



Hybrid Income Funds



Annual Report 2003

Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund

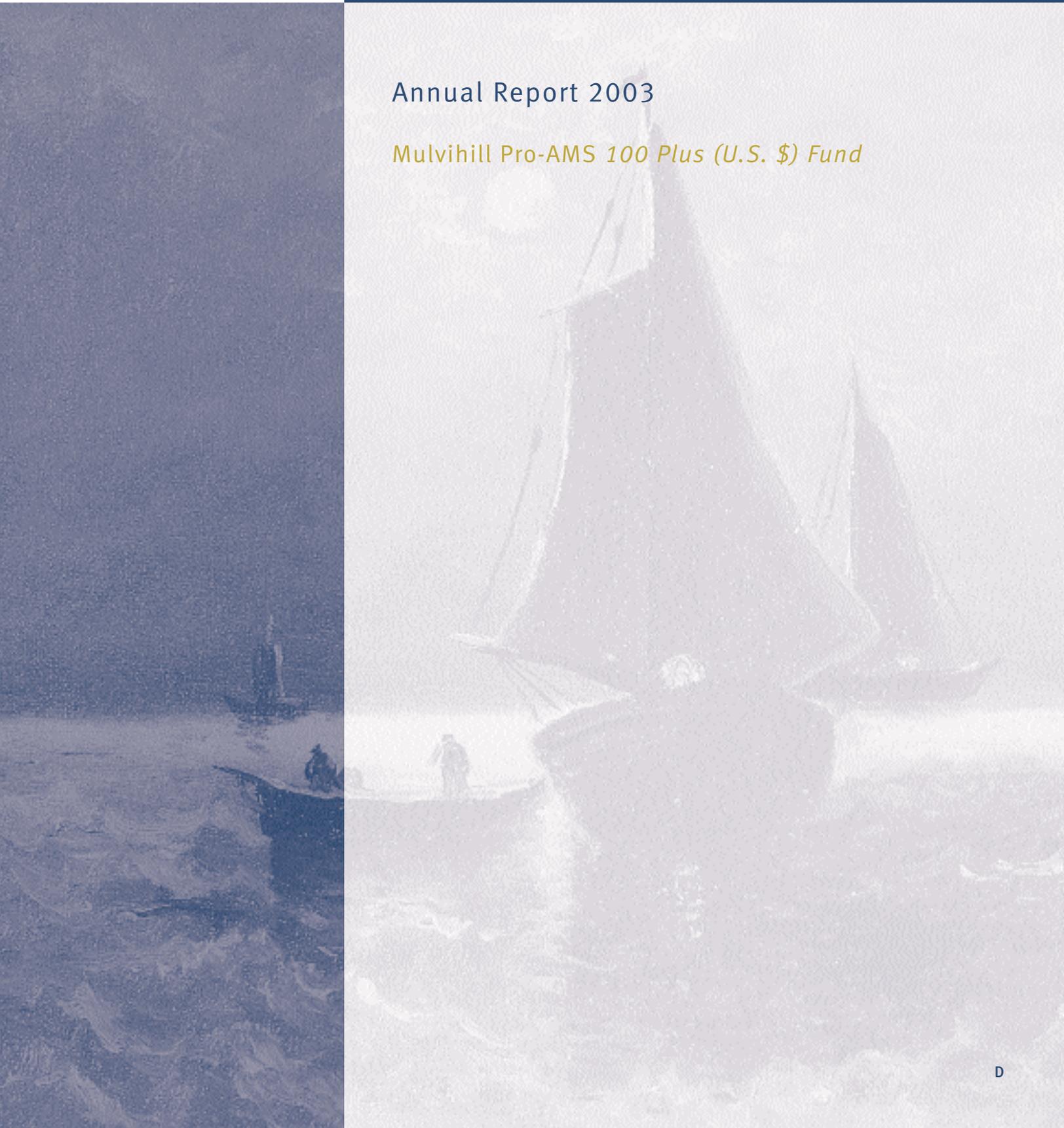




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Message to Unitholders

Equity markets in 2003 made positive returns, strongly outperforming both bonds and cash instruments. The S&P TSX composite index rose 27 percent, with advances in all major industry groups. This reflected the underlying stability of the Canadian economy, which continued to perform well, despite the temporary setbacks of the SARS outbreak, mad cow disease, forest fires in the West and the Ontario power blackout. One other development, however, is having a more lasting effect—the sharp rise in the value of the Canadian dollar. This has hurt the competitiveness of Canadian manufacturers in export markets, and will continue to have a dampening effect on economic growth in 2004.

In the U.S., equity markets rebounded strongly after a sluggish first quarter, buoyed by a surging American economy. The S&P 500 index recorded a 29 percent gain for the year, and the NASDAQ rose by a full 50 percent. The sinking value of the U.S. dollar, however, turned these advances into only 5 percent and 23 percent gains in Canadian currency terms. Low interest rates, tax cuts and depleted inventories have contributed to the resurgence of the American economy, and the weaker dollar is also improving U.S. export prospects for this year. The present federal budget deficit and the chronic and now massive U.S. current account deficit are shifting investor sentiment away from U.S. dollar denominated assets. Commodities priced in depreciating U.S. dollars are thus more affordable, encouraging a rise in global demand.

In both Canada and the U.S., equity investors favoured stocks with depressed prices in sectors poised for renewed growth. This propelled the formerly devastated information technology sector into the forefront of performers, along with the materials and financial sectors. Price volatility was high in the first quarter, but has decreased substantially since then, though it remains sufficient to sustain limited option writing programs.

The outlook at present is for solid economic growth this year, accompanied by low inflation and higher corporate profits. The Canadian economy will benefit from the strong U.S. recovery, though this will be dampened somewhat by the strength of the Canadian dollar. Short-term interest rates are likely to remain low and could even ease from current levels. The U.S. Federal Reserve has probably finished its easing cycle, and will remain on hold for a while, with potential for tightening in the second half of the year.

With valuation levels already quite high, especially in the U.S., equity markets are unlikely to rise as much in 2004 as they did in 2003. Nevertheless, the equity investment environment remains distinctly positive for the year.



John P. Mulvihill
President

Mulvihill Capital Management Inc.

Investment Objectives

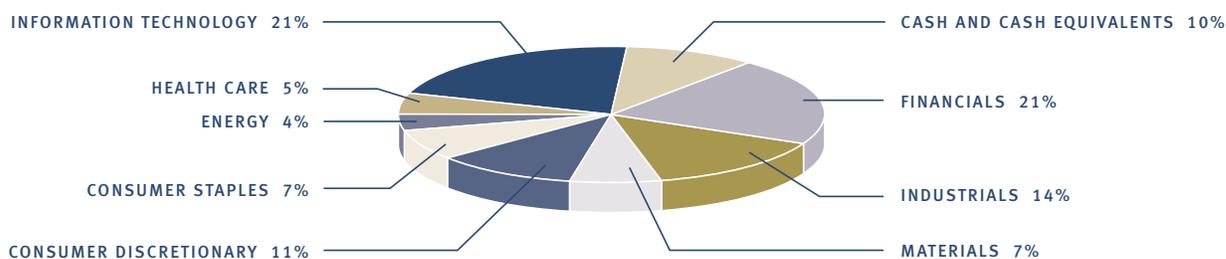
The Fund's investment objectives are to provide unitholders of the Fund with a stable stream of monthly distributions of at least U.S. \$0.14167 (US\$1.70 annually) per unit, to return at a minimum the original issue price of the units to unitholders upon termination of the Fund on December 30, 2016, and to preserve the value of the Fund's managed portfolio which will provide Unitholders with capital appreciation above the original issue price.

Investment Strategy

To provide the Fund with the means to return the original issue price on termination, the Fund has entered into a "Forward Agreement" with the Royal Bank of Canada ("RBC") whereby RBC will pay the Fund US\$20.00 for each unit outstanding on the Termination Date in exchange for delivery of the Fund's fixed portfolio. The Fund achieves its investment objectives by investing the balance of the net assets in a diversified internationally focused portfolio consisting principally of equity securities (including common shares and ADRs) that are listed on a major North American stock exchange or market with an emphasis on the top 100 in each category by market capitalization of ADRs, U.S. equities and Canadian equities. In addition, the issuers of such securities must have a market capitalization in excess of US\$5.0 billion if listed solely in the United States or a market capitalization in excess of CDN \$1.0 billion if listed 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.

Asset Mix

December 31, 2003



Distribution History

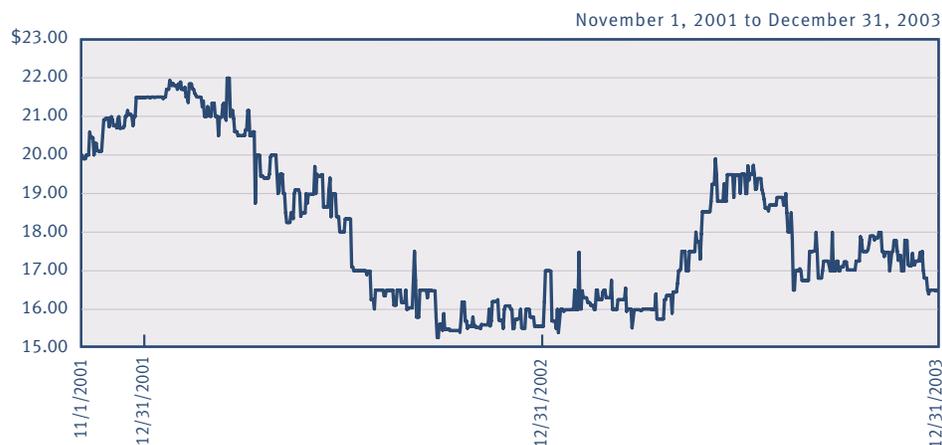
INCEPTION DATE: NOVEMBER 2001	REGULAR DISTRIBUTION U.S.D \$
Total for 2001	\$ 0.28334
Total for 2002	1.70004
January 2003	0.14167
February 2003	0.14167
March 2003	0.14167
April 2003	0.14167
May 2003	0.14167
June 2003	0.14167
July 2003	0.14167
August 2003	0.14167
September 2003	0.14167
October 2003	0.14167
November 2003	0.14167
December 2003	0.14167
Total for 2003	1.70004
Total Distributions to Date	\$ 3.68342

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

Top 10 Holdings

- Merrill Lynch & Co.
- The Toronto-Dominion Bank
- Citigroup Inc.
- Koninklijke (Royal) Philips Electronics N.V. ADR
- Sun Life Financial Services of Canada Inc.
- Cendant Corporation
- Tyco International Ltd.
- Cisco Systems Inc.
- CVS Corporation
- Pfizer Inc.

Trading History



Commentary

As of December 31, 2003, the net assets of the Fund were US\$27.4 million (CDN \$35.4 million), or US\$15.59 (CDN \$20.15) per unit, down from net assets of US\$29.7 million (CDN \$44.0 million), or US\$15.87 (CDN \$25.08) per unit, at the end of 2002. The Fund’s units, listed on the Toronto Stock Exchange as PRU.U, closed on December 31 trading at \$16.49.

Unitholders received monthly distributions through the year totaling US\$1.70 per unit, meeting the Fund’s target of providing a stable stream of dividends amounting to an annual return of 8.5 percent based on the initial issue price of US\$20.00.

Equity markets in both Canada and the United States were on a rising trend for most of the year, as stable economic conditions prevailed in both countries. In Canada, the leading sector by far was information technology, while gains elsewhere were modest. The rising trend in the U.S. was fairly broad, yielding positive results in all sectors, with information technology and materials being the strongest. The Fund’s more than 20 percent weighting in information technology stocks was beneficial, as was its significant weighting in materials stocks. The Fund is now aggressively positioned in these sectors in anticipation of further gains.

The markets’ orderly advance was marked by reduced volatility, causing option prices to decline to lows not seen since 1996. Accordingly, the Fund reduced its option-writing activity, and increased its invested position to take advantage of rising equity values. The managed portion of the Fund is invested in a diverse portfolio consisting of approximately 72 percent U.S. equities, 18 percent Canadian equities and 10 percent international equities using ADRs. With its large weighting of U.S. investments, the entire portfolio was adversely affected by the 22 percent decline in the value of the American dollar versus its Canadian counterpart during the year.

On March 5, 2004 the Fund issued a notice of special meeting of unitholders and management information circular for a meeting to be held April 2, 2004. The purpose of the meeting is to consider and vote upon a special resolution to (i) permit unitholders to switch to other Mulvihill funds by adding further retraction rights at 100% of net asset value per unit from time to time and (ii) provide the Fund with the ability to use interest rate hedging strategies in order to reduce some of the impact of rising interest rates on the net asset value of the Fund. The proposal would permit the Fund, in appropriate circumstances and in accordance with applicable securities laws, to use specified derivatives to assist the Fund in managing its investments and preserving net asset value. The existing retraction rights of unitholders would not be affected by the proposal.

Financial statements and a summary of the Fund’s investments are included in this annual report. We would like to take this opportunity to thank each of the Fund’s unitholders for their continuing support.

Management's Responsibility for Financial Reporting

This report has been prepared in accordance with the Accounting Standards Board guidelines.

The accompanying financial statements of Mulvihill Pro-AMS 100 Plus (U.S. \$) Trust (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 reviewed by the Board of Advisors (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 financial statements have been audited by Deloitte & Touche LLP on behalf of the unitholders.

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 Board 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 Board.



John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 20, 2004



David N. Middleton
Director
Mulvihill Fund Services Inc.

To the Unitholders of Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund

We have audited the accompanying statement of investments of Mulvihill Pro-AMS 100 Plus (U.S. \$) Trust (the "Fund") as at December 31, 2003, the statements of net assets as at December 31, 2003 and 2002, and the statements of financial operations, of changes in net assets, and of loss on sale of investments and options for the years then ended and of financial highlights for each of the years or periods (since inception) in the three-year period ended December 31, 2003. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, 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, the loss on sale of investments and options and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

The signature of Deloitte & Touche LLP is written in a cursive, handwritten style in dark blue ink.

Chartered Accountants
Toronto, Ontario
February 20, 2004

Statements of Net Assets

December 31, 2003 and 2002

(In Canadian dollars)

	2003	2002
ASSETS		
Investments - Fixed portfolio at market value (average cost - \$25,733,658; 2002 - \$25,300,466)	\$ 23,378,462	\$ 27,889,598
Investments - Managed portfolio at market value (average cost - \$11,268,452; 2002 - \$17,091,148)	10,889,552	13,977,667
Short-term investments - Managed portfolio (average cost - \$1,201,563; 2002 - \$3,238,492)	1,201,563	3,246,761
Cash	14,074	45,376
Dividends receivable	8,127	10,814
Interest receivable	1,779	4,698
Due from brokers	-	1,895,651
TOTAL ASSETS	35,493,557	47,070,565
LIABILITIES		
Accrued liabilities	129,818	173,315
Redemptions payable	-	2,886,558
TOTAL LIABILITIES	129,818	3,059,873
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 35,363,739	\$ 44,010,692
Number of Units Outstanding (Note 6)	1,754,900	1,754,900
Net Asset Value per Unit	\$ 20.1514	\$ 25.0787

On Behalf of the Manager,
Mulvihill Fund Services Inc.


John P. Mulvihill, Director


David N. Middleton, Director

Statements of Financial Operations

Years ended December 31, 2003 and 2002

(In Canadian dollars)

	2003	2002
REVENUE		
Dividends	\$ 148,641	\$ 252,847
Interest, net of foreign exchange	(180,905)	166,389
Withholding taxes	(17,488)	(29,839)
TOTAL REVENUE	(49,752)	389,397
EXPENSES (Note 7)		
Management fees	460,538	575,565
Forward agreement fee (Note 5)	267,841	314,365
Custodian and other expenses	133,899	166,586
Service fees	111,945	141,953
Goods and services tax	40,671	51,043
TOTAL EXPENSES	1,014,894	1,249,512
Net Investment Loss	(1,064,646)	(860,115)
Loss on sale of investments and options	(1,196,756)	(2,714,755)
Change in unrealized appreciation (depreciation) of investments, options and foreign currency	(2,218,169)	2,032,847
Net Loss on Investments	(3,414,925)	(681,908)
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ (4,479,571)	\$ (1,542,023)

Statements of Changes in Net Assets

Years ended December 31, 2003 and 2002

(In Canadian dollars)

	2003	2002
NET ASSETS, BEGINNING OF YEAR	\$ 44,010,692	\$ 53,433,360
Total Results of Financial Operations	(4,479,571)	(1,542,023)
Unit Transactions		
Amount paid for units redeemed	-	(2,886,558)
Distributions to Unitholders (Note 8)		
Non-taxable distribution	(4,167,382)	(4,994,087)
Changes in Net Assets during the Year	(8,646,953)	(9,422,668)
NET ASSETS, END OF YEAR	\$ 35,363,739	\$ 44,010,692

Statements of Loss on Sale of Investments and Options

Years ended December 31, 2003 and 2002

(In Canadian dollars)

	2003	2002
Proceeds from Sale of Investments	\$ 14,976,484	\$ 24,989,755
Cost of Investments Sold		
Cost of investments, beginning of year	42,391,614	48,024,347
Cost of investments purchased	10,783,736	22,071,777
	53,175,350	70,096,124
Cost of Investments, End of Year	(37,002,110)	(42,391,614)
	16,173,240	27,704,510
LOSS ON SALE OF INVESTMENTS AND OPTIONS	\$ (1,196,756)	\$ (2,714,755)

Statement of Investments

December 31, 2003

(In Canadian dollars)

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO				
Treasury Bills				
Government of Canada - February 12, 2004		185,000	\$ 183,666	\$ 183,666
Government of Canada - March 25, 2004		1,025,000	1,017,897	1,017,897
Total Treasury Bills	99.9 %		1,201,563	1,201,563
Accrued interest	0.1 %			1,779
TOTAL SHORT-TERM INVESTMENTS - MANAGED PORTFOLIO	100.0 %		\$ 1,201,563	\$ 1,203,342

INVESTMENTS - MANAGED PORTFOLIO

Canadian Common Shares

Financials

Sun Life Financial Services of Canada Inc.		13,000	\$ 434,097	\$ 419,900
The Toronto-Dominion Bank		11,500	494,400	497,835
Total Financials	2.7 %		928,497	917,735

Industrials

Bombardier Inc., Class B	0.7 %	42,000	247,422	229,740
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Materials

Alcan Inc.		4,900	282,397	296,793
Barrick Gold Corp.		11,800	344,221	345,858
Inco Limited		3,200	78,398	165,280
Total Materials	2.4 %		705,016	807,931

Total Canadian Common Shares	5.8 %		\$ 1,880,935	\$ 1,955,406
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United States Common Shares

Consumer Discretionary

Clear Channel Communications, Inc.		5,800	\$ 295,397	\$ 350,995
Viacom Inc., Class B		4,700	244,789	269,547
Wal-Mart Stores, Inc.		3,200	246,671	219,374
Total Consumer Discretionary	2.4 %		786,857	839,916

Consumer Staples

Colgate-Palmolive Company		3,000	224,578	194,032
CVS Corporation		8,700	419,699	406,084
Total Consumer Staples	1.8 %		644,277	600,116

Statement of Investments

December 31, 2003

(In Canadian dollars)

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
United States Common Shares (continued)				
Energy				
Baker Hughes Incorporated		7,500	357,711	311,692
Exxon Mobil Corporation		3,800	182,549	201,334
Total Energy	1.5 %		540,260	513,026
Financials				
American Express Company		6,000	372,879	373,953
Citigroup Inc.		7,000	555,100	439,083
Merrill Lynch & Co.		7,100	525,869	538,115
Morgan Stanley		4,400	307,951	329,045
Total Financials	4.9 %		1,761,799	1,680,196
Health Care				
Amgen Inc.		2,900	275,682	231,598
Pfizer Inc.		8,700	450,477	397,202
Total Health Care	1.8 %		726,159	628,800
Industrials				
Cendant Corporation		14,500	384,309	417,289
General Electric Company		6,400	283,214	256,218
Illinois Tool Works		3,500	368,885	379,517
Tyco International Ltd.		12,000	332,157	410,938
Total Industrials	4.3 %		1,368,565	1,463,962
Information Technology				
Cisco Systems Inc.		13,000	305,388	408,056
Dell Computer Corporation		9,000	374,763	394,965
EMC Corporation		21,200	387,880	353,954
Intel Corporation		5,800	242,388	241,342
Microsoft Corporation		11,000	449,332	391,476
Oracle Corporation		22,000	379,561	375,272
Total Information Technology	6.3 %		2,139,312	2,165,065
Total United States Common Shares	23.0 %		\$ 7,967,229	\$ 7,891,081

Statement of Investments

December 31, 2003

(In Canadian dollars)

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - MANAGED PORTFOLIO (continued)				
Non-North American Common Shares				
Consumer Discretionary				
Koninklijke (Royal) Philips Electronics N.V. ADR		11,200	\$ 543,291	\$ 421,028
The News Corporation Limited ADR		1,600	74,538	74,641
Total Consumer Discretionary	1.4 %		617,829	495,669
Consumer Staples				
Diageo PLC ADR	0.9 %	4,400	350,541	300,558
Information Technology				
Nokia Corp. ADR	0.9 %	14,700	502,992	322,935
Total Non-North American Shares	3.2 %		\$ 1,471,362	\$ 1,119,162
	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
Staples Inc. - January 2004 @ \$26	0.0 %	106	\$ (11,010)	\$ (2,305)
Written Covered Call Options (100 shares per contract)				
Amgen Inc. - January 2004 @ \$60		15	(2,992)	(4,140)
Baker Hughes Incorporated - January 2004 @ \$32		45	(4,430)	(3,981)
Barrick Gold Corp. - January 2004 @ \$29		59	(4,838)	(2,944)
Colgate-Palmolive Company - January 2004 @ \$53		22	(2,280)	(83)
CVS Corporation - January 2004 @ \$34		87	(9,159)	(26,622)
Diageo PLC ADR - January 2004 @ \$52		44	(3,603)	(6,041)
Exxon Mobil Corporation - January 2004 @ \$38		38	(2,324)	(16,868)
Koninklijke (Royal) Philips Electronics N.V. ADR - January 2004 @ \$29		56	(5,618)	(5,859)
Pfizer Inc. - January 2004 @ \$35		65	(4,820)	(7,254)
Total Written Covered Call Options	(0.2)%		(40,064)	(73,792)
TOTAL OPTIONS	(0.2)%		\$ (51,074)	\$ (76,097)
TOTAL INVESTMENTS - MANAGED PORTFOLIO	31.8 %		\$ 11,268,452	\$ 10,889,552

Statement of Investments

December 31, 2003

(In Canadian dollars)

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS - FIXED PORTFOLIO				
Canadian Common Shares				
Health Care				
Biovail Corporation		45,530	\$ 3,219,351	\$ 1,270,741
QLT Inc.		95,573	3,432,982	2,341,539
Total Health Care	10.5 %		6,652,333	3,612,280
Industrials				
Royal Group Technologies Limited	4.0 %	110,923	2,866,250	1,364,353
Information Technology				
ATI Technologies Inc.		264,076	3,432,988	5,146,841
Celestica Inc.		58,235	3,359,122	1,139,077
Cognos Inc.		126,725	3,432,980	5,019,577
Total Information Technology	33.0 %		10,225,090	11,305,495
Materials				
Inco Limited		58,306	1,428,457	3,011,505
Kinross Gold Corporation		116,969	1,230,514	1,207,120
Meridian Gold Inc.		197,569	3,331,014	3,739,981
Total Materials	23.2 %		5,989,985	7,958,606
Total Canadian Common Shares	70.7 %		\$ 25,733,658	\$ 24,240,734
Forward Agreement (Note 5)	(2.5)%			(862,272)
TOTAL INVESTMENTS - FIXED PORTFOLIO	68.2 %		\$ 25,733,658	\$ 23,378,462
TOTAL INVESTMENTS	100.0 %		\$ 37,002,110	\$ 34,268,014
Short-Term Investments - Managed Portfolio				1,201,563
Other Assets Less Liabilities				(105,838)
NET ASSETS				\$ 35,363,739
TOTAL MANAGED PORTFOLIO				
			\$ 12,470,015	\$ 12,091,115
TOTAL FIXED PORTFOLIO			25,733,658	23,378,462
TOTAL INVESTMENT PORTFOLIO			\$ 38,203,673	\$ 35,469,577

Statements of Financial Highlights

Years ended December 31

(In Canadian dollars)

	2003	2002	2001*
DATA PER UNIT			
Net Asset Value, Beginning of Year	\$ 25.08	\$ 28.57	\$ 30.05**
INCOME (LOSS) FROM INVESTMENT OPERATIONS			
Net investment loss	(0.61)	(0.51)	(0.14)
Net loss on sale of investments and options	(1.95)	(0.31)	(0.89)
Total from Investment Operations	(2.56)	(0.82)	(1.03)
DISTRIBUTIONS TO UNITHOLDERS			
From net realized gain on sale of investments and options	-	-	(0.33)
Non-taxable distribution (Note 8)	(2.37)	(2.67)	(0.12)
Total distributions	(2.37)	(2.67)	(0.45)
Net Asset Value, End of Year	\$ 20.15	\$ 25.08	\$ 28.57
RATIOS/SUPPLEMENTAL DATA			
Total net assets, end of period (\$millions)	\$ 35.36	\$ 44.01	\$ 53.43
Average net assets (\$millions)	\$ 39.10	\$ 47.96	\$ 51.23
Management expense ratio	2.60%	2.61%	2.76%***
Portfolio turnover rate	33.0%	46.0%	13.7%
Annual rate of return	(10.2)%	(2.9)%	N/A

* For the period from inception on November 1, 2001 to December 31, 2001.

** Net of agent fees.

***Annualized

1. Establishment of the Fund

Mulvihill Pro-AMS 100 Plus (U.S. \$) Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on October 18, 2001. The Fund began operations on November 1, 2001 and will terminate on December 30, 2016 and its assets will be distributed to unitholders unless unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose.

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"). The Royal Trust Company (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are (i) to return at least the original issue price of U.S.\$20.00 per unit to the unitholders upon termination of the Fund and (ii) to provide unitholders with a stable stream of monthly distributions. To achieve the first objective, the Fund has entered into a forward purchase and sale agreement (the "Forward Agreement") pursuant to which the counterparty will pay to the Fund an amount equal to the original issue price for each unit outstanding on the termination date in exchange for the Fund delivering to the counterparty certain equity securities which it purchased with approximately 40 percent of the gross proceeds from the initial offering of units (the "Fixed Portfolio"). The balance of the net proceeds of the initial offering has been invested in a diversified portfolio (the "Managed Portfolio") consisting principally of equity securities (including common shares and ADRs) that are listed on a major North American stock exchange or market with an emphasis on the top 100 in each category by market capitalization of ADRs, U.S. equities and Canadian equities. 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 in Canada. ADRs are issued by a depository as evidence of a beneficial interest in foreign securities of an issuer that are held on deposit by the depository.

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.

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 are presented in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. The following is a summary of significant accounting policies.

Valuation of investments

Securities are valued at 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 are valued at cost plus accrued interest, which approximates market value.

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

The value of a forward contract (including the Forward Agreement) 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 Agreement 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, options and foreign currency 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 investments and options.

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, options and foreign currency. Premiums received on written put options that are exercised are included in the cost of the security purchased.

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.

4. Statements of Financial Highlights

The following explanatory notes pertain to the Statements of Financial Highlights:

- (a) Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.
- (b) Net gain (loss) on investments and options per unit includes the impact of timing of unitholder transactions.
- (c) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.
- (d) Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.
- (e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments divided by the average value of the portfolio securities, excluding short-term investments.
- (f) Annual rate of return represents the historical annual total rate of return of an investment in a unit for the year, assuming reinvestment of current year distributions. Returns are not reported in the year that the Fund was established.

5. Forward Agreement

The Fund has entered into a Forward Agreement with Royal Bank of Canada ("RBC") pursuant to which RBC will pay the Fund an amount equal to U.S.\$20.00 for each unit outstanding on the termination date in exchange for the Fund delivering to RBC the equity securities included in the Fixed Portfolio.

Securities in the Fixed Portfolio have been pledged to RBC as security for the obligations of the Fund under the Forward Agreement. The Forward Agreement is a direct obligation of RBC, a company with a credit rating of Moody's-Aa2 and DBRS-AA (low). The Forward Agreement may be physically or cash settled at the option of the Fund. In order to permit the Fund to fund periodic redemptions of units, the Forward Agreement may be settled in whole or in part in respect of any valuation date by the Fund tendering to RBC securities of the Fixed Portfolio at a price equal to the current market value of the tendered securities and the value of the portion of the Forward Agreement attributable to such securities.

In entering into the Forward Agreement, the Fund will be exposed to the credit risk associated with the counterparty (RBC) and as well as the risk that the counterparty will not satisfy its obligations under the Forward Agreement on a timely basis or at all. Since, depending upon the per-

formance of the Fixed Portfolio, the mark-to-market value of the Forward Agreement may represent a significant portion of the value of the assets of the Fund, the Fund's exposure to the credit risk associated with the counterparty (RBC) is significant.

The Fund's NAV may be highly sensitive to interest rate fluctuations because the value of the Forward Agreement 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 Units. Unitholders who wish to redeem or sell their Units prior to the Termination Date will therefore be exposed to the risk that NAV per Unit or the market price of the Units will be negatively affected by interest rate fluctuations. The remaining term to maturity of the forward agreement is 13 years.

A yearly fee of 0.3923 percent on the guaranteed value of the Forward Agreement and 0.3075 percent on the market value of the Fixed Portfolio is payable by the Fund. Fees are accrued and payable every quarter.

6. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of units are proportionately entitled to all of these rights except voting rights.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly valuation date. Unitholders whose units are redeemed on a December valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4 percent of such net asset value per unit and (ii) U.S. \$0.80. Under the terms of a Recirculation Agreement, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any units tendered for redemption.

Following are the unit transactions for the period:

	2003	2002
Units outstanding, beginning of year	1,754,900	1,870,000
Units redeemed	-	(115,100)
Units outstanding, end of year	1,754,900	1,754,900

7. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee

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 the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fee payable to the Manager is payable at an annual rate of 0.10 percent of the Fund's net asset value calculated and payable monthly, plus applicable taxes. The fee payable to the Investment Manager is payable at an annual rate of 1.10 percent of the Fund's net asset value 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 but will not be paid until such time as the distribution shortfall has been paid to the unitholders. No unpaid portion of such fees will be paid out of the proceeds of the Forward Agreement.

The Manager also collects from the Fund a service fee equal to 0.30 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly.

8. Distributions

The Fund endeavours to make monthly cash distributions to unitholders of net income and net realized capital gains and option premiums on the last day of each month in each year.

The non-taxable distributions received by the unitholders reduce the adjusted cost base for tax purposes.

9. Income Taxes

The Fund is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2003 or 2002.

Accumulated non-capital losses of approximately \$2.7 million (2002 - \$1.2 million) and capital losses of approximately \$4.4 million (2002 - \$2.7 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 2010 and capital losses can be carried forward indefinitely.

Issue costs of approximately \$1.9 million (2002 - \$2.5 million) remain undeducted for tax purposes at year end.

10. Commission Charges

Total commissions paid in 2003 in connection with portfolio transactions were \$31,118 (2002 - \$54,417).

11. Comparative Figures

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

12. Financial Instruments and Risk Management

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

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

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

Refer to Note 5 for the interest rate and credit risks relating to the Forward Agreement.

13. Statement of Portfolio Transactions

The Fund will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any unitholder to the Fund at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.3 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
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 20.81	\$ 18.79
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 19.78	\$ 18.15
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 20.70	\$ 17.45
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 19.90 USD	\$ 15.40 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.50/\$ 17.24	\$ 7.78/\$ 14.30
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 20.55	\$ 17.70
Mulvihill Premium U.S. Fund	FPU.UN	\$ 14.25	\$ 12.36
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 9.50	\$ 8.13
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 20.60	\$ 17.91
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 13.89	\$ 11.82
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 12.65/\$ 17.00	\$ 9.22/\$ 15.00
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 11.19/\$ 16.00	\$ 7.71/\$ 15.00
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 2.35/\$ 11.66	\$ 1.00/\$ 9.60
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.00	\$ 3.25

Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund [PRU.U]

Board of Advisors

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

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Mulvihill Capital Management Inc.

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Robert W. Korthals
Corporate Director

C. Edward Medland
President, Beauwood Investments Inc.

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PRU.U

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

Hybrid Income Funds

Managed by Mulvihill Structured Products

Mulvihill Platinum

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

Mulvihill Premium

Mulvihill Premium *Canadian Fund*
Mulvihill Premium *U.S. Fund*
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Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*

Mulvihill Summit

Mulvihill Summit *Digital World Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Equity Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill U.S. *Equity Fund*
Mulvihill Global *Equity Fund*
Premium *Canadian Income Fund*
Premium *Global Income Fund*

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