



Mulvihill

Hybrid Income Funds



Semi-Annual Report 2004

Mulvihill Premium *U.S. Fund*

First Premium U.S. Income Trust

Mulvihill Premium U.S. Fund

Message to Unitholders

As of June 30, 2004, the net assets of the Fund were \$128.8 million, or \$13.69 per unit, down from \$14.27 per unit, at the end of 2003. The Fund's units, listed on the Toronto Stock Exchange as FPU.UN, closed on June 30 trading at \$13.28 per unit.

A total of \$0.80 per unit was distributed to unitholders during the six-month period ending June 30, 2004, in the form of two regular quarterly payments. The Fund has sufficient capital loss carryforward amounts to shelter realized gains in the current period and provide capital loss carryforwards for future periods. As a result, distributions in the current period were non-taxable and will reduce each unitholders cost base.

As the year began, the Fund was aggressively positioned to take advantage of rising markets. However, by the end of the first quarter the upward trend began to wane, and as of June 30, the broad-based S&P 500 Index was up only 3.4 percent on the year to date. Returns were unevenly distributed across sectors; energy stocks were the star performers, while technology stocks lost the impetus they had six months ago. The Fund's emphasis has now been shifted to a more neutral stance, with a larger cash reserve and a selective increase in overwritten positions. Market volatility remains low, but the downward market trend is slowing.

The U.S. dollar has been attempting to recover some lost ground since the beginning of the year, but so far it has only regained about three percent of its 20 percent slide versus the Canadian dollar last year. The Fund continues to hold a well-diversified portfolio of large-cap U.S. stocks, and is continuing to generate profits from option writing.

We would like to take this opportunity to thank each of the Fund's unitholders for their continuing support.

August 2004

Mulvihill Premium U.S. Fund

Management's Responsibility for Financial Reporting

This report has been prepared in accordance with the Accounting Standards Board guidelines.

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 semi-annual report are the responsibility of the management of Mulvihill Capital Management Inc., (the "Manager"), and have been approved 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 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.

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
President
Mulvihill Capital Management Inc.



David N. Middleton
CFO
Mulvihill Capital Management Inc.

August 2004

Mulvihill Premium U. S. Fund

Financial Statements

Interim Statements of Net Assets

June 30, 2004 (Unaudited) and December 31, 2003 (Audited)

	2004	2003
ASSETS		
Investments at market value (average cost - \$85,655,092; 2003 - \$146,733,763)	\$ 76,886,661	\$ 132,494,737
Short-term investments (average cost - \$51,443,286; 2003 - \$13,618,808)	50,657,577	13,509,426
Cash	1,401,533	38,689
Interest receivable	51,555	14,000
Dividends receivable	90,231	134,948
Due from brokers	134,476	120,746
TOTAL ASSETS	129,222,033	146,312,546
LIABILITIES		
Due to brokers	234,645	2,760,126
Accrued liabilities	213,444	244,540
Redemptions payable	5,258	9,032,818
TOTAL LIABILITIES	453,347	12,037,484
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 128,768,686	\$ 134,275,062
Number of Units Outstanding	9,402,704	9,408,604
Net Asset Value per Unit	\$ 13.6949	\$ 14.2715

Mulvihill Premium U. S. Fund

Financial Statements

Interim Statements of Financial Operations

For the six months ended June 30 (Unaudited)

	2004	2003
REVENUE		
Dividends	\$ 723,738	\$ 881,379
Interest, net of foreign exchange	1,024,619	(668,642)
Withholding taxes	(101,868)	(126,422)
TOTAL REVENUE	1,646,489	86,315
EXPENSES		
Management fees	1,169,961	1,280,076
Custodian and other expenses	111,327	135,512
Goods and services tax	89,429	98,376
TOTAL EXPENSES	1,370,717	1,513,964
Net Investment Income (Loss)	275,772	(1,427,649)
Loss on sale of investments and options	(2,973,272)	(5,879,931)
Change in unrealized appreciation/ depreciation of investments, options and foreign currency	4,796,130	8,716,401
Net Gain on Investments	1,822,858	2,836,470
TOTAL RESULTS OF FINANCIAL OPERATIONS	\$ 2,098,630	\$ 1,408,821
Net Investment Income (Loss) per Unit	\$ 0.0293	\$ (0.1341)
Net Gain on Investment per Unit	0.1938	0.2665
TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 9,407,879; 2003 - 10,644,644	\$ 0.2231	\$ 0.1324

Financial Statements

Interim Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2004	2003
NET ASSETS, BEGINNING OF PERIOD	\$ 134,275,062	\$ 155,883,110
Total Results of Financial Operations	2,098,630	1,408,821
Unit Transactions		
Amount paid for units redeemed	(80,323)	(8,546,712)
Distributions to Unitholders		
Non-taxable distribution	(7,524,683)	(6,286,969)
Changes in Net Assets during the Period	(5,506,376)	(13,424,860)
NET ASSETS, END OF PERIOD	\$ 128,768,686	\$ 142,458,250
Net Asset Value per Unit	\$ 13.6949	\$ 13.9510
Distribution per Unit		
Non-taxable distribution	\$ 0.8000	\$ 0.6000

Statement of Investments

June 30, 2004 (Unaudited)

	Par Value	Average Cost	Market Value
SHORT-TERM INVESTMENTS			
Treasury Bills			
Government of Canada, USD			
- September 17, 2004	1,900,000	\$ 2,589,780	\$ 2,538,564
Discount Commercial Paper			
Export Development Corporation, USD			
- July 26, 2004	7,525,000	10,211,085	10,067,874
Export Development Corporation, USD			
- August 3, 2004	2,350,000	3,153,603	3,147,050
Export Development Corporation, USD			
- August 26, 2004	4,600,000	6,231,484	6,153,055
Export Development Corporation, USD			
- September 10, 2004	1,700,000	2,308,859	2,272,919
Province of British Columbia, USD			
- July 8, 2004	5,000,000	6,746,511	6,689,616
Province of Ontario, USD			
- July 13, 2004	900,000	1,225,394	1,205,531
Province of Ontario, USD			
- August 31, 2004	13,900,000	18,976,570	18,582,968
Total Discount Commercial Paper		48,853,506	48,119,013
		51,443,286	50,657,577
Accrued Interest			51,555
TOTAL SHORT-TERM INVESTMENTS		\$51,443,286	\$ 50,709,132

Mulvihill Premium U. S. Fund

Financial Statements

Statement of Investments (continued)

June 30, 2004 (Unaudited)

	Number of Shares	Average Cost	Market Value
INVESTMENTS			
United States Common Shares			
Consumer Discretionary			
Clear Channel Communications, Inc.	51,000	\$ 3,044,146	\$ 2,526,580
Viacom Inc., Class B	58,500	3,107,215	2,801,663
Wal-Mart Stores, Inc.	51,000	4,027,478	3,607,642
Total Consumer Discretionary		10,178,839	8,935,885
Consumer Staples			
PepsiCo Inc.	57,000	4,046,169	4,117,664
Procter & Gamble Co.	37,800	2,572,299	2,759,043
Total Consumer Staples		6,618,468	6,876,707
Energy			
Exxon Mobil Corporation	71,000	4,511,763	4,227,539
Financials			
American Express Company	65,500	4,331,221	4,512,154
American International Group Inc.	20,800	2,132,324	1,987,831
Citigroup Inc.	74,000	5,006,431	4,613,528
Merrill Lynch & Co.	48,000	3,518,161	3,473,943
Morgan Stanley	55,000	3,781,256	3,891,332
Total Financials		18,769,393	18,478,788
Health Care			
Merck & Co. Inc.	42,500	3,293,995	2,706,643
Medtronic Inc.	60,000	4,162,227	3,919,287
Pfizer Inc.	118,500	7,099,123	5,446,377
Total Health Care		14,555,345	12,072,307
Industrials			
General Electric Company	88,500	5,930,416	3,844,473
Information Technology			
Cisco Systems Inc.	85,000	2,882,606	2,700,945
Honeywell International Inc.	50,000	2,532,701	2,455,588
IBM Corporation	29,500	4,213,249	3,486,526
Microsoft Corporation	125,000	7,068,166	4,786,485
Texas Instruments Incorporated	78,200	2,112,326	2,535,196
Total Information Technology		18,809,048	15,964,740
Materials			
The Dow Chemical Company	48,000	2,706,188	2,619,293
Total United States Common Shares		\$ 82,079,460	\$ 73,019,732
Non-North American Common Shares			
Energy			
Schlumberger Limited ADR	43,000	\$ 4,628,913	\$ 3,661,500
Total Non-North American Common Shares		\$ 4,628,913	\$ 3,661,500

Financial Statements

Statement of Investments (continued)

June 30, 2004 (Unaudited)

	Market Value
INVESTMENTS (continued)	
Forward Exchange Contracts	
Sold USD \$5,254,000, Bought CAD \$6,889,950 @ 0.762560 - July 7, 2004	\$ (155,401)
Sold USD \$5,294,000, Bought CAD \$7,126,799 @ 0.742830 - July 14, 2004	26,858
Sold USD \$1,194,000, Bought CAD \$1,622,812 @ 0.735760 - July 21, 2004	21,267
Sold USD \$1,864,000, Bought CAD \$2,569,900 @ 0.725320 - July 21, 2004	69,665
Sold USD \$4,294,000, Bought CAD \$5,896,084 @ 0.728280 - August 4, 2004	135,032
Sold USD \$4,262,500, Bought CAD \$5,886,293 @ 0.724140 - August 18, 2004	166,505
Sold USD \$9,406,000, Bought CAD \$12,831,846 @ 0.733020 - September 2, 2004	207,868
Sold USD \$7,953,000, Bought CAD \$10,855,411 @ 0.732630 - September 15, 2004	179,957
Total Forward Exchange Contracts	\$ 651,751

	Number of Contracts	Proceeds	Market Value
OPTIONS			
Written Cash Covered Put Options (100 shares per contract)			
Procter & Gamble Co. - July 2004 @ \$54	(210)	\$ (10,842)	\$ (7,890)
Tyco International Ltd. - July 2004 @ \$31	(700)	(71,327)	(8,028)
U.S. Bancorp - July 2004 @ \$28	(1,015)	(78,046)	(92,151)
Total Written Cash Covered Put Options		(160,215)	(108,069)

Written Covered Call Options (100 shares per contract)			
American Express Company - July 2004 @ \$52	(437)	(30,467)	(13,050)
American International Group Inc. - July 2004 @ \$73	(156)	(25,782)	(4,004)
Cisco Systems Inc. - July 2004 @ \$24	(850)	(53,810)	(40,726)
Citigroup Inc. - July 2004 @ \$48	(370)	(37,605)	(1,383)
Clear Channel Communications, Inc. - July 2004 @ \$38	(255)	(27,903)	(3,963)
Exxon Mobil Corporation - July 2004 @ \$45	(532)	(35,389)	(39,161)
General Electric Company - July 2004 @ \$33	(885)	(53,610)	(15,244)
Honeywell International Inc. - July 2004 @ \$38	(500)	(36,092)	(5,408)
IBM Corporation - July 2004 @ \$92	(295)	(40,498)	(351)

Mulvihill Premium U. S. Fund

Financial Statements

Statement of Investments (continued)

June 30, 2004 (Unaudited)

	Number of Contracts	Proceeds	Market Value
INVESTMENTS (continued)			
OPTIONS (continued)			
Written Covered Call Options (100 shares per contract) (continued)			
Medtronic Inc.			
- July 2004 @ \$50	(450)	(45,498)	(35,009)
Merck & Co. Inc.			
- July 2004 @ \$49	(425)	(22,073)	(14,025)
Merrill Lynch & Co.			
- July 2004 @ \$57	(480)	(66,968)	(1,812)
Microsoft Corporation			
- July 2004 @ \$29	(1,250)	(68,200)	(56,932)
Morgan Stanley			
- July 2004 @ \$54	(385)	(42,345)	(13,286)
PepsiCo Inc.			
- July 2004 @ \$56	(428)	(40,394)	(8,286)
Pfizer Inc.			
- July 2004 @ \$37	(1,185)	(52,930)	-
Schlumberger Limited ADR			
- July 2004 @ \$65	(320)	(50,198)	(50,756)
Texas Instruments Incorporated			
- July 2004 @ \$26	(782)	(74,705)	(89)
The Dow Chemical Company			
- July 2004 @ \$40	(240)	(16,196)	(27,712)
Viacom Inc., Class B			
- July 2004 @ \$37	(292)	(27,347)	(7,056)
Wal-Mart Stores, Inc.			
- July 2004 @ \$58	(510)	(45,056)	-
Total Written Covered Call Options		(893,066)	(338,253)
TOTAL OPTIONS		\$ (1,053,281)	\$ (446,322)
TOTAL INVESTMENTS		\$85,655,092	\$76,886,661

1. Basis of Presentation

The interim financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting standards (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2003.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2003.

2. Normal Course Issuer Bid

The Toronto Stock Exchange recently accepted a normal course issuer bid filed by the Fund. 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 purchases would be made in the open market through facilities 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 June 30, 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 the address below (on next page).

3. 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:

	2003	2002	2001	2000	1999
Management expense ratio	1.98%	1.99%	1.99%	1.96%	1.96%

Mulvihill Premium U. S. Fund

Notes to Financial Statements

June 30, 2004

4. Generally Accepted Accounting Principles

The Canadian Institute of Chartered Accountants ("CICA") issued Section 1100, "Generally Accepted Accounting Principles ("GAAP")" of the CICA Handbook - Accounting, which establishes standards for financial reporting. Section 1100 applies to all entities, with the exception of rate-regulated operations, for fiscal years beginning on or after October 1, 2003. As a result, 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 disclosure of an investment fund's financial statements, and accordingly, has no impact on the valuation of a fund or in the calculation of the net asset value per unit of a fund. The Funds, in conjunction with other investment industry funds, continue to assess the impact of Section 1100 on their financial statements.

Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Mulvihill Premium U.S. Fund for the period ended June 30, 2004 may be obtained without charge by writing to the Fund at 121 King St. W., Suite 2600, Toronto ON M5H 3T9.

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 *Canadian Bank Fund*

Mulvihill Premium *Global Plus Fund*

Mulvihill Premium *Split Share Fund*

Mulvihill Premium *Global Telecom Fund*

Mulvihill *World Financial Split Corp.*

Mulvihill Summit

Mulvihill Summit *Digital World Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*

Mulvihill Canadian *Bond Fund*

Mulvihill Canadian *Equity Fund*

Mulvihill Global *Equity Fund*

Mulvihill U.S. *Equity Fund*

Premium *Global Income Fund*

Premium *Canadian Income Fund*

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Mulvihill

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Mulvihill Structured Products

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