESTMENTS – MANAGED PORTFOLIO (continued)				
OPTIONS				
Purchased Put Options				
Standard & Poor's 100 Index - February 2007 @ $603 (1 share per contract)	750	$ 4,550	**$ 95**	
Standard & Poor's 100 Index - March 2007 @ $618 (1 share per contract)	1,620	11,056	**3,956**	
Standard & Poor's 100 Index - April 2007 @ $630 (1 share per contract)	1,070	8,292	**7,131**	
S&P/TSX 60 Index - February 2007 @ $651 (100 shares per contract)	3	3,483	**36**	
S&P/TSX 60 Index - March 2007 @ $685 (100 shares per contract)	11	13,558	**3,983**	
S&P/TSX 60 Index - March 2007 @ $693 (100 shares per contract)	4	4,560	**2,132**	
S&P/TSX 60 Index - March 2007 @ $697 (100 shares per contract)	9	9,842	**5,520**	
S&P/TSX 60 Index - April 2007 @ $697 (100 shares per contract)	5	6,650	**4,096**	
Total Purchased Put Options		**61,991**	**26,949**	**0.1%**
Written Cash Covered Put Options (100 shares per contract)				
Comcast Corporation - January 2007 @ $43	(30)	(2,698)	**(2,238)**	
TransCanada Corporation - January 2007 @ $38	(25)	(1,463)	**(48)**	
Total Written Cash Covered Put Options		**(4,161)**	**(2,286)**	**0.0%**
Written Covered Call Options (100 shares per contract)				
Bank of America Corporation - January 2007 @ $54	(23)	(1,197)	**(136)**	
Citigroup Inc. - January 2007 @ $53	(47)	(4,444)	**(17,893)**	
Comcast Corporation - January 2007 @ $43	(30)	(3,251)	**(758)**	
Exelon Corp. - January 2007 @ $60	(25)	(4,753)	**(6,837)**	
Imperial Oil Ltd. - January 2007 @ $43	(28)	(4,158)	**(2,262)**	
Rogers Communications Inc., Class B - January 2007 @ $69	(28)	(4,424)	**–**	
TransCanada Corp. - January 2007 @ $40	(25)	(1,400)	**(2,861)**	
Total Written Covered Call Options		**(23,627)**	**(30,747)**	**(0.1)%**
TOTAL OPTIONS		**$ 34,203**	**$ (6,084)**	**0.0%**
TOTAL INVESTMENTS - MANAGED PORTFOLIO		**$6,459,922**	**$6,852,180**	**20.1%**

Statement of Investments (continued)

December 31, 2006

	Number of Shares	Average Cost	Market Value	% of Portfolio
INVESTMENTS - (continued)				
INVESTMENTS - CLASS A SHARE FIXED PORTFOLIO				
Canadian Common Shares				
Energy				
Western Oil Sands Inc.	11,587	$ 320,728	$ 379,011	1.1%
Health Care				
Angiotech Pharmaceuticals Inc.	42,303	447,774	404,726	1.2%
Industrials				
Westjet Airlines LTD.	168,344	1,673,255	2,513,376	7.4%
Information Technology				
Celestica Inc.	150,651	3,099,598	1,367,911	4.0%
Materials				
Kinross Gold Corporation	34,011	344,340	470,032	
Meridian Gold Inc.	6,265	124,047	203,174	
Total Materials		468,387	673,206	2.0%
Telecommunication Services				
Research in Motion	10,972	858,748	1,634,828	4.8%
Total Canadian Common Shares		6,868,490	6,973,058	20.5%
Class A Share Forward Agreement (Note 5)			(374,871)	(1.1)%
TOTAL INVESTMENTS - CLASS A SHARE FIXED PORTFOLIO		$ 6,868,490	$ 6,598,187	19.4%
INVESTMENTS - CLASS B FIXED PORTFOLIO				
Canadian Common Shares				
Consumer Discretionary				
Rona Inc.	64,596	$ 1,419,174	$ 1,356,516	4.0%
Consumer Staples				
Cott Corporation	105,779	3,047,493	1,765,452	5.2%
Energy				
Western Oil Sands Inc.	38,773	1,073,237	1,268,265	3.7%
Health Care				
Angiotech Pharmaceuticals Inc.	133,757	1,419,162	1,282,730	3.8%
Industrials				
Bombardier Inc. "B"	816,752	2,194,294	3,226,170	
Westjet Airlines LTD.	103,083	1,024,594	1,539,029	
Total Industrials		3,218,888	4,765,199	14.0%
Information Technology				
Celestica Inc.	23,761	488,875	215,750	
Nortel Networks Corporation	28,279	1,609,128	884,567	
Total Information Technology		2,098,003	1,100,317	3.2%
Materials				
Kinross Gold Corporation	113,813	1,152,284	1,572,896	
Meridian Gold Inc.	83,873	1,660,685	2,720,001	
Total Materials		2,812,969	4,292,897	12.6%
Telecommunication Services				
Research in Motion	13,824	1,081,966	2,059,776	6.1%
Total Canadian Common Shares		$16,170,892	$ 17,891,152	52.6%
Class B Share Forward Agreement (Note 5)			2,705,483	7.9%
TOTAL INVESTMENTS - CLASS B FIXED PORTFOLIO		$16,170,892	$ 20,596,635	60.5%
TOTAL INVESTMENTS		$29,499,304	$ 34,047,002	100.0%
Redeemable Class A Shares			(13,472,350)	
Short-Term Investments - Managed Portfolio			819,495	
Other Assets Less Liabilities			(1,500,397)	
NET ASSETS			$ 19,893,750	
TOTAL MANAGED PORTFOLIO		$ 7,267,407	$ 7,671,675	
TOTAL CLASS A FIXED PORTFOLIO		6,868,490	6,598,187	
TOTAL CLASS B FIXED PORTFOLIO		16,170,892	20,596,635	
TOTAL INVESTMENT PORTFOLIO		$30,306,789	$ 34,866,497	

1. Corporate Information

Mulvihill Pro-AMS RSP Split Share Corp. (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on January 8, 2002. The Fund began operations on March 18, 2002. All shares outstanding on December 31, 2013 (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 with respect to the Class A shares are: (i) to provide holders of Class A shares with fixed cumulative preferential monthly cash distributions in the amount of $0.05417 per Class A share representing a yield on the issue price of the Class A shares of 6.5 percent per annum; and (ii) to pay such holders $10.00 for each Class A share held on redemption of the Class A shares on the Termination Date in priority out of the Managed Portfolio.

The Fund's investment objectives with respect to the Class B shares are: (i) to pay such holders $20.00 for each Class B share held on the redemption of the Class B shares on the Termination Date; and (ii) on the Termination Date, to provide holders of Class B shares with the balance of the value of the Fund's Managed Portfolio after paying holders of the Class A shares $10.00 per Class A share.

Based on the terms of the original prospectus and rating covenants and due to declines in the Managed portfolio, distributions on Class B shares have been suspended commencing with the January 2005 distributions.

To enhance the Fund's ability to return the original issue price of the Class A shares on termination, the Fund has entered into forward purchase and sale agreements (each a "Class A Share Forward Agreement") for cash amounts on termination which will be negotiated at the time such forward agreements are entered into.

To provide the Fund with the means to return the original issue price of the Class B shares on termination, the Fund has entered into a forward purchase and sale agreement (the "Class B Share Forward Agreement") pursuant to which the counterparty has agreed to pay to the Fund an amount equal to $20.00 in respect of each Class B share outstanding on the Termination Date in exchange for the Fund delivering to the counterparty the equity securities in the Fund's Class B Fixed Portfolio.

The balance of the net proceeds of the initial share offering, after entering into the Class B Share Forward Agreement, (i) has been invested in a diversified portfolio consisting principally of Canadian and U.S. equity securities that are listed on a major North American stock exchange or market whose issuers have a market capitalization in excess of U.S. $5.0 billion if listed solely in the United States or a market capitalization in excess of Canadian $1.0 billion if listed in Canada and (ii) has been used to enter into Class A Share Forward Agreements (collectively, the "Managed Portfolio"). To the extent that the net asset value of the Managed Portfolio exceeds $10.00 per Class A share outstanding on the Termination Date, this excess amount will be available for distribution to holders of Class B shares provided the Fund has paid all distributions on the Class A shares.

To generate additional returns, the Fund may, from time to time, write covered call options in respect of all or part of the securities in the Managed Portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. Additionally, the Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund may enter into trades to close out positions in such permitted derivatives.

Foreign exchange forward contracts may be used to hedge the Fund's exposure to potential fluctuations in foreign exchange or as a means to gain exposure to other currencies. 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.

In order to generate additional returns, the Fund may lend Fixed Portfolio securities to securities borrowers.

From time to time, the Fund may hold a portion of its assets in cash equivalents.

3. Summary of Significant Accounting Policies

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

Valuation of Investments

Investments are recorded in the financial statements at their fair market value at the end of the period which is determined as follows:

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

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

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

Short-term bonds are valued at latest sale price (or at the average of the closing bid and offering price) as reported by a recognized investment dealer or valuation service.

The value of a forward contract (including the Forward Agreements) 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, were to be closed out. The valuation of the Forward Agreements may be postponed for up to five business days if trading in the shares of an issuer in the Fixed Portfolio is suspended from trading at such time.

Investment Transactions and Income

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

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

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

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

The following are credit ratings for the counterparties to derivative instruments the Fund deals with during the year, based on Standard & Poor's credit rating:

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

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

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.

Redeemable Class A Shares

Each Redeemable Class A 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 Class A shares outstanding.

Cash Flow Statements

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

New Accounting Standards

The Canadian Institute of Chartered Accountants issued new accounting standards relating to Financial Instruments which will be effective for the Fund from January 1, 2007. These new standards will impact certain financial statement accounting and disclosure including the valuation of securities at bid price and accounting for transaction costs.

However, as a result of regulatory relief received from the Canadian Securities Administrators, on implementation of the new standards, the above changes will not impact the net asset value per unit used to transact units of the Fund which will continue to be based upon securities valued at the last sale price.

4. Forward Agreements

The Fund contributes, every six months, commencing on September 30, 2002, an amount targeted to be a minimum of $0.43 per Class A share outstanding, representing 1/23rd of the issue price of a Class A share, to an account (the "Class A Share Fixed Portfolio") used to acquire Canadian equity securities. The Fund at each such time enters into a Class A Share Forward Agreement with Royal Bank of Canada ("RBC") and pursuant to the terms thereof agrees to deliver the equity securities so acquired for a cash amount on termination negotiated at the time such forward agreement is entered into. The Fund will not enter into additional Class A Share Forward Agreements at such time as the forward value under the Class A Share Forward Agreements on the Termination Date equals the Class A share issue price ($10.00) multiplied by the number of Class A shares outstanding.

The Fund has entered into the Class B Share Forward Agreement with RBC pursuant to which RBC will pay the Fund an amount equal to $20.00 for each Class B share outstanding on the termination date in exchange for the Fund delivering to RBC the equity securities included in the Class B Share Fixed Portfolio.

In entering into the Forward Agreements, the Fund will be exposed to the credit risk associated with the counterparty (RBC) and as well as the risk that the counterparty (RBC) will not satisfy its obligations under the Forward Agreements on a timely basis or at all. Since, depending on the performance of the Fixed Portfolio, the mark-to-market value of the Forward Agreements may represent a significant portion of the value of the assets of the Fund, the exposure of the Fund to the credit risk associated with the counterparty (RBC) is significant.

As the Fund is targeting monthly distributions of 6.5 percent per Class A share, the market price of the Class A shares and Class B shares may be affected by the level of interest rates prevailing from time to time. In addition, prior to the Termination Date, the NAV of the Fund may be sensitive to interest rate fluctuations because the value of the Forward Agreements will fluctuate based on interest rates. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Class A shares or Class B shares. Holders of Class A shares or Class B shares who wish to redeem or sell their Class A shares or Class B shares prior to the Termination Date will therefore be exposed to the risk that NAV per unit or the market price of the Class A share or Class B share will be negatively affected by interest rate fluctuations. The remaining term to maturity of the forward agreements are 7 years.

The Class A Share Forward Agreements and the Class B Share Forward Agreement (together, the "Forward Agreements") are a direct obligation of RBC, a company with a credit rating of Moody's-Aa2 and DBRS-AA (low).

The Forward Agreements may be physically or cash settled at the option of the Fund. In order to permit the Fund to fund periodic redemptions of Class A shares and Class B shares, the Forward Agreements may be settled in whole or in part in respect of any valuation date by the Fund tendering to RBC securities at a price equal to the current market value of the tendered securities and the value of the portion of the Forward Agreements attributable to such securities. Securities in the Class A Share Fixed Portfolio and the Class B Share Fixed Portfolio have been pledged to RBC as security for the obligations of the Fund under the Forward Agreements.

A yearly fee of 0.42 percent on the guaranteed value of the Forward Agreement and 0.24 percent on the market value of the Fixed Portfolio is payable by the Fund. Fees are accrued and payable every quarter.

5. Share Capital

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

Class A Shares

Holders of Class A shares will be entitled to receive fixed cumulative preferential monthly cash distributions of $0.05417 per share to yield 6.5 percent per annum on the issue price on the last day of each month.

The Class A shares will be redeemed by the Fund on December 31, 2013. The redemption price payable by the Fund for a Class A share on that date will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions (the "Class A Share Redemption Amount"); and (ii) the net asset value ("NAV") of the Managed Portfolio on that date divided by the number of Class A shares then outstanding.

Class A shares may be surrendered at any time for retraction by the Fund but will be retracted only on a monthly valuation date. Shareholders whose Class A shares are retracted will be entitled to receive a retraction price per share equal to 96 percent of the lesser of (i) the NAV per Unit determined as of the relevant valuation date less the cost to the Fund of the purchase of a Class B share in the market for cancellation; and (ii) $10.00. The cost of the purchase of a Class B share will include the purchase price of the Class B share, commission and such other costs, if any, related to the liquidation of any portion of the Managed Portfolio required to fund such purchase. A holder of a Class A share may concurrently retract one Class A share and one Class B share on the December valuation date of each year at a retraction price equal to the NAV per Unit on that date.

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

Class B Shares

The policy of the Board of Directors of the Fund is to pay monthly non-cumulative distributions to the holders of Class B shares in an amount targeted to be at least 8.5 percent per annum on the issue price.

No distributions will be paid on the Class B shares if (i) the distributions payable on the Class A shares are in arrears; (ii) the cumulative minimum semi-annual contributions to the Class A Share Forward Account have not been made by the Fund; or (iii) after the payment of the distribution by the Fund, the NAV of the Managed Portfolio less the aggregate of the equity securities subject to the NAV of the Class A Share Forward Agreements and the NAV of the Class A Share Forward Agreements would be less than 120 percent of the difference between (A) an amount equal to $10.00 times the number of Class A shares then outstanding, and (B) the forward price that would be payable to the Fund under the Class A Share Forward Agreements on the Termination Date.

In addition, no distributions will be paid on the Class B shares if the NAV of the Managed Portfolio minus the aggregate of the NAV of the equity securities subject to the Class A Share Forward Agreements and the NAV of the Class A Share Forward Agreements would be less than 20 percent of $10.00 multiplied by the number of Class A shares then outstanding. Based on the terms of the original prospectus and rating covenants, distributions on Class B shares have been suspended commencing January 2005.

The Class B shares will be redeemed by the Fund on December 31, 2013. The redemption price payable by the Fund for a Class B share on that date will be equal to the greater of (i) the NAV per Unit on that date minus the Class A Share Redemption Amount; and (ii) the forward price that would be payable to the Fund under the Class B Share Forward Agreement divided by the number of Class B shares then outstanding.

Class B shares may be surrendered at any time for retraction by the Fund but will be retracted only on a monthly valuation date. Shareholders whose Class B shares are retracted will be entitled to receive a retraction price per share equal to 96 percent of the difference between (i) the NAV per Unit determined as of the relevant valuation date; and (ii) the cost to the Fund of the purchase of a Class A share in the market for cancellation. 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 Fund's portfolio to fund such purchase. A holder of Class B shares may concurrently retract one Class B share and one Class A share on the December valuation date of each year at a retraction price equal to the NAV per Unit on that date.

Class J Shares

The holders of Class J shares are not entitled to receive dividends. The Class J shares are retractable at a price of $1.00 per share. Class J shares are entitled to one vote per share.

Issued and Outstanding

	2006	2005
1,347,235 Class A shares (2005 - 1,725,223)	**$13,472,350**	$ 17,252,230
1,347,235 Class B shares (2005 - 1,725,223)	**$24,790,163**	$ 31,745,461
100 Class J shares (2005 - 100)	**100**	100
	$24,790,263	**$ 31,745,561**

During the year, 377,988 Units (2005 - 994,998 Units) were redeemed by the Fund.

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 1.10 percent, respectively, of the Fund's net asset value, excluding the redeemable Class A share liability, calculated and payable monthly, plus applicable taxes. In the event that no distributions are made for six or more consecutive months, the monthly investment management fee will be reduced to 1/12 of 0.40 percent of the Fund's net asset value and the full amount of such fees will not be payable until such time as regular distributions resume. The unpaid portion of such fees will be accrued and will not be paid until such time as the distribution shortfall has been paid to shareholders. No unpaid portion of such fees will be paid out of the proceeds of the Forward Agreements.

The Investment Manager voluntarily agreed to defer payment of a portion of its investment management fees owing to it by the Fund until June 2005. The voluntary deferral of a portion of the fee is in proportion to the reduction in the targeted distribution rates, subject to a minimum annual fee per the prospectus of 0.40 percent of the Fund's net asset value. The Investment Manager may choose at any time to require payment in full of the fees voluntarily deferred.

Commencing July 2005 investment management fees were reduced from a monthly rate of 1.10 percent to a monthly rate of 0.40 percent of the Fund's net asset value, plus applicable taxes, as required the by the prospectus when the Fund has not paid distributions for six or more consecutives months. Investment management fees for the year were paid at an annual rate of 0.40 percent of the Fund's net asset value.

The management fee expense for 2006 is lower than it would otherwise be due to the reversal of deferred fees in the amount of $190,998, which were previously accrued but are now considered unlikely to be paid due to the performance of the Fund.

The Manager will pay a service fee (the "Service Fee") to each dealer whose clients hold Class B shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.30 percent annually of the value of the Class B shares held by clients of the dealer. For these purposes, the value of the Class B share will be the NAV per Unit less $10.00. If regular targeted distributions are not paid in full to shareholders of Class B shares in any month of a calendar quarter, the Service Fee for that calendar quarter will be reduced on a pro rata basis based upon the distribution shortfall. No service fees were paid for 2006 or 2005.

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.

No amount is payable on account of income taxes in 2006 or 2005.

Accumulated non-capital losses of approximately $4.6 million (2005 - $5.7 million) and capital losses of $7.3 million (2005 - $7.3 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses have expiration dates extending to 2014 and the capital losses can be carried forward indefinitely.

Issue costs of approximately $0.2 million (2005 - $1.4 million) remain undeducted for tax purposes at year end.

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 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.

8. Commissions

Total commissions paid for the period ended December 31, 2006 in connection with portfolio transactions were $28,038 (2005 - $48,134). Of this amount $9,416 (2005 - $9,739) was directed for payment of trading related goods and services.

9. Financial Instruments and Risk Management

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

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

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

Refer to Note 4 for the interest rate and credit risks relating to the Forward Agreements.

10. Comparative Figures

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

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

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

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

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than $2.8 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

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

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

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the period January 1, 2006 to December 31, 2006	
MULVIHILL PLATINUM			
Mulvihill *Government Strip Bond Fund*	GSB.UN	$ 21.44	$ 19.20
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 22.44	$ 20.44
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*	PRC.UN	$ 19.20	$ 16.05
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*	PRU.U	$ 15.57	$ 13.35
Mulvihill Pro-AMS *RSP Split Share Fund*	SPL.A/SPL.B	$ 10.10/$ 15.60	$ 8.80/$ 13.07
MULVIHILL PREMIUM			
Mulvihill *Core Canadian Dividend Fund*	CDD.UN	$ 10.90	$ 9.70
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 19.99	$ 16.60
Mulvihill Premium *Oil & Gas Fund*	FPG.UN	$ 14.21	$ 10.95
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 18.75	$ 16.15
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 11.80	$ 10.48
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 11.70/$ 16.94	$ 9.82/$ 15.51
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 8.65/$ 16.00	$ 6.87/$ 15.14
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.28/$ 12.70	$ 0.08/$ 10.75
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 17.08	$ 14.28
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 12.74/$ 13.75	$ 8.45/$ 12.42
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.25/$ 11.30	$ 10.40/$ 10.41

Board of Directors

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

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

Michael M. Koerner*
Corporate Director

Robert W. Korthals*
Corporate Director

C. Edward Medland*
President, Beauwood Investments Inc.

*Audit Committee

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

Mulvihill Premium

Mulvihill *Core Canadian Dividend Fund*
Mulvihill Premium *Canadian Fund*
Mulvihill Premium *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Mutual Funds Managed by Mulvihill Capital Management

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

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