



Mulvihill

Hybrid Income Funds



Semi-Annual Report 2005

**Mulvihill Premium *U.S. Fund***

First Premium U.S. Income Trust



## Mulvihill Premium U.S. Fund

### Message to Unitholders

As of June 30, 2005, the net assets of the Fund were \$87.1 million, or \$11.24 per unit, compared to net assets of \$98.9 million, or \$12.34 per unit, at the end of 2004. The Fund's units, listed on the Toronto Stock Exchange as FPU.UN, reached a high of \$12.25 during the period, but closed on June 30 trading at \$10.82, compared to \$11.71 at the end of last year.

During the first two quarters, unitholders received distributions totalling \$0.80 per unit. 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.

Equity markets rose to new four-year highs early in 2005, but retreated again by the end of the second quarter. Under conditions of orderly growth and economic stability, market volatility has continued to decline, and the downward trend is still evident. Consequently, the Fund's option writing activities have been reduced, and its invested position has been increased to take advantage of rising markets. To offset the risk of added equity exposure the Fund purchased protective puts to mitigate the potential impact of a severe market decline as well as to take advantage of the low cost of this protection.

Strong earnings have boosted energy stocks, causing that sector to record a gain of more than 18 percent in the U.S. However, the broad-based S&P 100 index was down nearly one percent for the first half of 2005 when translated into Canadian dollar terms.

The Fund continues to hold a diverse portfolio of U.S. stocks, including overweight positions in the consumer products, financial and technology sectors. A portion of this U.S.-dollar exposure continues to be hedged against fluctuations in the exchange rate for Canadian dollars. The Fund has also begun hedging a portion of the portfolio against negative market moves by purchasing index put options.

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

August 2005

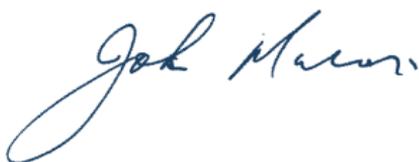
## Management's Responsibility for Financial Reporting

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 semi-annual report are the responsibility of the management of Mulvihill Fund Services 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  
Director  
Mulvihill Fund Services Inc.



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.

August 2005

Financial Statements

Interim Statements of Net Assets

June 30, 2005 (Unaudited) and December 31, 2004 (Audited)

	2005	2004
<b>ASSETS</b>		
Investments at market value (cost - \$73,702,807; 2004 - \$99,423,177)	<b>\$ 65,667,251</b>	\$ 87,698,184
Short-term investments (cost - \$27,424,337; 2004 - \$25,593,533)	<b>26,910,048</b>	25,201,613
Cash	<b>85,059</b>	84,723
Dividends receivable	<b>43,616</b>	80,367
Interest receivable	<b>64,707</b>	29,064
Due from brokers	<b>7,427,417</b>	3,115,351
<b>TOTAL ASSETS</b>	<b>100,198,098</b>	<b>116,209,302</b>
<b>LIABILITIES</b>		
Due to brokers	<b>12,531,528</b>	33,100
Redemptions payable	<b>427,995</b>	17,075,571
Accrued liabilities	<b>170,681</b>	197,234
<b>TOTAL LIABILITIES</b>	<b>13,130,204</b>	<b>17,305,905</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 87,067,894</b>	<b>\$ 98,903,397</b>
<b>Number of Units Outstanding</b>	<b>7,745,454</b>	<b>8,014,935</b>
<b>Net Asset Value per Unit</b>	<b>\$ 11.2412</b>	<b>\$ 12.3399</b>

## Mulvihill Premium U.S. Fund

### Financial Statements

#### Interim Statements of Financial Operations

For the six months ended June 30 (Unaudited)

	2005	2004
<b>REVENUE</b>		
Dividends	\$ 684,352	\$ 723,738
Interest, net of foreign exchange	382,737	1,024,619
Withholding taxes	(98,531)	(101,868)
<b>TOTAL REVENUE</b>	<b>968,558</b>	<b>1,646,489</b>
<b>EXPENSES</b>		
Management fees	819,077	1,169,961
Custodian and other expenses	122,368	111,327
Goods and services tax	65,139	89,429
<b>TOTAL EXPENSES</b>	<b>1,006,584</b>	<b>1,370,717</b>
<b>Net Investment Income (Loss)</b>	<b>(38,026)</b>	<b>275,772</b>
Loss on sale of investments	(6,006,808)	(2,973,272)
Change in unrealized depreciation of investments	3,570,775	4,796,130
<b>Net Gain (Loss) on Investments</b>	<b>(2,436,033)</b>	<b>1,822,858</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS</b>	<b>\$ (2,474,059)</b>	<b>\$ 2,098,630</b>
<b>TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the period of 8,015,509; 2004 - 9,407,879)	<b>\$ (0.3087)</b>	<b>\$ 0.2231</b>

Financial Statements

Interim Statements of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2005	2004
NET ASSETS, BEGINNING OF PERIOD	\$ 98,903,397	\$ 134,275,062
Total Results of Financial Operations	(2,474,059)	2,098,630
<b>Unit Transactions</b>		
Amount paid for units redeemed	(3,050,495)	(80,323)
<b>Distributions to Unitholders</b>		
Non-taxable distributions	(6,310,949)	(7,524,683)
Changes in Net Assets during the Period	(11,835,503)	(5,506,376)
NET ASSETS, END OF PERIOD	\$ 87,067,894	\$ 128,768,686
Net Asset Value per Unit	\$ 11.2412	\$ 13.6949
<b>Distribution per Unit</b>		
Non-taxable distributions	\$ 0.8000	\$ 0.8000

Interim Statements of Loss on Sale of Investments

For the six months ended June 30 (Unaudited)

	2005	2004
Proceeds from Sale of Investments	\$ 67,640,824	\$ 75,340,373
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of period	99,423,177	146,733,763
Cost of investments purchased	47,927,262	17,234,974
	147,350,439	163,968,737
Cost of Investments, End of Period	(73,702,807)	(85,655,092)
	73,647,632	78,313,645
LOSS ON SALE OF INVESTMENTS	\$ (6,006,808)	\$ (2,973,272)

# Mulvihill Premium U.S. Fund

## Financial Statements

### Statement of Investments

June 30, 2005 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Market Value
<b>SHORT-TERM INVESTMENTS</b>			
<b>Treasury Bills</b>			
Government of Canada - September 22, 2005	250,000	\$ 248,588	\$ 248,588
<b>Discount Commercial Paper</b>			
Business Development Corporation, USD - September 20, 2005	2,500,000	3,073,358	3,035,942
Canadian Wheat Board, USD - August 10, 2005	1,050,000	1,302,167	1,276,266
Canadian Wheat Board, USD - August 23, 2005	2,170,000	2,720,007	2,636,287
Export Development Corporation, USD - August 30, 2005	6,550,000	8,192,938	7,955,313
Export Development Corporation, USD - September 8, 2005	2,525,000	3,095,622	3,071,514
Export Development Corporation, USD - September 9, 2005	3,100,000	3,823,971	3,765,707
Export Development Corporation, USD - September 12, 2005	2,325,000	2,856,817	2,825,675
Export Development Corporation, USD - September 19, 2005	1,250,000	1,527,793	1,518,736
<b>Total Discount Commercial Paper</b>		<b>26,592,673</b>	<b>26,085,440</b>
<b>Promissory Note</b>			
Province of British Columbia, USD - August 8, 2005	475,000	583,076	576,020
		<b>27,424,337</b>	<b>26,910,048</b>
<b>Accrued Interest</b>			<b>64,707</b>
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>\$27,424,337</b>	<b>\$ 26,974,755</b>

### INVESTMENTS

#### United States Common Shares

##### Consumer Discretionary

Clear Channel Communications, Inc.	51,000	\$ 3,044,146	\$ 1,932,036
The Home Depot, Inc.	45,000	2,274,051	2,144,012
Viacom Inc., Class B	86,100	4,334,594	3,376,677
Wal-Mart Stores, Inc.	51,000	3,722,158	3,010,803

##### Total Consumer Discretionary

**13,374,949      10,463,528**

##### Consumer Staples

PepsiCo Inc.	40,000	2,888,790	2,642,138
Procter & Gamble Co.	58,800	4,046,287	3,798,961

##### Total Consumer Staples

**6,935,077      6,441,099**

##### Energy

Exxon Mobil Corporation	57,500	4,084,243	4,047,381
Schlumberger Limited	22,000	2,077,088	2,046,248

##### Total Energy

**6,161,331      6,093,629**

Financial Statements

Statement of Investments (continued)

June 30, 2005 (Unaudited)

	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)			
<b>United States Common Shares (continued)</b>			
<b>Financials</b>			
Citigroup Inc.	40,500	2,740,006	2,293,211
Merrill Lynch & Co.	48,000	3,518,161	3,234,059
Morgan Stanley	50,000	3,401,021	3,213,262
Wells Fargo & Company	31,000	2,347,022	2,338,118
<b>Total Financials</b>		<b>12,006,210</b>	<b>11,078,650</b>
<b>Health Care</b>			
Amgen Inc.	37,500	2,922,645	2,776,927
Johnson & Johnson	33,000	2,741,736	2,627,196
Medtronic Inc.	60,000	4,162,227	3,805,943
Pfizer Inc.	78,000	2,808,859	2,634,838
<b>Total Health Care</b>		<b>12,635,467</b>	<b>11,844,904</b>
<b>Information Technology</b>			
Cisco Systems Inc.	105,000	2,518,887	2,457,622
Hewlett-Packard Company	83,000	2,451,806	2,389,989
Honeywell International Inc.	56,000	2,762,033	2,512,407
Intel Corporation	100,000	3,222,155	3,191,828
Microsoft Corporation	106,000	5,993,805	3,224,947
Oracle Corporation	145,000	2,253,110	2,344,267
<b>Total Information Technology</b>		<b>19,201,796</b>	<b>16,121,060</b>
<b>Telecommunication Services</b>			
SBC Communications Inc.	65,000	1,969,520	1,890,785
Verizon Communications Inc.	41,000	1,997,094	1,734,990
<b>Total Telecommunication Services</b>		<b>3,966,614</b>	<b>3,625,775</b>
<b>Total United States Common Shares</b>		<b>\$ 74,281,444</b>	<b>\$65,668,645</b>

**Forward Exchange Contracts**

Sold USD \$4,364,000, Bought CAD \$5,441,329 @ 0.802010 - July 6, 2005	\$	97,023
Sold USD \$2,900,000, Bought CAD \$3,595,695 @ 0.806520 - July 13, 2005		44,820
Sold USD \$3,756,000, Bought CAD \$4,745,120 @ 0.791550 - July 20, 2005		146,856
Sold USD \$5,857,000, Bought CAD \$7,367,666 @ 0.794960 - July 27, 2005		198,405
Sold USD \$2,880,000, Bought CAD \$3,585,881 @ 0.803150 - August 10, 2005		61,867
Sold USD \$4,360,000, Bought CAD \$5,429,233 @ 0.803060 - August 17, 2005		95,247
Sold USD \$5,097,000, Bought CAD \$6,287,159 @ 0.810700 - September 1, 2005		54,050
Sold USD \$6,741,000, Bought CAD \$8,236,703 @ 0.818410 - September 14, 2005		(4,028)
<b>Total Forward Exchange Contracts</b>	<b>\$</b>	<b>694,240</b>

## Mulvihill Premium U.S. Fund

### Financial Statements

#### Statement of Investments (continued)

June 30, 2005 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Market Value
INVESTMENTS (continued)			
OPTIONS			
<b>Purchased Put Options</b> (100 shares per contract)			
The Standard & Poor's 100 Index - July 2005 @ \$550	12,094	\$ 121,033	\$ 37,681
The Standard & Poor's 100 Index - August 2005 @ \$524	6,070	62,294	1,885
The Standard & Poor's 100 Index - September 2005 @ \$529	5,903	58,091	6,952
The Standard & Poor's 100 Index - September 2005 @ \$540	38,000	240,473	111,972
<b>Total Purchased Put Options</b>		<b>481,891</b>	<b>158,490</b>
<b>Written Cash Covered Put Options</b> (100 shares per contract)			
American Express Company - August 2005 @ \$53	(400)	(42,432)	(29,292)
Bank of America Corporation - July 2005 @ \$46	(500)	(27,036)	(55,175)
General Electric Company - July 2005 @ \$36	(820)	(73,017)	(171,961)
The Allstate Corporation - August 2005 @ \$60	(280)	(23,459)	(20,337)
<b>Total Written Cash Covered Put Options</b>		<b>(165,944)</b>	<b>(276,765)</b>
<b>Written Covered Call Options</b> (100 shares per contract)			
Amgen Inc. - July 2005 @ \$62	(260)	(26,804)	(3,019)
Cisco Systems Inc. - August 2005 @ \$20	(1,050)	(66,964)	(31,252)
Citigroup Inc. - July 2005 @ \$48	(160)	(14,668)	(28)
Citigroup Inc. - August 2005 @ \$48	(144)	(7,846)	(903)
Clear Channel Communications, Inc. - July 2005 @ \$31	(510)	(25,648)	(11,542)
Exxon Mobil Corporation - August 2005 @ \$58	(470)	(79,441)	(66,016)
Hewlett-Packard Company - July 2005 @ \$24	(830)	(47,335)	(32,826)
Honeywell International Inc. - August 2005 @ \$39	(560)	(60,043)	(18,906)
Intel Corporation - August 2005 @ \$27	(1,000)	(67,666)	(53,339)
Johnson & Johnson - July 2005 @ \$67	(200)	(15,049)	(1,528)
Medtronic Inc. - August 2005 @ \$53	(600)	(76,913)	(24,562)
Merrill Lynch & Co. - July 2005 @ \$56	(360)	(33,252)	(16,995)
Morgan Stanley - July 2005 @ \$52	(250)	(32,057)	(38,918)
Oracle Corporation - August 2005 @ \$13	(1,450)	(53,518)	(120,808)
PepsiCo Inc. - August 2005 @ \$56	(400)	(33,962)	(6,782)
Pfizer Inc. - July 2005 @ \$29	(700)	(37,975)	(4,450)
Procter & Gamble Co. - July 2005 @ \$55	(588)	(38,954)	(2,964)
Schlumberger Limited - August 2005 @ \$78	(220)	(60,628)	(34,566)
The Home Depot, Inc. - July 2005 @ \$38	(450)	(66,078)	(75,548)
Verizon Communications Inc. - July 2005 @ \$35	(410)	(12,907)	(2,302)
Wal-Mart Stores, Inc. - July 2005 @ \$49	(350)	(19,410)	(13,477)
Wells Fargo & Company - August 2005 @ \$62	(310)	(17,466)	(16,628)
<b>Total Written Covered Call Options</b>		<b>(894,584)</b>	<b>(577,359)</b>
<b>TOTAL OPTIONS</b>		<b>\$ (578,637)</b>	<b>\$ (695,634)</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 73,702,807</b>	<b>\$ 65,667,251</b>

## 1. Basis of Presentation

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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, 2004.

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, 2004, except for new policies adopted for purchased put option transactions. These new policies are as follows:

### Investment Transactions and Income

Realized gains and losses relating to purchased put options may arise from:

- (i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid;
- (ii) Settlement of purchased put options whereby realized gains are equivalent to the difference between the exercise price of the option less the premium paid; and
- (iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

## 2. Normal Course Issuer Bid

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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 792,671 units, 10 percent 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, 2006 or until the Fund has purchased the maximum number of units permitted under the bid. As at June 30, 2005, no units have been purchased by the Fund.

## **Mulvihill Premium U.S. Fund**

### **Notes to Financial Statements**

June 30, 2005

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: 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

### **Statement of Portfolio Transactions**

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A copy of the Statement of Portfolio Transactions (unaudited) for Mulvihill Premium U.S. Fund for the period ended June 30, 2005 may be obtained without charge by writing to the Fund at 121 King St. W., Suite 2600, Toronto, Ontario M5H 3T9.



## Mulvihill Premium *US. Fund*

### Hybrid Income Funds

#### Managed by Mulvihill Structured Products

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#### 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 Fund*

#### Mulvihill Summit

Mulvihill Summit *Digital World Fund*

### Mutual Funds Managed by Mulvihill Capital Management

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Mulvihill Canadian *Money Market Fund*

Mulvihill Canadian *Bond Fund*

Mulvihill Global *Equity Fund*

Premium *Global Income Fund*

### Head Office

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