

# Semi-Annual Report 1999

*For the six months ended June 30, 1999*



**First Premium**

**U.S. Income Trust**

*Mulvihill Capital Management Inc.*

TO UNITHOLDERS OF  
FIRST PREMIUM U.S. INCOME TRUST:

The investment objectives of the Trust are to pay unitholders quarterly distributions of at least \$0.50 (\$2.00 annually) per unit while returning, at a minimum, the original issue price of \$25.00 to unitholders upon termination of the Trust.

The Trust's investment strategy is to invest in blue chip U.S. equities and enhance 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, 1999 were \$319.74 million or \$26.95 per unit, an increase of 3.2% from the December 31, 1998 net asset value of \$26.11. Distributions to unitholders during the six-month period ended June 30, 1999 were \$1.50 per unit, comprised of the regular distribution of \$1.00 and a special distribution of \$0.50 per unit.

INTERIM STATEMENTS  
OF FINANCIAL OPERATIONS

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

|  | 1999              | 1998              |
|--|-------------------|-------------------|
| <b>I n c o m e</b>   |                   |                   |
| Dividends  | \$ 1,275,608      | \$ 1,590,536      |
| Interest   | 181,806           | 5,413,737         |
|  | <u>1,457,414</u>  | <u>7,004,273</u>  |
| <b>E x p e n s e s</b>   |                   |                   |
| Management fees  | 2,765,362         | 2,853,872         |
| Goods and services tax   | 201,541           | 206,840           |
| Withholding tax  | 187,807           | 232,450           |
| Custodian and other expenses   | 113,793           | 100,982           |
|  | <u>3,268,503</u>  | <u>3,394,144</u>  |
| Net Investment (Loss) Income   | (1,811,089)       | 3,610,129         |
| Gain on Sale of Investments,<br>Options and Forward Contracts  | 30,844,473        | 26,957,491        |
| Change in Unrealized<br>Appreciation of Investments  | (1,239,048)       | (2,422,944)       |
| Net Gain on Investments  | <u>29,605,425</u> | <u>24,534,547</u> |
| Total Results of<br>Financial Operations   | \$ 27,794,336     | \$ 28,144,676     |
| Net Investment (Loss) Income Per Unit  | \$ ( 0.1522)      | \$ 0.2826         |
| Net Gain on Investments Per Unit   | 2.4878            | 1.9208            |
| Total Results of Financial<br>Operations Per Unit<br>(based on the weighted average<br>number of units outstanding<br>during the period of<br>11,900,057; 1998 - 12,773,372) | <u>\$ 2.3356</u>  | <u>\$ 2.2034</u>  |

INTERIM STATEMENTS OF  
CHANGES IN NET ASSETS

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

|  | 1999                | 1998                |
|--|---------------------|---------------------|
| <b>U n i t T r a n s a c t i o n s</b>                     |                     |                     |
| Amount paid for units redeemed                             | \$ (1,260,547)      | \$ (627,675)        |
| Total Results from Financial Operations                    | <u>27,794,336</u>   | <u>28,144,676</u>   |
| <b>D i s t r i b u t i o n s t o U n i t h o l d e r s</b> |                     |                     |
| From net investment income                                 | -                   | (3,610,129)         |
| From net realized gain on sale<br>of investments           | (17,842,681)        | (12,356,502)        |
|  | <u>(17,842,681)</u> | <u>(15,966,631)</u> |
| Changes in Net Assets During the Period                    | 8,691,108           | 11,550,370          |
| Net Assets, Beginning of Period                            | 311,051,388         | 320,704,267         |
| Net Assets, End of Period                                  | \$ 319,742,496      | \$ 332,254,637      |
| Net Asset Value Per Unit                                   | <u>\$ 26.9535</u>   | <u>\$ 26.0526</u>   |
| <b>D i s t r i b u t i o n P e r U n i t</b>               |                     |                     |
| From net investment income                                 | \$ -                | \$ 0.2826           |
| From net realized gain on<br>sale of investments           | 1.5000              | 0.9674              |
|  | <u>\$ 1.5000</u>    | <u>\$ 1.2500</u>    |

## STATEMENT OF INVESTMENTS

June 30, 1999 (Unaudited)

|   | <i>Par Value/<br/>Number of<br/>Shares</i> | <i>Average<br/>Cost</i> | <i>Market<br/>Value</i> |
|---|--|-------------------------|-------------------------|
| <b>Short-term Investments</b>                         |  |                         |                         |
| Canadian Imperial Bank of Commerce<br>August 12, 1999 | 27,200,000                                 | \$ 26,896,992           | \$ 26,896,992           |
| Canadian Wheat Board<br>July 26, 1999                 | 110,000                                    | 158,222                 | 161,185                 |
| Canadian Wheat Board<br>July 28, 1999                 | 1,000,000                                  | 1,467,467               | 1,473,049               |
| Export Development Corp.<br>July 14, 1999             | 14,675,000                                 | 21,247,816              | 21,539,640              |
| Government of Canada<br>July 6, 1999                  | 500,000                                    | 735,037                 | 736,735                 |
| Government of Canada<br>July 28, 1999                 | 2,200,000                                  | 3,204,939               | 3,233,395               |
| Royal Bank of Canada<br>August 16, 1999               | 15,200,000                                 | 15,029,152              | 15,029,152              |
|   |  | <u>68,739,625</u>       | <u>69,070,148</u>       |
| Accrued Interest                                      |  | -                       | 438,678                 |
| Total   |  | <u>68,739,625</u>       | <u>69,508,826</u>       |
| <b>Canadian Common Stocks</b>                         |  |                         |                         |
| <b>Industrial Products</b>                            |  |                         |                         |
| Nortel Networks Corp.                                 | 100,000                                    | 9,276,329               | 12,849,119              |
| Total   |  | <u>9,276,329</u>        | <u>12,849,119</u>       |
| <b>Foreign Common Stocks - USA</b>                    |  |                         |                         |
| <b>Energy Sources</b>                                 |  |                         |                         |
| Mobil Corp.   | 85,000                                     | 10,987,195              | 12,455,042              |
| <b>Chemicals</b>                                      |  |                         |                         |
| Du Pont E I De Nemours<br>and Co.                     | 70,000                                     | 8,042,147               | 7,077,653               |
| Monsanto Co.  | 104,000                                    | 6,947,566               | 6,070,630               |
|   |  | <u>14,989,713</u>       | <u>13,148,283</u>       |
| <b>Forest Products and Paper</b>                      |  |                         |                         |
| International Paper Company                           | 80,000                                     | 6,540,810               | 5,979,604               |
| <b>Metals - Steel</b>                                 |  |                         |                         |
| Alcoa Inc.  | 50,000                                     | 4,415,931               | 4,579,060               |
| <b>Aerospace and Military Technology</b>              |  |                         |                         |
| Raytheon Co. Class B                                  | 47,500                                     | 4,862,463               | 4,947,697               |
| United Techs Corp.                                    | 85,000                                     | 7,385,095               | 9,018,897               |
|   |  | <u>12,247,558</u>       | <u>13,966,594</u>       |
| <b>Data Processing and Reproduction</b>               |  |                         |                         |
| Cisco Systems Inc.                                    | 150,000                                    | 8,356,095               | 14,319,968              |
| Hewlett-Packard Co.                                   | 40,000                                     | 4,850,855               | 5,950,002               |
| International Business<br>Machines Corp.              | 40,000                                     | 6,989,367               | 7,652,117               |

## STATEMENT OF INVESTMENTS

*(Continued)*

|   | <i>Number of<br/>Shares</i> | <i>Average<br/>Cost</i> | <i>Market<br/>Value</i> |
|---|-----------------------------|-------------------------|-------------------------|
| <b>Data Processing and Reproduction (Continued)</b> |                             |                         |                         |
| Microsoft Corp.                                     | 90,000                      | 10,450,619              | 12,013,787              |
| Oracle Corporation                                  | 135,000                     | 7,117,798               | 7,418,076               |
| Xerox Corp.   | 34,900                      | 2,796,202               | 3,050,902               |
|   |                             | <hr/>                   | <hr/>                   |
|   |                             | 40,560,936              | 50,404,852              |
| <b>Electrical and Electronics</b>                   |                             |                         |                         |
| General Electric Co.                                | 75,000                      | 10,979,254              | 12,543,848              |
| <b>Electronic Components and Instruments</b>        |                             |                         |                         |
| Intel Corp.   | 110,000                     | 9,925,334               | 9,687,255               |
| Texas Instruments Inc.                              | 27,300                      | 4,225,050               | 5,858,976               |
|   |                             | <hr/>                   | <hr/>                   |
|   |                             | 14,150,384              | 15,546,231              |
| <b>Energy Equipment and Services</b>                |                             |                         |                         |
| Schlumberger Ltd.                                   | 70,000                      | 8,347,291               | 6,598,471               |
| <b>Automobiles</b>                                  |                             |                         |                         |
| Ford Motor Company                                  | 95,000                      | 7,761,608               | 7,935,649               |
| <b>Food and Household Products</b>                  |                             |                         |                         |
| McDonalds Corporation                               | 20,000                      | 1,051,920               | 1,222,933               |
| <b>Health and Personal Care</b>                     |                             |                         |                         |
| Bristol-Myers Squibb Co.                            | 120,000                     | 10,662,271              | 12,510,546              |
| Pharmacia and Upjohn Inc.                           | 100,000                     | 7,485,398               | 8,408,818               |
|   |                             | <hr/>                   | <hr/>                   |
|   |                             | 18,147,669              | 20,919,364              |
| <b>Leisure and Tourism</b>                          |                             |                         |                         |
| Walt Disney   | 120,000                     | 6,193,713               | 5,472,670               |
| <b>Merchandising</b>                                |                             |                         |                         |
| Wal-Mart Stores                                     | 150,000                     | 9,019,896               | 10,712,224              |
| <b>Telecommunications</b>                           |                             |                         |                         |
| AT&T Corp.  | 138,750                     | 9,813,021               | 11,461,872              |
| Bell Atlantic Corp.                                 | 50,000                      | 3,226,717               | 4,838,077               |
| MCI Worldcom Inc.                                   | 87,073                      | 6,831,836               | 11,115,620              |
|   |                             | <hr/>                   | <hr/>                   |
|   |                             | 19,871,574              | 27,415,569              |
| <b>Banking</b>                                      |                             |                         |                         |
| Bank of America Corp.                               | 160,528                     | 18,375,466              | 17,418,867              |
| <b>Financial Services</b>                           |                             |                         |                         |
| Citigroup Inc.                                      | 112,500                     | 8,328,358               | 7,909,285               |
| <b>Insurance</b>                                    |                             |                         |                         |
| American International<br>Group Inc.                | 50,000                      | 8,186,456               | 8,663,211               |
| Total   |                             | <hr/>                   | <hr/>                   |
|   |                             | 220,155,732             | 242,891,757             |

## STATEMENT OF INVESTMENTS

*(Continued)*

|  | <i>Number of<br/>Contracts</i> | <i>Average<br/>Cost</i> | <i>Market<br/>Value</i> |
|--|--------------------------------|-------------------------|-------------------------|
| Written Call Options<br><i>(100 shares per contract)</i> |                                |                         |                         |
| Alcoa Inc.   |                                |                         |                         |
| October 99 @ \$70  | (200)                          | (113,154)               | (81,406)                |
| American International Group Inc.                        |                                |                         |                         |
| August 99 @ \$125  | (250)                          | (189,732)               | (120,258)               |
| AT&T Corp. - July 99 @ \$60                              | (350)                          | (93,840)                | (12,951)                |
| BankAmerica Corp.  |                                |                         |                         |
| August 99 @ \$80   | (400)                          | (211,020)               | (77,705)                |
| Bristol-Myers Squibb Co.                                 |                                |                         |                         |
| August 1999 @ \$70                                       | (300)                          | (141,509)               | (149,860)               |
| Cisco Systems Inc.                                       |                                |                         |                         |
| July 1999 @ \$63   | (500)                          | (222,139)               | (240,516)               |
| Citigroup Inc.   |                                |                         |                         |
| September 1999 @ \$50                                    | (500)                          | (142,289)               | (185,013)               |
| Du Pont E I De Nemours and Co.                           |                                |                         |                         |
| October 1999 @ \$80                                      | (200)                          | (59,311)                | (37,003)                |
| Ford Motor Company                                       |                                |                         |                         |
| September 1999 @ \$60                                    | (250)                          | (78,983)                | (74,005)                |
| General Electric Co.                                     |                                |                         |                         |
| September 1999 @ \$110                                   | (250)                          | (149,371)               | (259,018)               |
| Hewlett-Packard Co.                                      |                                |                         |                         |
| August 1999 @ \$90                                       | (200)                          | (172,529)               | (355,224)               |
| Intel Corp.  |                                |                         |                         |
| August 1999 @ \$60                                       | (300)                          | (97,798)                | (83,256)                |
| Intel Corp. - July 1999 @ \$70                           | (250)                          | (74,896)                | (6,938)                 |
| International Business Machines Corp.                    |                                |                         |                         |
| October 1999 @ \$125                                     | (200)                          | (199,909)               | (444,030)               |
| International Paper Company                              |                                |                         |                         |
| July 1999 @ \$60   | (400)                          | (129,540)               | (7,401)                 |
| Microsoft Corp.  |                                |                         |                         |
| July 1999 @ \$90   | (300)                          | (193,955)               | (122,108)               |
| Mobil Corp.  |                                |                         |                         |
| September 1999 @ \$110                                   | (250)                          | (80,613)                | (27,752)                |
| Monsanto Co.   |                                |                         |                         |
| July 1999 @ \$50   | (250)                          | (81,932)                | (4,625)                 |
| Nortel Networks Corp.                                    |                                |                         |                         |
| September 1999 @ \$85                                    | (250)                          | (224,668)               | (277,519)               |
| Oracle Corporation                                       |                                |                         |                         |
| September 1999 @ \$35                                    | (1,350)                        | (716,184)               | (974,091)               |
| Pharmacia & Upjohn Inc.                                  |                                |                         |                         |
| July 1999 @ \$60   | (250)                          | (100,010)               | (148,010)               |
| Pharmacia & Upjohn Inc.                                  |                                |                         |                         |
| August 1999 @ \$55                                       | (250)                          | (105,459)               | (9,251)                 |
| Raytheon Co.   |                                |                         |                         |
| August 1999 @ \$70                                       | (150)                          | (76,641)                | (80,480)                |
| Raytheon Co.   |                                |                         |                         |
| November 1999 @ \$75                                     | (125)                          | (63,867)                | (69,380)                |
| Texas Instruments Inc.                                   |                                |                         |                         |
| July 1999 @ \$110  | (173)                          | (183,732)               | (784,175)               |
| United Techs Corp.                                       |                                |                         |                         |
| August 1999 @ \$70                                       | (425)                          | (136,829)               | (251,617)               |
| Wal Mart Stores  |                                |                         |                         |
| September 1999 @ \$47                                    | (500)                          | (156,666)               | (240,516)               |
| Total  |                                | (4,196,576)             | (5,124,108)             |
| Total Investments  |                                | \$ 293,975,110          | \$ 320,125,594          |

## Y E A R 2 0 0 0

In conducting its business, the Trust utilizes the computer information systems of third party service providers, including Mulvihill Capital Management Inc. ("MCM"), Mulvihill Fund Services Inc. ("Mulvihill"), the Custodian and the 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 and Mulvihill have advised the Trust that they have put in place a Year 2000 plan in an effort to ensure that their information systems are Year 2000 compliant by the end of September, 1999. None of the expenditures for the Year 2000 readiness plan will be borne by the Trust.

They have 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 portfolio of investments will be Year 2000 compliant. If any such corporations are not Year 2000 compliant, the net asset value of the Trust could be adversely affected.

## S T A T E M E N T O F P O R T F O L I O T R A N S A C T I O N S

A copy of the Statement of Portfolio Transactions (unaudited) for First Premium U.S. Income Trust for the period ended June 30, 1999 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

OTHER FUNDS MANAGED BY  
MULVIHILL CAPITAL MANAGEMENT INC.

First Premium Income Trust

First Premium Oil & Gas Income Trust

Global Telecom Split Share Corp.

MCM Split Share Corp.

Premium Income Corporation

Sixty Plus Income Trust



## **First Premium U.S. Income Trust**

**Managed by:**

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