

# FIRST PREMIUM U.S. INCOME TRUST

## *SEMI-ANNUAL REPORT 1998*

*For the six months ended  
June 30, 1998*



FIRST PREMIUM  
U.S. INCOME  
TRUST

## ***To Unitholders of First Premium U.S. Income Trust:***

*The investment objective of the Trust is to pay unitholders \$2 per unit per annum or 8% based on its original issue price of \$25.*

*The Trust's investment strategy is to invest in blue chip U.S. equities and enhance their income through covered call option writing. The eligible investment universe of this Trust consists of the top 50 stocks (ranked by market capitalization) of the Standard & Poor's 100 Index.*

*Net assets of the Trust on June 30, 1998 were \$332.25 million, net of distributions, an increase of \$11.55 million or 3.6% from December 31, 1997. Distributions to unitholders during the six-month period ending June 30, 1998 were \$1.25 per unit, comprised of the regular distribution amount of \$1.00 and a special distribution of \$0.25 per unit.*

# FIRST PREMIUM U.S. INCOME TRUST

## Statement of Investments

As at June 30, 1998 (Unaudited)

	Par Value / No. of shares	Cost	Market Value
<b>U.S. Equities</b>			
AT & T Corp.	70,000	\$ 6,550,192	\$ 5,880,601
American International Group, Inc.	36,000	6,737,587	7,729,525
BankAmerica Corp.	80,000	9,408,195	10,169,267
Bell Atlantic Corp.	50,000	3,226,717	3,354,829
Boeing Co.	85,000	6,485,170	5,570,394
Bristol-Meyers Squibb Co.	20,000	3,022,038	3,380,564
Chrysler Corp.	125,000	9,212,890	10,363,204
Cisco Systems Inc.	122,500	11,681,197	16,585,033
Walt Disney Co.	70,000	10,838,997	10,815,416
Merck & Co. Inc.	20,000	3,663,566	3,933,881
Monsanto Co.	104,000	6,947,566	8,545,714
Northern Telecom Ltd.	102,500	9,313,574	8,554,354
E. I. du Pont de Nemours & Co.	70,000	8,042,147	7,682,098
Southern Co.	150,000	5,469,305	6,107,627
Wal-Mart Stores Inc.	105,000	8,049,899	9,380,653
Ford Motor Co.	200,000	14,546,444	17,353,196
General Electric Co.	99,000	11,578,048	13,248,724
H. J. Heinz Co.	37,500	3,103,157	3,095,174
Hewlett-Packard Co.	25,000	2,149,153	2,201,319
Intel Corp.	35,000	4,434,205	3,815,313
McDonald's Corp.	90,000	8,259,460	9,132,487
Microsoft Corp.	25,000	3,188,137	3,984,434
NationsBank Corp.	60,000	6,411,384	6,750,099
Pharmacia & Upjohn, Inc.	160,000	9,497,412	10,853,101
Schlumberger Ltd.	55,000	6,999,787	5,525,357
United Tech.s Corp.	47,500	6,399,752	6,461,492
Xerox Corp.	32,500	5,174,843	4,857,149
		<u>190,390,822</u>	<u>205,331,005</u>
<b>Short-term Notes - Domestic</b>			
Canada Treasury	5,200,000	5,153,668	5,175,472
Royal Bank of Canada	45,000,000	44,439,750	44,467,200
CIBC	59,900,000	59,400,434	59,400,434
		<u>108,993,852</u>	<u>109,043,106</u>
<b>Short-term Notes - U.S. Dollar Denominated</b>			
Canadian Wheat Board	8,080,000	11,676,025	11,771,257
Export Development Corp.	6,950,000	10,063,968	10,217,497
		<u>21,739,993</u>	<u>21,988,754</u>
<b>Contracts</b>			
Covered Calls	(5,300)	(1,437,374)	(2,508,677)
Forward Exchange Contract	47,609,100		(894,793)
		<u>(1,437,374)</u>	<u>(3,403,470)</u>
<b>Total Investments</b>		<u><b>\$ 319,687,293</b></u>	<u><b>\$ 332,959,395</b></u>

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## Interim Statement of Operations

*For the six months ended June 30, 1998 (Unaudited)*

### Income

Dividends	\$ 1,590,536
Interest	5,413,737
	<u>7,004,273</u>

### Expenses

Management fees	2,853,872
Custodian and other fees	100,982
Withholding tax	232,450
Goods & services tax	206,840
	<u>3,394,144</u>

**Net investment income** 3,610,129

Gain on sale of investments 26,957,491

Change in unrealized appreciation of investments (2,422,944)

**Net gain on investments** 24,534,547

**Total results from financial operations** \$ 28,144,676

**Total results from financial operations per Unit** \$ 2.20

## Interim Statement of Changes in Net Assets

*for the six months ended June 30, 1998 (Unaudited)*

**Net assets, beginning of period** \$ 320,704,267

**Amount paid for units redeemed** (627,675)

**Total results from financial operations** 28,144,676

### Distributions to Unitholders

From net investment income (3,610,129)

From net realized gain on sale of investments (12,356,502)

(15,966,631)

Increase in net assets for the period 11,550,370

**Net assets, end of period** \$ 332,254,637

**Net asset value per Unit** \$ 26.05

### Distribution per Unit

From net investment income \$ 0.28

From net realized gain on sale of investments 0.97

**Total Distribution per unit** \$ 1.25

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## **Year 2000**

In conducting its business, the Trust utilizes the computer information systems of third party service providers, including Mulvihill Capital Management Inc. (MCM), the Custodian and Transfer Agent. The Trust is currently reviewing the potential Year 2000 readiness issues of its third party service providers and will determine what action, if any, is required. MCM has advised the Trust that it has put in place a Year 2000 plan in an effort to ensure that its information systems are Year 2000 compliant. It has also made enquiries of the Custodian and Transfer Agent in order to assess the status of their information systems with respect to Year 2000 readiness issues. There can be no assurance, however, that the Trust's third party service providers have, or will have, information systems that are Year 2000 compliant. In addition, there is no assurance that the corporations that are included in the Trust's Universe will be Year 2000 compliant. If any such corporations are not Year 2000 compliant, the NAV could be adversely affected.

## **Statement of Portfolio Transactions**

A copy of the Statement of Portfolio Transactions (unaudited) for First Premium U.S. Income Trust for the period ended June 30, 1998 may be obtained without charge by writing to:

First Premium U.S. Income Trust  
Investor Relations  
121 King Street West  
Suite 2600  
Toronto, Ontario  
M5H 3T9

**FIRST PREMIUM  
U.S. INCOME  
TRUST**

*Managed by:*



MULVIHILL

CAPITAL MANAGEMENT INC.

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