

SEMI-ANNUAL REPORT 2011

S Split Corp.



## S Split Corp.

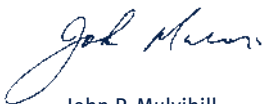
### Letter to Shareholders

We are pleased to present the 2011 semi-annual report containing the management report of fund performance and the unaudited financial statements for S Split Corp.

Distributions of \$0.33 per share were paid to Class A shareholders and \$0.26 per share were paid to Preferred shareholders during the six month period ended June 30, 2011. The net asset value per Unit of the Fund decreased 3.3 percent, from \$21.46 per Unit at December 31, 2010 to \$20.76 per Unit at June 30, 2011, primarily due to the dilutive effect of the warrants exercised in January 2011. The Fund's total return, including reinvestment of distributions, for the six month period ended June 30, 2011 was negative 0.5 percent. The total return on The Bank of Nova Scotia shares during this period was 3.6 percent. The comparative shortfall is due to a combination of cash held and option overwriting which limits upside participation while reducing volatility. For a more detailed review of the operation of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

In August 2010, the Fund issued warrants to Class A shareholders allowing holders of warrants to purchase a Unit of the Fund on or before the expiry date of January 17, 2011 at an exercise price of \$19.13 per Unit. By January 17, 2011, 1,728,632 warrants were exercised for gross proceeds of approximately \$33 million.

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



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

## The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with fixed cumulative preferential monthly distributions of 5.25 percent per annum and the Class A shareholders with regular monthly distributions of 6.0 percent per annum on the net asset value of the Fund and return the original issue price of both classes on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols SBN.PR.A for the Preferred shares and SBN for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share. To accomplish its objectives the Fund invests in common shares of The Bank of Nova Scotia.

## S Split Corp.

### Management Report of Fund Performance

#### Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2011 of S Split Corp. (the “Fund”). The June 30, 2011 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.mulvihill.com](http://www.mulvihill.com). You can also get a copy of the annual and semi-annual financial statements at your request and at no cost by using one of these methods.

#### Results of Operations

##### Distributions

For the six months ended June 30, 2011, cash distributions of \$0.33 per share were paid to Class A shareholders compared to \$0.31 per share a year ago. Cash distributions to Preferred shareholders were \$0.26 per share, unchanged from the same period last year.

Since the inception of the Fund in May 2007, the Fund has paid total cash distributions of \$2.56 per Class A share and \$2.16 per Preferred share.

##### Revenue and Expenses

The Fund’s total revenue was \$0.34 per Unit for the six months ended June 30, 2011, up \$0.17 per Unit compared to the prior year. This increase was due to the timing for recognizing the quarterly dividend of The Bank of Nova Scotia (“BNS”) at the end of June 2011, rather than at the beginning of July 2011. Total expenses were \$0.26 per Unit in 2011, up from \$0.25 per Unit in 2010, mainly due to unfavorable impact of new harmonized sales tax in Ontario and higher management and service fees resulting from higher net asset values. The Fund had a net realized and unrealized gain of \$0.61 per Unit in the first half of 2011 as compared to a net realized and unrealized loss of \$0.52 per Unit a year earlier.

## **Management Report of Fund Performance**

### **Net Asset Value**

The net asset value per Unit of the Fund decreased 3.3 percent, from \$21.46 per Unit at December 31, 2010 to \$20.76 per Unit at June 30, 2011, primarily due to the dilutive effect of the warrants exercised in January 2011. The aggregate net asset value of the Fund decreased \$10.5 million, from \$84.4 million at December 31, 2010 to \$73.9 million at June 30, 2011, as the annual concurrent retraction more than offset net proceeds from the warrants exercised during this period.

During the six months ended June 30, 2011, the total return of the Fund was negative 0.5 percent. The total return of BNS during the same period was 3.6 percent. The total return of BNS is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

### **Recent Developments**

In August 2010, the Fund issued warrants to Class A shareholders allowing holders of warrants to purchase a Unit of the Fund on or before the expiry date of January 17, 2011 at an exercise price of \$19.13 per Unit. By January 17, 2011, 1,728,632 warrants were exercised for gross proceeds of approximately \$33 million.

### **Future Accounting Policy Changes**

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

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies (“AcG-18”). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2013.

## S Split Corp.

### Management Report of Fund Performance

As at June 30, 2011, some anticipated changes to financial reporting include:

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

Based on the Manager’s current understanding and analysis of IFRS to the current accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund’s net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

### Related Party Transactions

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

MCM, as the Investment Manager of the Fund, manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated April 26, 2007.

MCM is the Manager of the Fund pursuant to a Management Agreement made between the Fund and MCM dated April 26, 2007. As such, MCM is responsible for providing or arranging for required administrative services to the Fund.

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

## Management Report of Fund Performance

### Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an independent review committee (“IRC”) to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

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

# S Split Corp.

## Management Report of Fund Performance

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception date on May 17, 2007.

The information for the periods ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2011 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2011
<b>NET ASSETS PER UNIT</b>	
<b>Net Assets, beginning of period (based on bid prices)<sup>(1)</sup></b>	<b>\$ 21.45</b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.34
Total expenses	(0.26)
Realized gain (loss) for the period	0.93
Unrealized gain (loss) for the period	(0.32)
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>0.69</b>
DISTRIBUTIONS	
<b>Class A Share</b>	
From net investment income	(0.03)
Non-taxable distributions	(0.30)
<b>Total Class A Share Distributions</b>	<b>(0.33)</b>
<b>Preferred Share</b>	
From net investment income	(0.26)
Non-taxable distributions	-
<b>Total Preferred Share Distributions</b>	<b>(0.26)</b>
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.59)</b>
<b>Net Assets, end of period (based on bid prices)<sup>(1)</sup></b>	<b>\$ 20.73</b>

(1) Net Assets per Unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the Redeemable Preferred share liability of the Fund on that date and including the valuation of securities at bid prices divided by the number of Units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the period.

### RATIOS/SUPPLEMENTAL DATA

Net Asset Value, excluding the Redeemable Preferred share liability (\$millions)	\$ 73.85
Net Asset Value (\$millions)	\$ 38.28
Number of units outstanding	3,557,312
Management expense ratio <sup>(1)</sup>	2.83% <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>	36.59%
Trading expense ratio <sup>(3)</sup>	0.06% <sup>(4)</sup>
Net Asset Value per Unit <sup>(5)</sup>	\$ 20.76
Closing market price - Class A	\$ 8.70
Closing market price - Preferred	\$ 10.25

(1) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees and Preferred share distributions, charged to the Fund divided by the average net asset value, excluding the Redeemable Preferred share liability. The MER for 2011, 2010 and 2009 includes the warrant offering costs and/or warrant exercise fees. The MER for 2011, 2010 and 2009 excluding the warrant offering costs and/or warrant exercise fees is 2.42%, 2.26% and 2.30% respectively. The MER, including Preferred share distributions, is 5.43%, 5.48%, 5.39%, 4.73% and 4.49% for 2011, 2010, 2009, 2008 and 2007 respectively.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities.



Management Report of Fund Performance

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

		Periods ended December 31					
		2010	2009	2008	2007 <sup>(4)</sup>		
\$	20.89	\$	16.98	\$	22.96	\$	25.00
	0.72		0.89		0.64		0.64
	(0.50)		(0.47)		(0.47)		(0.36)
	0.27		(2.67)		(0.76)		0.01
	1.46		7.04		(4.13)		(1.50)
	<b>1.95</b>		<b>4.79</b>		<b>(4.72)</b>		<b>(1.21)</b>
	–		–		–		(0.07)
	(0.62)		(0.42)		(0.67)		(0.44)
	<b>(0.62)</b>		<b>(0.42)</b>		<b>(0.67)</b>		<b>(0.51)</b>
	(0.17)		(0.29)		(0.17)		(0.33)
	(0.36)		(0.24)		(0.36)		–
	<b>(0.53)</b>		<b>(0.53)</b>		<b>(0.53)</b>		<b>(0.33)</b>
	<b>(1.15)</b>		<b>(0.95)</b>		<b>(1.20)</b>		<b>(0.84)</b>
\$	<b>21.45</b>	\$	<b>20.89</b>	\$	<b>16.98</b>	\$	<b>22.96</b>

The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of Units outstanding during the period.

- (3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.
- (4) For the period from inception on May 17, 2007 to December 31, 2007.

\$	84.36	\$	79.80	\$	74.49	\$	108.61
\$	45.05	\$	41.62	\$	30.75	\$	61.41
	3,930,870		3,818,900		4,374,300		4,719,300
	2.93%		2.52%		2.22%		0.90% <sup>(4)</sup>
	54.87%		18.07%		9.10%		9.34%
	0.04%		7.00%		0.05%		0.05% <sup>(4)</sup>
\$	21.46	\$	20.90	\$	17.02	\$	23.01
\$	8.95	\$	8.50	\$	4.50	\$	9.90
\$	10.38	\$	10.00	\$	9.25	\$	10.19

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.

- (3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
- (4) Annualized.
- (5) Net Asset Value per Unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date and including the valuation of securities at closing prices divided by the number of Units then outstanding.

## S Split Corp.

### Management Report of Fund Performance

#### Management Fees

Mulvihill Fund Services Inc. (the “Manager” or “Mulvihill”) amalgamated with Mulvihill Capital Management Inc. (the “Investment Manager” or “MCM”) on September 1, 2010. As successor, MCM became the Manager of the Fund. MCM is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.55 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and as to the execution of all portfolio and other transactions.

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

#### Retraction Fee

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

#### Past Performance

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

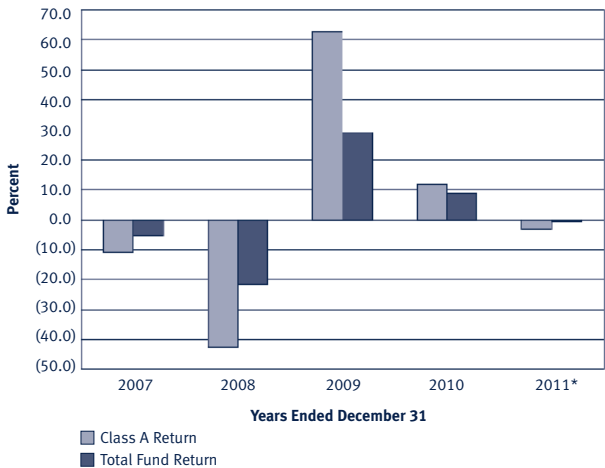
- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

## Management Report of Fund Performance

### Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year in each of the past four years and for the six month period ended June 30, 2011. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2007 would have increased or decreased by the end of the fiscal year or June 30, 2011 for the six months ended.

### Annual Total Return



\*For the six months ended June 30, 2011.

### Portfolio Manager Report

The net asset value of the Fund at June 30, 2011 was \$20.76 per Unit compared to \$21.46 per Unit on December 31, 2010. The Fund's Class A and Preferred Shares, listed on the Toronto Stock Exchange as SBN and SBN.PR.A, closed on June 30, 2011 at \$8.70 and \$10.25 respectively which, when combined, represent a 8.7 percent discount to the net asset value. Distributions of \$0.33 per share were paid to Class A shareholders and \$0.26 per share were paid to Preferred shareholders during the six month period.

The value of BNS shares at June 30, 2011 was \$58.10 compared to \$57.10 on December 31, 2010. BNS paid a dividend of \$0.52 during the six months ended June 30, 2011. The BNS stock also traded ex-dividend on the \$0.52 dividend that will be payable on July 27, 2011. BNS was the second of the big banks to increase its

## S Split Corp.

### Management Report of Fund Performance

dividend in the second quarter of its fiscal 2011 and maintained it through the third quarter.

While the economic recovery may have stalled somewhat in recent weeks, the internationally diversified nature of BNS's loan portfolio will help drive margins as the recovery continues.

The second quarter was successful from an overwriting perspective which contributed to the gross performance of the Fund being slightly better than holding BNS shares alone. This outperformance was offset in the period by the fees and dilution associated with the exercise of warrants in January 2011 that allowed shareholders to purchase additional Units of the Fund at a discount to net asset value.

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available on our website at [www.mulvihill.com](http://www.mulvihill.com).

### Asset Mix and Portfolio Holdings

June 30, 2011

	% of Net Asset Value*
Financials - The Bank of Nova Scotia	98 %
Cash and Short-Term Investments	15 %
Other Assets (Liabilities)	(13)%
	100 %

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

### Forward-Looking Statements

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

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

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

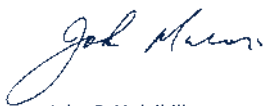
## Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2010.

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

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



John P. Mulvihill  
Director

Mulvihill Capital Management Inc.



John D. Germain  
Director

Mulvihill Capital Management Inc.

August 5, 2011

### Notice to Shareholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

## Financial Statements

## Statements of Financial Position

As at June 30, 2011 (Unaudited) and December 31, 2010 (Audited)

	2011	2010
<b>ASSETS</b>		
Investments at fair value (cost - \$65,374,793; 2010 - \$63,422,357)	<b>\$ 72,367,475</b>	\$ 72,169,943
Short-term investments at fair value (cost - \$11,023,889; 2010 - \$23,619,731)	<b>11,023,889</b>	23,619,731
Cash	<b>127,337</b>	58,449
Interest receivable	<b>6,916</b>	2,936
Dividends receivable	<b>802,503</b>	624,113
Due from brokers - investments	<b>32,067,069</b>	-
<b>TOTAL ASSETS</b>	<b>\$ 116,395,189</b>	<b>\$ 96,475,172</b>
<b>LIABILITIES</b>		
Redemptions payable	<b>\$ 40,751,765</b>	\$ 364,031
Retraction fee payable	<b>1,633,280</b>	14,480
Accrued management fees	<b>157,975</b>	119,018
Accrued liabilities	<b>112,021</b>	166,724
Due to brokers - investments	-	11,511,477
Redeemable Preferred shares	<b>35,573,120</b>	39,308,700
	<b>78,228,161</b>	<b>51,484,430</b>
<b>EQUITY</b>		
Class A and Class J shares	<b>42,518,428</b>	52,160,464
Deficit	<b>(4,351,400)</b>	(7,169,722)
	<b>38,167,028</b>	<b>44,990,742</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 116,395,189</b>	<b>\$ 96,475,172</b>
<b>Number of Units Outstanding</b>	<b>3,557,312</b>	<b>3,930,870</b>
<b>Net Assets per Unit</b>		
Preferred Share	<b>\$ 10.0000</b>	\$ 10.0000
Class A Share - Basic	<b>10.7292</b>	11.4455
<b>Net Assets per Unit (Note 2)</b>	<b>\$ 20.7292</b>	<b>\$ 21.4455</b>
<b>Net Assets per Class A Share - Diluted</b>	<b>n/a</b>	<b>\$ 10.1541</b>

**Financial Statements**

**Statements of Operations and Deficit**

Six months ended June 30 (Unaudited)

	2011	2010
<b>REVENUE</b>		
Interest	\$ 31,923	\$ 8,877
Dividends	1,831,582	735,662
	<b>1,863,505</b>	<b>744,539</b>
Net realized gain (loss) on derivatives	<b>1,032,629</b>	(512,357)
Net realized gain (loss) on investments	<b>3,974,162</b>	(133,580)
<b>Net Realized Gain (Loss)</b>	<b>5,006,791</b>	<b>(645,937)</b>
<b>TOTAL REVENUE</b>	<b>6,870,296</b>	<b>98,602</b>
<b>EXPENSES</b>		
Management fees	962,512	728,167
Service fees	152,519	107,592
Administrative and other expenses	89,521	68,679
Transaction fees (Note 4)	36,678	20,864
Custodian fees	15,485	14,230
Audit fees	13,667	14,071
Director fees	10,445	10,445
Independent review committee fees	3,851	3,173
Legal fees	-	5,624
Shareholder reporting costs	15,706	20,836
Federal and provincial sales taxes	105,034	40,972
<b>Subtotal Expenses</b>	<b>1,405,418</b>	<b>1,034,653</b>
Warrant offering costs	-	80,012
<b>TOTAL EXPENSES</b>	<b>1,405,418</b>	<b>1,114,665</b>
<b>Net Realized Income (Loss) before Distributions</b>	<b>5,464,878</b>	<b>(1,016,063)</b>
Preferred share distributions	<b>(1,469,714)</b>	(1,171,905)
<b>Net Realized Income (Loss)</b>	<b>3,995,164</b>	<b>(2,187,968)</b>
<b>Net Change in Unrealized Appreciation/ Depreciation of Investments</b>	<b>(1,754,904)</b>	<b>(1,683,622)</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 2,240,260</b>	<b>\$ (3,871,590)</b>
<b>NET INCOME (LOSS) PER CLASS A SHARE</b> (based on the weighted average number of Class A Shares outstanding during the period of 5,412,534; 2010 - 4,468,980)		
	<b>\$ 0.4139</b>	<b>\$ (0.8663)</b>
<b>DEFICIT</b>		
Balance, beginning of period	\$ (7,169,722)	\$ (15,716,498)
Net allocations on retractions	2,432,982	6,832,305
Net income (loss) for the period	2,240,260	(3,871,590)
Distributions on Class A Shares	(1,854,920)	(1,376,749)
<b>BALANCE, END OF PERIOD</b>	<b>\$ (4,351,400)</b>	<b>\$ (14,132,532)</b>



## Financial Statements

## Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2011	2010
NET ASSETS, BEGINNING OF PERIOD	\$ 44,990,742	\$ 41,569,873
Net Realized Income (Loss) before Distributions	5,464,878	(1,016,063)
<b>Class A Share Capital Transactions</b>		
Proceeds from Class A shares issued, net of warrant exercise fees	14,759,991	10,867,694
Value for Class A shares redeemed	(21,969,045)	(10,957,995)
	(7,209,054)	(90,301)
<b>Distributions</b>		
<b>Class A Shares</b>		
From net investment income	(183,479)	-
Non-taxable distributions	(1,671,441)	(1,376,749)
<b>Preferred Shares</b>		
From net investment income	(1,469,714)	-
Non-taxable distributions	-	(1,171,905)
	(3,324,634)	(2,548,654)
Net Change in Unrealized Appreciation/Depreciation of Investments	(1,754,904)	(1,683,622)
Changes in Net Assets during the Period	(6,823,714)	(5,338,640)
NET ASSETS, END OF PERIOD	\$ 38,167,028	\$ 36,231,233

## Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2011	2010
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	\$ 23,678,180	\$ 4,454,057
<b>Cash Flows Provided by (Used in) Operating Activities</b>		
Net Realized Income (Loss) before Distributions	5,464,878	(1,016,063)
<b>Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities</b>		
Purchase of investment securities	(39,393,432)	(28,304,389)
Proceeds from disposition of investment securities	42,447,787	4,369,973
Net realized (gain)/loss on sale of investments (including derivatives)	(5,006,791)	645,937
(Increase)/decrease in dividends receivable, interest receivable and due from brokers - investments	(32,249,439)	750,349
Increase/(decrease) in accrued management fees, accrued liabilities and due to brokers - investments	(11,527,223)	(33,671)
	(45,729,098)	(22,571,801)
<b>Cash Flows Provided by (Used In) Financing Activities</b>		
Proceeds from issuance of Units, net of warrant exercise fees	31,440,411	23,774,694
Distributions to Class A shares	(1,854,920)	(1,376,749)
Distributions to Preferred shares	(1,469,714)	(1,171,905)
Class A share redemptions	(197,511)	(4,147)
Preferred share redemptions	(181,000)	(4,000)
	27,737,266	21,217,893
Net Increase/(Decrease) in Cash and Short-Term Investments During the Period	(12,526,954)	(2,369,971)
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 11,151,226	\$ 2,084,086
<b>Cash and Short-Term Investments comprised of:</b>		
Cash	\$ 127,337	\$ 35,418
Short-term investments	11,023,889	2,048,668
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 11,151,226	\$ 2,084,086

## Financial Statements

### Statement of Investments

As at June 30, 2011 (Unaudited)

	Par Value/ Number of Shares/	Average Cost	Fair Value	% of Portfolio
<b>SHORT-TERM INVESTMENTS</b>				
<b>Treasury Bills</b>				
Province of Ontario, 1.04%				
- August 31, 2011	11,050,000	\$ 11,023,889	\$ 11,023,889	99.9%
<b>Accrued Interest</b>			<b>6,916</b>	<b>0.1%</b>
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>\$ 11,023,889</b>	<b>\$ 11,030,805</b>	<b>100.0%</b>
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Financials</b>				
The Bank of Nova Scotia	1,247,500	\$ 65,409,302	\$ 72,367,475	100.0%
<b>Total Canadian Common Shares</b>		<b>\$ 65,409,302</b>	<b>\$ 72,367,475</b>	<b>100.0%</b>
Adjustment for transaction fees		(34,509)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 65,374,793</b>	<b>\$ 72,367,475</b>	<b>100.0%</b>

## Notes to Financial Statements

June 30, 2011

**1. Basis of Presentation**

The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2010.

These semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2010.

**2. Net Asset Value**

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

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

	<b>June 30, 2011</b>	Dec. 31, 2010
Net Asset Value (for pricing purposes)	<b>\$ 20.7607</b>	\$ 21.4592
Difference	<b>(0.0315)</b>	(0.0137)
Net Assets (for financial statement purposes)	<b>\$ 20.7292</b>	\$ 21.4455

**3. Warrants**

The Fund issued 3,923,580 warrants to Class A shareholders of record outstanding at the close of business on August 23, 2010. All Class A shareholders as of the record date received warrants on a basis of one warrant for each share. Each warrant entitled the shareholder thereof to acquire one unit upon payment of \$19.13 on or before January 17, 2011. During the period, 1,668,042 warrants were exercised for gross proceeds of \$31,909,643 and the Fund incurred \$469,232 in warrant exercise fees.

## S Split Corp.

### Notes to Financial Statements

June 30, 2011

#### 4. Transaction Fees

Total transaction fees during the six month period ended June 30, 2011 in connection with portfolio transactions were \$36,678 (June 30, 2010 - \$20,864). Of this amount \$8,755 (June 30, 2010 - \$5,951) was directed to cover payment of research services provided to the Investment Manager.

#### 5. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund remain unchanged from the prior year and are described in Note 10 of the annual financial statements for the year ended December 31, 2010.

The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	\$ -	\$ 11,030,805	\$ -	\$ 11,030,805
Canadian Common Shares	72,367,475	-	-	\$ 72,367,475
<b>Total Investments</b>	<b>\$ 72,367,475</b>	<b>\$ 11,030,805</b>	<b>\$ -</b>	<b>\$ 83,398,280</b>

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	\$ -	\$ 23,622,667	\$ -	\$ 23,622,667
Canadian Common Shares	72,664,585	-	-	\$ 72,664,585
Options	-	(494,642)	-	\$ (494,642)
<b>Total Investments</b>	<b>\$ 72,664,585</b>	<b>\$ 23,128,025</b>	<b>\$ -</b>	<b>\$ 95,792,610</b>

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2011 and during the year ended December 31, 2010.

## Notes to Financial Statements

June 30, 2011

## Other Price Risk

Approximately 98 percent (December 31, 2010 - 86 percent) of the Fund's net assets, excluding the Redeemable Preferred share liability, held at June 30, 2011 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2011, the net assets, excluding the Redeemable Preferred share liability, of the Fund would have increased or decreased by \$7.2M (December 31, 2010 - \$7.3M) respectively or 9.8 percent (December 31, 2010 - 8.6 percent) of the net assets, excluding the Redeemable Preferred share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

## Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the current period and prior year based on Standard & Poor's credit ratings as of June 30, 2011 and December 31, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
<b>Canadian Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA	A-1+

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of June 30, 2011:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Province of Ontario Treasury Bills	AA	100%
<b>Total</b>		<b>100%</b>

## S Split Corp.

### Notes to Financial Statements

June 30, 2011

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Term Deposit Government of Canada	A-1+	88%
Treasury Bills	AAA	12%
<b>Total</b>		<b>100%</b>

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

### 6. Future Accounting Policy Changes

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

**Investment Funds Managed by  
Mulvihill Capital Management Inc.**

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**UNIT TRUSTS**

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

**SPLIT SHARES**

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

**PRINCIPAL PROTECTED FUNDS**

Government Strip Bond Trust

**Head Office**

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