MULVIHILL PREMIUM YIELD

Q2 2022

5.6%
ANNUALIZED RETURN
(SINCE INCEPTION)

5.5%
CURRENT YIELD

MPY HIGHLIGHTS

TOTAL DISTRIBUTIONS PAID SINCE INCEPTION $1.295

GROWTH IN NAV NET OF DISTRIBUTIONS PAID

ROC DISTRIBUTIONS*

The Mulvihill Premium Yield Fund "MPY" (Class I) returned -8.0% in the first six months of 2022, approximately in-line with the benchmark return of -7.9% and outperforming the S&P/TSX Composite Index (-9.9%) and the S&P 500 Index (-20.0%).

The fund was able to take advantage of rising volatility in the quarter, generating substantial premium from our option strategies to fund the $0.14 quarterly distribution paid to unitholders on June 30, 2022. Since inception of the fund, MPY has returned 5.6% per annum, paid $1.295 in ROC distributions, and achieved these results with approximately half the volatility of Canadian Dividend strategies. Interest rates continued to rise in the quarter putting pressure on fixed income returns and highlighting the importance of having an alternative source of yield in investors' portfolios outside of traditional fixed income strategies. The portfolio remains defensively positioned heading into the back half of 2022, while continuing to focus on several option strategies to balance downside risk with upside participation should markets resolve higher.

The net asset value "NAV" of MPY as of June 30th, 2022, was $10.17, down from $11.34 on December 31st, 2021. The fund paid the second quarter distribution of $0.14, bringing total distributions paid in 2022 to $0.28.

Inception 11/29/2019
Data is for Mulvihill Premium Yield Fund - Class I
Call Writing Benchmark = 50% S&P/TSX60 Covered Call Index (2% OTM), 50% CBOE S&P 500 BuyWrite Index (CAD)

DIWORSIFICATION

Portfolio Manager Commentary

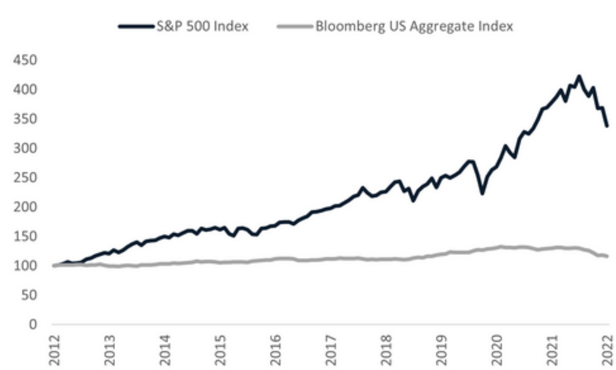
In what has been a challenging and stressful year for financial markets, compounded by the chaos that is living with three girls under the age of 4, my wife suggested we get away from it all for a few days. We booked a cottage and flights to the east coast and made arrangements to see friends living out that way. The final logistical detail of the trip was booking a rental car to get us from Halifax to Cape Breton. A few things became abundantly clear as I went down this rabbit hole. First, I was going to be spending a lot of time alone driving our car across the country. Second, you appreciate how much the world has changed in a few quick years. Not only were no cars available with the capacity to move a family of five, but there wasn't a single car within 200km of Halifax to rent.

The silver lining of this situation is you get to spend quality time alone with your thoughts. As I weaved through the various provinces, I listened to Mark Spitznagel's book *"Safe Haven: Investing for Financial Storms"*. Admittedly, it isn't exactly a dose of caffeine to keep you awake behind the wheel. Mark is the Founder and CIO of hedge fund Universa Investments, and wildly considered one of the great minds in the world of options, specifically as it relates to tail risk hedging. Without going too deep, one aspect of the book I found particularly relevant for the markets in 2022 were his thoughts on diversification.

Building off what Peter Lynch referred to as "diworsification", Mark challenges one of the fundamental pillars of modern portfolio theory. He argues investors diversify their portfolios to protect them from a crash. What investors fail to account for is the cost of this diversification in the form of underperformance in the noncrash periods. Overtime, this "diworsification" ends up costing more than it saved.

Applying this concept today, investors who held a diversified portfolio of stocks and bonds to mitigate risk during a crisis have paid a steep "cost" over the years via underperformance (relative to stocks). This cost is quantified by looking at the chart below. **Over the past decade, the S&P 500 Index has returned 13.0% per annum (or 238%) vs 1.5% per annum (or 16.5%) from bonds**, as measured by the Bloomberg US Aggregate Bond Index.

10 Year Performance of US Stocks and Bonds
Total Return (6.30.2012 - 6.30.2022)



Source: Bloomberg, Mulvihill Capital Management

DIWORSIFICATION

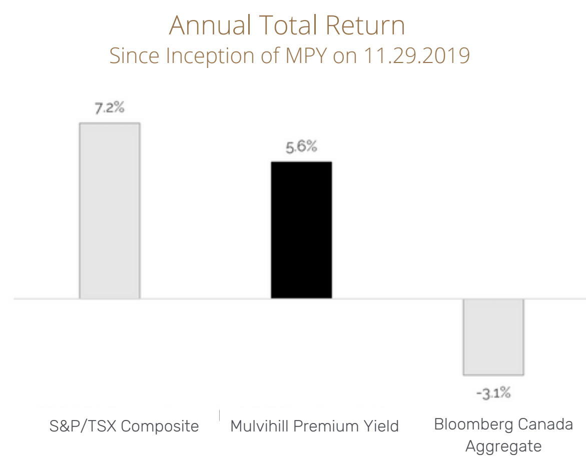
Investors accept this performance drag believing bonds will offer protection when it matters most. Like, for example, when the S&P 500 Index declines 20% in six months. This protection has not materialized in 2022. Rising inflation, inept central banks, and surging interest rates have eroded the appeal of bonds as a safe haven this year. Across the spectrum, fixed income investments have failed to provide any level of protection. **One should be asking why they paid such a high cost for this diversification?**

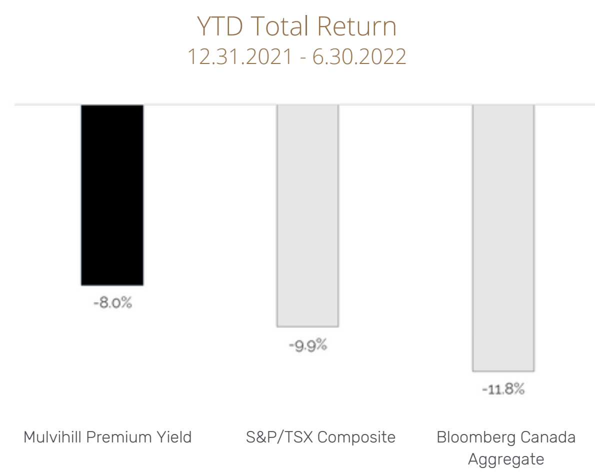
Total Return

US Bonds	YTD Return
US Aggregate	-10.3%
US Treasuries	-9.1%
US Corporate	-14.4%
US High Yield	-14.2%

Canada Bonds	YTD Return
Canada Aggregate	-11.8%
Canada Treasuries	-10.0%
Canada Corporate	-10.6%
Canada High Yield	-8.6%

Our view is that utilizing the options market provides a better balance for investors looking for upside market participation and adequate downside protection. Since its inception in November 2019, MPY has achieved a more efficient result of balancing this "cost" during rising markets with protection during crash periods. The following two charts summarize our thoughts on this topic as it relates to MPY.





MPY has returned 5.6% per annum since inception, substantially higher than the -3.1% from Canadian Bonds over the same time frame. While MPY has lagged the S&P/TSX Composite Index slightly, **this "cost" has been rewarded by lower portfolio drawdowns in volatile markets. The same cannot be said for bonds.**

At a higher level, our objective is not to beat the stock market over a short period. We aim to provide upside participation to rising stock markets, with lower volatility and an attractive tax-efficient yield, objectives that have been achieved so far.

Source: Bloomberg, Mulvihill Capital Management

MPY - Q2 / 2022

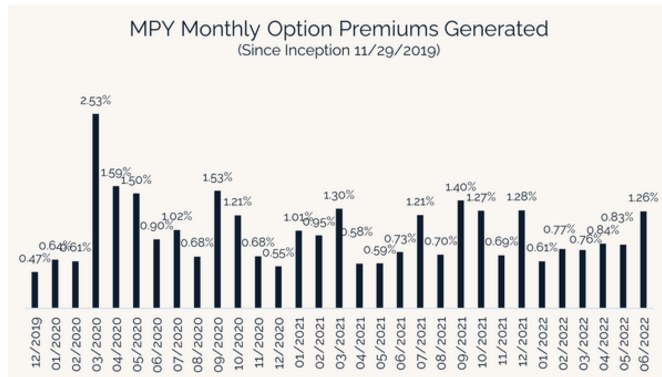
Enhanced Tax-efficient Yield:

Delivering tax-efficient income to unitholders is the primary objective of MPY. Our goal is to achieve a minimum of 50bps in option premiums per month (6% per year) to fund the targeted 5% distribution per annum.

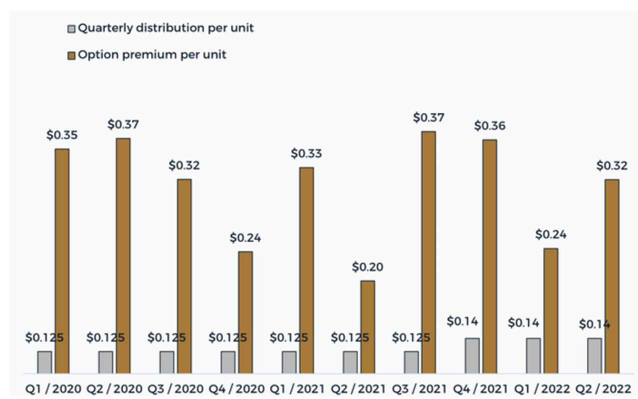
Market volatility ("VIX Index") traded in a wide range of 18.6 to 34.8 in the second quarter as inflation data spiked, the magnitude and duration of a prolonged FED rate hike cycle became a reality, and investors priced in increasing odds of a recession. Our option strategies were able to capitalize on this elevated volatility, generating 2.9% in option premiums in the quarter. Since inception, the fund has generated, on average, 1.0% per month, nearly double the 50bps objective.

In aggregate, MPY unitholders have received ten consecutive quarterly distributions totaling $1.295 per unit since inception. The income generated in the portfolio through our active option strategies have more than covered the distributions paid.

MPY utilizes the options market to consistently generate monthly income in the portfolio



MPY distributions remain well funded from option premiums



Performance (as of 06/30/2022)	1 Yr	Since Inception
Mulvihill Premium Yield Fund	-3.9%	5.6%
Call Writing Benchmark**	-0.2%	2.9%

Inception 11/29/2019
Class I Total returns net of fees and expenses and annualized for periods longer than 1 year
**Call Writing Benchmark = 50% S&P/TSX60 Covered Call Index (2% OTM), 50% CBOE S&P 500 BuyWrite Index (CAD)

Source: Bloomberg, Mulvihill Capital Management

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Contact Us

Website www.mulvihill.com

Email info@mulvihill.com

Phone 416 - 681 - 3966

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