



Hybrid Income Funds



Annual Report 2004

Mulvihill Premium U.S. Fund

First Premium U.S. Income Trust



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Message to Unitholders

Equity markets continued the positive performance they established in 2003, outperforming both bonds and cash instruments through 2004. In U.S. dollars, the S&P 500 Index recorded a 10.9 percent return for the year, while the NASDAQ advanced by 9.2 percent. However, the declining value of the U.S. dollar during the year reduced these gains to 2.8 and 1.2 percent respectively in Canadian currency. The S&P/TSX Composite Index rose by 14.5 percent.

Rising commodity prices and the prospect of higher interest rates depressed markets somewhat during the first half of the year, causing them to hit lows in August. However, conditions improved in the second half as interest rates remained low and oil prices eased down from their peak of US\$56 a barrel, allowing markets in both Canada and the U.S. to rebound strongly. The Canadian economy has performed well despite the rising U.S. dollar, though it is now showing some signs of deceleration.

Huge federal budget and current account deficits are continuing to undermine the foreign exchange value of U.S. currency, making commodities priced in U.S. dollars progressively cheaper in other world markets, such as Japan and Europe. China and India are now major influences on global commodity demand, and pressure is growing for China to revalue its currency, which is now pegged to the declining U.S. dollar.

Energy stocks were the strongest performers in both Canadian and U.S. equity markets, but there were major differences between the two countries in other sectors. In the U.S., utilities, telecommunications and industrial stocks were the next best performers, while in Canada, the leading sectors after energy were financial services, telecommunications and information technology. Health care was the weakest sector in both countries. Volatility declined to an eight year low throughout the year, but remained sufficient to maintain option-writing programs.

Looking ahead, moderate economic growth and continuing low inflation should maintain a positive environment for equities through 2005. Corporate profits will continue to improve, but not by as large a margin as they did in 2004. The Canadian economy will benefit from the strong U.S. recovery, but the relative strength of the Canadian dollar will have a dampening effect in some sectors. Since the positive expectations of investors are already reflected in many stock prices, equity markets are unlikely to make gains in 2005 as large as those of last year. Bond yields will likely head higher in the U.S., where the Federal Reserve is expected to continue gradually raising interest rates. By contrast, the Bank of Canada may have to cut rates here to help moderate the strength of the Canadian dollar.

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.



John P. Mulvihill

Chairman & President

Mulvihill Capital Management Inc.

Investment Objectives

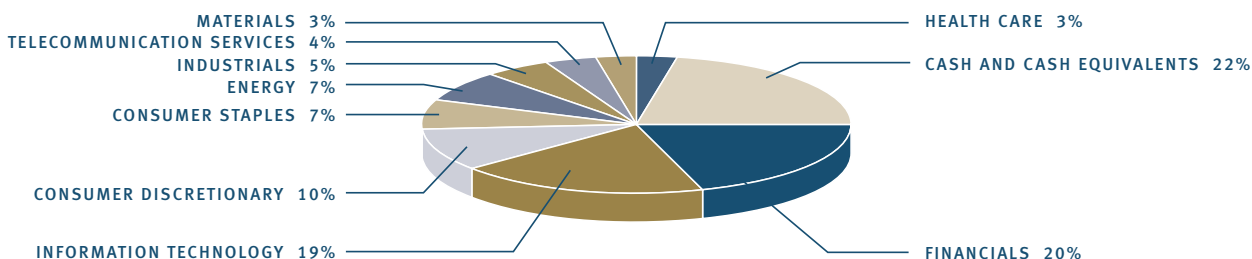
The Fund objectives are to provide unitholders of the Fund with a stable stream of quarterly distributions while returning the original issue price of the units (\$25.00 per unit) to unitholders upon termination of the Fund on January 1, 2007.

Investment Strategy

The Fund achieves its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. To generate additional returns above the dividend income generated by the portfolio, the Fund may engage in a program of covered call option writing in respect of all or part of the securities in the 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, 2004



Distribution History

INCEPTION DATE: FEBRUARY 1997	REGULAR DISTRIBUTION	SPECIAL DISTRIBUTION	TOTAL DISTRIBUTION
Total for 1997	\$ 1.83	\$ 0.75	\$ 2.58
Total for 1998	2.00	1.25	3.25
Total for 1999	2.00	2.50	4.50
Total for 2000	2.00	0.75	2.75
Total for 2001	2.00	0.00	2.00
Total for 2002	1.60	0.00	1.60
Total for 2003	1.40	0.00	1.40
March 2004	0.40	0.00	0.40
June 2004	0.40	0.00	0.40
September 2004	0.40	0.00	0.40
December 2004	0.40	0.00	0.40
Total for 2004	1.60	0.00	1.60
Total Distributions to Date	\$ 14.43	\$ 5.25	\$ 19.68

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

Top 10 Holdings

- Exxon Mobil Corporation
- Citigroup Inc.
- Proctor & Gamble Co.
- General Electric Company
- American Express Company
- Allstate Corporation
- Viacom Inc., Class B
- Morgan Stanley
- Honeywell International Inc.
- Medtronic Inc.

Trading History

February 3, 1997 to December 31, 2004



Commentary

As of December 31, 2004, the net assets of the Fund were \$98.9 million, or \$12.34 per unit, down from net assets of \$134.3 million, or \$14.27 per unit, at the end of 2003. The decline in net assets was mainly due to a large number of unit redemptions while the decline in unit value was primarily the result of distributions.

Shareholders received quarterly distributions during the year totalling \$1.60 per unit. The Fund’s units, listed on the Toronto Stock Exchange as FPU.UN, reached a high of \$16.00 during the year, but closed on December 31 trading at \$11.71, compared to the previous year-end price of \$13.70. Capital losses from previous years are still being carried forward, and are sufficient to shelter 2004 distributions from current taxation, as well as some future gains. These non-taxable distributions effectively reduce the investment cost base for all unitholders.

The broad market rally that began in 2003 slowed to a standstill in the first half of 2004, but then regained momentum to finish the year with all sectors showing advances except health care. As new highs were reached in the second half, the Fund reduced its cash and over-written positions in order to increase investment in the rising market. Energy stocks were the best performers, lifting that sector by more than 31 percent in the U.S., followed by a 18 percent advance in industrial stocks. The technology sector, the star performer of 2003, made only a modest overall gain, as strength in software and computers was largely offset by weakness in semiconductors and electronics. The Fund held overweight positions for most of the year in energy and financial stocks, while being underweight in health care. Market volatility declined by more than 25 percent from the previous year’s level, but the downward trend is now slowing.

A major factor hindering overall performance was the declining value of the U.S. dollar, since the Fund invests in a diversified portfolio of U.S. stocks. In general, investment gains on U.S. markets in 2004 were not sufficient to offset the slide in the U.S. dollar’s value versus its Canadian counterpart. In the U.S., the S&P 100 Index rose 6.4 percent in 2004, but when converted to Canadian dollars, this change amounted to a decline of 1.4 percent. The Fund hedged varying amounts of its U.S. dollar exposure throughout the year and as a result was able to reduce the full impact of the U.S. dollar decline on the Fund’s net asset value.

The following table presents the financial highlights of the Fund for the most recent five-year period.

Financial Highlights

Years ended December 31

Unaudited

	2004	2003	2002	2001	2000
DATA PER UNIT					
Net Asset Value, Beginning of Year	\$ 14.27	\$ 14.38	\$ 19.67	\$ 21.91	\$ 25.82
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income (loss)	(0.42)	(0.27)	(0.08)	0.27	0.28
Net gain (loss) on sale of investments	0.09	1.56	(3.61)	(0.51)	(1.44)
Total from Investment Operations	(0.33)	1.29	(3.69)	(0.24)	(1.16)
DISTRIBUTIONS TO UNITHOLDERS					
From net realized gain on sale of investments	-	-	-	-	(2.55)
Non-taxable distributions	(1.60)	(1.40)	(1.60)	(2.00)	(0.20)
Total Distributions	(1.60)	(1.40)	(1.60)	(2.00)	(2.75)
Net Asset Value, End of Year	\$ 12.34	\$ 14.27	\$ 14.38	\$ 19.67	\$ 21.91
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 98.90	\$ 134.28	\$ 155.88	\$ 234.07	\$ 260.31
Average net assets (\$millions)	\$ 128.92	\$ 147.80	\$ 191.52	\$ 246.85	\$ 294.83
Management expense ratio	1.99%	1.98%	1.99%	1.99%	1.96%
Portfolio turnover rate	54.7%	65.2%	46.8%	36.8%	31.2%
Annual rate of return	(2.3)%	9.0%	(18.8)%	(1.1)%	(4.5)%

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 divided by the number of units then outstanding.

Net investment income (loss) per unit is calculated based on the weighted average number of units outstanding during the year.

Net gain (loss) on investments per unit includes the impact of timing of unitholder transactions.

Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

Management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets.

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

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.

Management's Responsibility for Financial Reporting

The accompanying financial statements of First Premium U.S. Income Trust (operating as Mulvihill Premium U.S. Fund) (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 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.



Sheila S. Szela
Director
Mulvihill Fund Services Inc.

February 25, 2005

To the Unitholders of Mulvihill Premium U.S. Fund

We have audited the accompanying statement of investments of First Premium U.S. Income Trust (operating as Mulvihill Premium U.S. Fund) (the "Fund") as at December 31, 2004, the statements of net assets as at December 31, 2004 and 2003, the statements of financial operations, of changes in net assets and of loss on sale of investments for the years then ended. 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, and the loss on sale of investments for years indicated above in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants
Toronto, Ontario
February 25, 2005

Statements of Net Assets

December 31, 2004 and 2003

	2004	2003
ASSETS		
Investments at market value (cost - \$99,423,177; 2003 - \$146,733,763)	\$ 87,698,184	\$ 132,494,737
Short-term investments (cost - \$25,593,533; 2003 - \$13,618,808)	25,201,613	13,509,426
Cash	84,723	38,689
Interest receivable	29,064	14,000
Dividends receivable	80,367	134,948
Due from brokers	3,115,351	120,746
TOTAL ASSETS	116,209,302	146,312,546
LIABILITIES		
Redemptions payable	17,075,571	9,032,818
Accrued liabilities	197,234	244,540
Due to brokers	33,100	2,760,126
TOTAL LIABILITIES	17,305,905	12,037,484
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 98,903,397	\$ 134,275,062
Number of Units Outstanding (Note 4)	8,014,935	9,408,604
Net Asset Value per Unit	\$ 12.3399	\$ 14.2715

On Behalf of the Manager,
Mulvihill Fund Services Inc.


John P. Mulvihill, Director


Sheila S. Szela, Director

Statements of Financial Operations

Years ended December 31, 2004 and 2003

	2004	2003
REVENUE		
Dividends	\$ 1,759,521	\$ 1,937,215
Interest, net of foreign exchange	(2,910,640)	(1,524,187)
Withholding taxes	(250,987)	(251,904)
TOTAL REVENUE	(1,402,106)	161,124
EXPENSES (Note 5)		
Management fees	2,228,445	2,559,230
Custodian and other expenses	168,999	178,869
Goods and services taxes	166,894	190,490
TOTAL EXPENSES	2,564,338	2,928,589
Net Investment Loss	(3,966,444)	(2,767,465)
Loss on sale of investments	(1,388,442)	(8,674,284)
Change in unrealized appreciation/depreciation of investments	2,232,777	24,085,999
Net Gain on Investments	844,335	15,411,715
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ (3,122,109)	\$ 12,644,250
Net Investment Loss per Unit	\$ (0.4219)	\$ (0.2669)
Net Gain on Investments per Unit	0.0898	1.4864
TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT (based on weighted average number of units outstanding during the year 9,400,569; 2003 - 10,368,040)	\$ (0.3321)	\$ 1.2195

Statements of Changes in Net Assets

Years ended December 31, 2004 and 2003

	2004	2003
NET ASSETS, BEGINNING OF YEAR	\$ 134,275,062	\$ 155,883,110
Total Results of Financial Operations	(3,122,109)	12,644,250
Unit Transactions		
Amount paid for units redeemed	(17,204,831)	(19,932,104)
Distributions to Unitholders (Note 6)		
Non-taxable distributions	(15,044,725)	(14,320,194)
Changes in Net Assets during the Year	(35,371,665)	(21,608,048)
NET ASSETS, END OF YEAR	\$ 98,903,397	\$ 134,275,062

Statements of Loss on Sale of Investments

Years ended December 31, 2004 and 2003

	2004	2003
Proceeds from Sale of Investments	\$ 97,160,994	\$ 85,523,404
Cost of Investments Sold		
Cost of investments, beginning of year	146,733,763	163,742,796
Cost of investments purchased	51,238,850	77,188,655
	197,972,613	240,931,451
Cost of Investments, End of Year	(99,423,177)	(146,733,763)
	98,549,436	94,197,688
LOSS ON SALE OF INVESTMENTS	\$ (1,388,442)	\$ (8,674,284)

Statement of Investments

December 31, 2004

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada - April 7, 2005		4,565,000	\$ 4,532,499	\$ 4,532,499
Government of Canada - February 24, 2005		3,985,000	3,956,431	3,956,431
Total Treasury Bills	33.7 %		8,488,930	8,488,930
Discount Commercial Paper				
Canadian Wheat Board, USD - April 18, 2005		1,950,000	2,375,757	2,317,599
Export Development Corporation, USD - January 21, 2005		5,300,000	6,461,647	6,341,016
Province of British Columbia, USD - April 12, 2005		6,775,000	8,267,199	8,054,068
Total Discount Commercial Paper	66.2 %		17,104,603	16,712,683
	99.9 %		25,593,533	25,201,613
Accrued Interest	0.1 %			29,064
TOTAL SHORT-TERM INVESTMENTS	100.0 %		\$ 25,593,533	\$ 25,230,677

INVESTMENTS

United States Common Shares

Consumer Discretionary

Clear Channel Communications, Inc.		51,000	\$ 3,044,146	\$ 2,046,428
The Home Depot, Inc.		45,000	2,274,051	2,304,402
Viacom Inc., Class B		86,100	4,334,594	3,754,019
Wal-Mart Stores, Inc.		51,000	4,027,478	3,227,601
Total Consumer Discretionary	12.9 %		13,680,269	11,332,450

Consumer Staples

PepsiCo Inc.		57,000	4,046,169	3,564,976
Proctor & Gamble Co.		58,800	4,046,287	3,880,453
Total Consumer Staples	8.5 %		8,092,456	7,445,429

Energy

Exxon Mobil Corporation		71,000	4,511,763	4,360,619
Schlumberger Limited		37,000	3,983,018	2,967,997
Total Energy	8.4 %		8,494,781	7,328,616

Statement of Investments

December 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
United States Common Shares (continued)				
Financials				
American Express Company		56,000	3,703,028	3,782,224
American International Group Inc.		41,000	3,939,034	3,225,983
Citigroup Inc.		74,000	5,006,431	4,271,788
Merrill Lynch & Co.		48,000	3,518,161	3,437,445
Morgan Stanley		55,000	3,781,256	3,658,671
The Allstate Corporation		61,000	3,781,556	3,780,068
Total Financials	25.3 %		23,729,466	22,156,179
Health Care				
Medtronic Inc.	4.1 %	60,000	4,162,227	3,570,727
Industrials				
General Electric Company		88,500	5,930,416	3,870,324
Tyco International Ltd.		17,500	727,327	749,383
United Technologies Corporation		10,000	1,150,298	1,238,288
Total Industrials	6.7 %		7,808,041	5,857,995
Information Technology				
Cisco Systems Inc.		126,500	4,082,227	2,925,224
Honeywell International Inc.		86,000	4,241,694	3,648,678
IBM Corporation		27,300	3,899,041	3,224,502
Intel Corporation		124,900	3,462,302	3,500,289
Microsoft Corporation		106,000	5,993,805	3,392,274
Oracle Corporation		176,000	2,611,451	2,893,197
Texas Instruments Incorporated		67,700	1,831,080	1,997,045
Total Information Technology	24.6 %		26,121,600	21,581,209
Materials				
Alcoa Inc.		13,000	540,195	489,396
E. I. Du Pont de Nemours and Company		56,000	3,057,630	3,291,079
Total Materials	4.3 %		3,597,825	3,780,475
Telecommunication Services				
SBC Communications Inc.		65,000	1,969,520	2,006,961
Verizon Communications Inc.		52,500	2,557,254	2,548,196
Total Telecommunication Services	5.2 %		4,526,774	4,555,157
Total United States Common Shares	100.0 %		\$ 100,213,439	\$ 87,608,237

Statement of Investments

December 31, 2004

	% of Portfolio	Market Value
INVESTMENTS (continued)		
Forward Exchange Contracts		
Sold USD \$4,885,000, Bought CAD \$6,195,622 @ 0.788460 - January 5, 2005		\$ 342,448
Sold USD \$1,657,000, Bought CAD \$2,023,619 @ 0.818830 - January 12, 2005		38,118
Sold USD \$3,949,000, Bought CAD \$4,934,276 @ 0.800320 - January 19, 2005		202,158
Sold USD \$7,200,000, Bought CAD \$8,737,864 @ 0.824000 - January 26, 2005		109,633
Sold USD \$4,095,000, Bought CAD \$4,898,560 @ 0.835960 - February 2, 2005		(8,923)
Sold USD \$3,914,000, Bought CAD \$4,704,214 @ 0.832020 - February 9, 2005		13,587
Sold USD \$10,001,000, Bought CAD \$11,822,631 @ 0.845920 - February 16, 2005		(162,940)
Sold USD \$7,953,000, Bought CAD \$9,466,730 @ 0.840100 - February 23, 2005		(64,670)
Sold USD \$6,557,000, Bought CAD \$7,791,112 @ 0.841600 - March 2, 2005		(67,323)
Sold USD \$3,056,000, Bought CAD \$3,758,779 @ 0.813030 - March 9, 2005		96,223
Sold USD \$4,933,000, Bought CAD \$6,065,040 @ 0.813350 - March 9, 2005		152,936
Sold USD \$523,000, Bought CAD \$646,245 @ 0.809290 - March 16, 2005		19,448
Total Forward Exchange Contracts	0.7 %	\$ 670,695

	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Covered Call Options (100 shares per contract)				
American Express Company - January 2005 @ \$56		(420)	\$ (31,941)	\$ (11,866)
American International Group Inc. - January 2005 @ \$67		(205)	(19,000)	(12,834)
Citigroup Inc. - January 2005 @ \$47		(370)	(27,283)	(76,948)
Clear Channel Communications, Inc. - January 2005 @ \$34		(255)	(23,777)	(2,405)
E. I. Du Pont de Nemours and Company - January 2005 @ \$49		(560)	(40,208)	(39,027)
Exxon Mobil Corporation - January 2005 @ \$50		(710)	(72,534)	(16,669)
General Electric Company - January 2005 @ \$37		(443)	(26,175)	(18,338)
Honeywell International Inc. - January 2005 @ \$37		(860)	(73,587)	(5,493)
Merrill Lynch & Co. - January 2005 @ \$61		(240)	(34,584)	(6,461)
Microsoft Corporation - January 2005 @ \$27		(530)	(18,416)	(10,622)
Medtronic Inc. - January 2005 @ \$49		(600)	(58,036)	(91,469)
PepsiCo Inc. - January 2005 @ \$53		(285)	(17,996)	(11,647)
SBC Communications Inc. - January 2005 @ \$26		(325)	(9,603)	(4,577)
Schlumberger Limited - January 2005 @ \$67		(370)	(63,992)	(13,792)
Texas Instruments Incorporated - January 2005 @ \$24		(624)	(58,384)	(61,605)
The Allstate Corporation - January 2005 @ \$51		(610)	(51,817)	(53,205)
The Home Depot, Inc. - January 2005 @ \$43		(450)	(45,481)	(23,285)
Verizon Communications Inc. - January 2005 @ \$41		(315)	(22,282)	(828)
Viacom Inc., Class B - January 2005 @ \$37		(430)	(33,490)	(39,777)
Wal-Mart Stores, Inc. - January 2005 @ \$53		(510)	(61,676)	(79,900)
Total Written Covered Call Options	(0.7)%		(790,262)	(580,748)
TOTAL OPTIONS	(0.7)%		\$ (790,262)	\$ (580,748)
TOTAL INVESTMENTS	100.0 %		\$ 99,423,177	\$ 87,698,184

1. Establishment of the Fund

First Premium U.S. Income Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on January 22, 1997. The Fund began operations on February 4, 1997 and will terminate on January 1, 2007 and its net 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.

The Fund operates under the registered name Mulvihill Premium U.S. Fund.

2. Investment Objectives of the Fund

The Fund achieves its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the Standard & Poor's 100 Index on the basis of market capitalization. The securities comprising the portfolio may also include installment receipts for common shares and securities convertible into or exchangeable for common shares.

To generate additional returns above the dividend income earned on the portfolio, the Fund may from time to time, write covered call and put options in respect of all or some of the securities in the portfolio. 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 portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States or short-term commercial paper with a minimum specified credit rating.

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, 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 last published sale price if this is between

the last recorded bid price (the price someone is willing to pay) and the last recorded asked price (the price at which someone is willing to sell). If the last published sale price is not between the bid and the asked price, the bid or the asked price is used, whichever is nearer the last published sale price.

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

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

The value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract was to be closed out.

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 investments.

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.

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.

Generally Accepted Accounting Principles

The Canadian Institute of Chartered Accountants ("CICA") issued Section 1100, "Generally Accepted Accounting Principles ("GAAP")", which describes what constitutes GAAP and its sources. Since Section 1100 applies for fiscal years beginning on or after October 1, 2003, certain disclosures previously considered GAAP by virtue of general use in the investment funds industry, are no longer considered GAAP. This section primarily impacts the presentation of financial highlights and net income per unit. These disclosures have no impact on the valuation of the Fund or in the calculation of the net asset value per unit of the Fund.

4. 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 voting 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. Fractional units are not entitled to voting privileges.

Units may be surrendered at any time for redemption but will be redeemed only on the monthly valuation date. Unitholders whose units are redeemed on a December 31 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) \$1.00. 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 year:

	2004	2003
Units outstanding, beginning of year	9,408,604	10,841,735
Units redeemed	(1,393,669)	(1,433,131)
Units outstanding, end of year	8,014,935	9,408,604

Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 937,180 units, 10% of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of April 27, 2005 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2004, no units have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: Mulvihill Premium U.S. Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

Net Asset Value

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 divided by the number of units then outstanding. The following are the net asset values of a unit at December 31 for the most recent five-year period.

	2004	2003	2002	2001	2000
	\$ 12.34	\$ 14.27	\$ 14.38	\$ 19.67	\$ 21.91

On December 31, 2004 units on the TSX closed at \$11.71 (2003 - \$13.70).

5. Management Fees, Expenses and Management Expense Ratios

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 fees are payable at annual rates of 0.10 percent and 1.65 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

Management Expense Ratio

The management expense ratio is the ratio of all fees and expenses charged to the Fund to average net assets. The following are the management expense ratios for the years ended December 31 for the most recent five years:

	2004	2003	2002	2001	2000
	1.99%	1.98%	1.99%	1.99%	1.96%

6. Distributions

Distributions per unit paid during the year were allocated as follows:

	2004	2003
Non-taxable distributions	\$ 1.60	\$ 1.40

The Fund endeavours to make quarterly distributions of net income and net realized capital gains to unitholders on the last day of March, June, September and December in each year. Unitholders may elect to reinvest distributions received from the Fund in additional units.

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

7. 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 to unitholders 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 2004 or 2003.

Accumulated non-capital losses of approximately \$9.8 million (2003 - \$5.9 million) and capital losses of approximately \$45.7 million (2003 - \$44.8 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 2015 and capital losses can be carried forward indefinitely.

8. Commission Charges

Total commissions paid in 2004 in connection with portfolio transactions were \$219,171 (2003 - \$229,585).

9. Financial Instruments and Risk Management

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

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.

10. 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
		For the year ended December 31, 2004	
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 21.52	\$ 19.65
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 20.03	\$ 18.36
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 19.93	\$ 15.56
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 18.25 USD	\$ 13.60 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 10.03/\$ 17.49	\$ 8.98/\$ 12.00
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 22.25	\$ 18.55
Mulvihill Premium U.S. Fund	FPU.UN	\$ 16.00	\$ 10.10
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 10.85	\$ 9.18
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 23.00	\$ 18.35
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 14.24	\$ 11.50
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 13.75/\$ 17.12	\$ 11.23/\$ 15.65
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 12.30/\$ 16.75	\$ 9.15/\$ 15.43
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 1.90/\$ 12.60	\$ 0.32/\$ 11.00
Mulvihill World Financial Split Fund	WFS/WFS.PR.A	\$ 15.00/\$ 11.09	\$ 10.83/\$ 10.00
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.20	\$ 3.08

Mulvihill Premium U.S. Fund [FPU.UN]

Board of Advisors

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.

Information

Auditors:

Deloitte & Touche LLP
BCE Place
181 Bay Street, Suite 1400
Toronto, Ontario M5J 2V1

Transfer Agent:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

Shares Listed:

Toronto Stock Exchange
trading under FPU.UN

Trustee:

Royal Trust
Royal Trust Tower
77 King Street West, 11th Floor
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 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
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 World Financial Split Fund

Mulvihill Summit

Mulvihill Summit Digital World 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

Head Office:

Mulvihill Capital Management Inc.
121 King St. W., Suite 2600
Toronto ON
M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: hybrid@mulvihill.com

Contact your broker directly for address changes.





www.mulvihill.com

Mulvihill Structured Products

Investor Relations

121 King St. W., Suite 2600

Toronto ON

M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: hybrid@mulvihill.com

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